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Jiumaojiu International Holdings Limited

九毛九国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9922)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Jiumaojiu International Holdings Limited (九毛九国际控股有限公司) (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended June 30, 2021, together with comparative figures for the six months ended June 30, 2020.

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

KEY FINANCIAL HIGHLIGHTS

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	2,021,485	949,507
Store level operating profit ⁽¹⁾	404,762	23,448
Profit/(loss) before taxation	276,755	(128,858)
Profit/(loss) for the period	205,158	(88,696)
Profit/(loss) for the period attributable to equity shareholders of the Company	186,038	(85,902)
Adjusted net profit/(loss) ⁽²⁾	<u>208,352</u>	<u>(114,840)</u>

Notes:

- (1) We define store level operating profit as revenue for the period deducting the following expenses at store level: (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, (vii) advertising and promotion expenses and (viii) 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 six months ended June 30, 2020 accordingly.

- (2) We define adjusted net profit/(loss) as profit/(loss) for the period 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.

KEY OPERATIONAL HIGHLIGHTS

	As of/for the six months ended June 30,	
	2021	2020
Number of restaurants⁽¹⁾	419	321
Seat turnover rate⁽²⁾		
Jiu Mao Jiu	1.8	1.3
Tai Er	3.7	3.4
Average spending per customer (RMB)⁽³⁾		
Jiu Mao Jiu	59	61
Tai Er	79	77

Notes:

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

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

BUSINESS REVIEW AND OUTLOOK

Overview

In the first half of 2021, we adhered to our multi-brand and multi-concept strategy and explored new business opportunities, aiming to further expand our market share and maintain our market position as a leading Chinese cuisine restaurant brand manager and operator in the People's Republic of China (“**PRC**”). We accelerated the expansion of our restaurant network when the operation of our existing restaurants recovered from the outbreak of the novel coronavirus COVID-19 (the “**Pandemic**”). As of June 30, 2021, we operated 393 restaurants and managed 26 franchised restaurants, covering 70 cities in the PRC, and one city in Canada.

Despite the continuing impact of the Pandemic, we successfully turned loss to profit in the first half of 2021. Our revenue increased by 112.9% from RMB949.5 million for the six months ended June 30, 2020 to RMB2,021.5 million for the six months ended June 30, 2021, and we recorded profit for the period of RMB205.2 million for the six months ended June 30, 2021, compared with a loss of RMB88.7 million for the corresponding period in 2020, primarily due to (i) the continuous restaurant network expansion of Tai Er with the number of restaurants increased from 161 as of June 30, 2020 to 286 as of June 30, 2021, and (ii) the increase in total restaurant operation days for the six months ended June 30, 2021 compared with that of the corresponding period in 2020, as a result of the recovery of the Group's operation from the Pandemic.

The Impact of the Pandemic

The business operation of most of our existing restaurants recovered from the Pandemic in the first half of 2021. However, due to the regional outbreaks of COVID-19 in Guangdong province, the operation or dine-in services of certain of our restaurants were temporarily suspended from late May to June 2021. All of these restaurants had resumed operation by early July 2021. The estimated loss of revenue resulted from the temporary suspension of our restaurant operations or dine-in services in the first half of 2021 amounted to approximately RMB50.9 million.

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. Despite the impact of the Pandemic outlined above, we generated profit of RMB205.2 million in the first half of 2021 as compared to a loss of RMB88.7 million for the same period in 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 continuously affect 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 relevant 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.”

2021 Interim Business and Financial Performance Review

Restaurant network

In the first half of 2021, we opened 58 new restaurants, which comprise one Jiu Mao Jiu restaurant, 55 Tai Er restaurants, one Song Chongqing Hot Pot Factory restaurant and one franchised Double Eggs restaurant. We also closed 13 of our self-operated restaurants in the same period, primarily due to (i) the termination of the relevant lease agreements and (ii) their underperformance based on our evaluation.

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

	As of June 30,	
	2021	2020
Number of restaurants		
Jiu Mao Jiu	91	105
Tai Er	286	161
Double Eggs (self-operated)	11	20
Double Eggs (franchised)	26	33
Song (cold pot skewers)	1	1
Song Chongqing Hot Pot Factory	3	–
Uncle Chef	1	1
Total	419	321

Restaurant performance

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

	For the six months ended	
	June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Revenue (RMB'000)		
Jiu Mao Jiu	380,112	258,332
Tai Er	1,600,495	670,482
Double Eggs (self-operated)	6,612	5,634
Double Eggs (franchised) ⁽¹⁾	10,105	7,012
Song (cold pot skewers)	1,083	1,098
Song Chongqing Hot Pot Factory	17,498	–
Uncle Chef	5,869	2,855
Seat turnover rate⁽²⁾		
Jiu Mao Jiu	1.8	1.3
Tai Er	3.7	3.4
Double Eggs (self-operated)	–	–
Double Eggs (franchised) ⁽¹⁾	–	–
Song (cold pot skewers)	1.8	2.0
Song Chongqing Hot Pot Factory	2.2	–
Uncle Chef	1.6	1.0
Average spending per customer⁽³⁾ (RMB)		
Jiu Mao Jiu	59	61
Tai Er	79	77
Double Eggs (self-operated)	22	22
Double Eggs (franchised) ⁽¹⁾	23	23
Song (cold pot skewers)	55	59
Song Chongqing Hot Pot Factory	125	–
Uncle Chef	144	139

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 period. Seat turnover rate does not apply to Double Eggs.
- (3) Calculated by dividing revenue for the period by total customer traffic for the period.

Restaurant performance of most of our brands improved significantly due to the recovery of the operation of our restaurants from the Pandemic. Notably, revenue from our Tai Er restaurants increased by 138.7% from RMB670.5 million for the six months ended June 30, 2020 to RMB1,600.5 million for the same period in 2021, which was a result of our rapid Tai Er restaurant network expansion in the last twelve months.

Outlook

We remain fully devoted to providing a 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 the PRC 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 relation to 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 will continue to explore other business opportunities in the future. 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. We consider that 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 expansion in the near future. 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. For details, please refer to the announcements of the Company dated March 22, 2021 and April 13, 2021. 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.*** We have expanded Tai Er's restaurant network overseas. 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 countries with a large population of Chinese people, such as Singapore, the United States and Canada, for our future expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 112.9% from RMB949.5 million for the six months ended June 30, 2020 to RMB2,021.5 million for the same period in 2021.

Revenue by brand

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

	For the six months ended June 30,			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Jiu Mao Jiu	381,687	18.9	266,828	28.1
Tai Er	1,602,726	79.3	671,718	70.7
Others	37,072	1.8	10,961	1.2
Total.	<u>2,021,485</u>	<u>100.0</u>	<u>949,507</u>	<u>100.0</u>

Our revenue from Jiu Mao Jiu increased by 43.0% from RMB266.8 million for the six months ended June 30, 2020 to RMB381.7 million for the same period in 2021, primarily due to the recovery of the operation of our Jiu Mao Jiu restaurants from the Pandemic. Our revenue from Jiu Mao Jiu as a percentage of total revenue decreased from 28.1% for the six months ended June 30, 2020 to 18.9% for the same period in 2021, primarily due to the closures of Jiu Mao Jiu restaurants and the restaurant network expansion of our other brands in the first half of 2021.

Our revenue from Tai Er increased by 138.6% from RMB671.7 million for the six months ended June 30, 2020 to RMB1,602.7 million for the same period in 2021, primarily due to (i) a significant increase in the number of Tai Er restaurants from 161 as of June 30, 2020 to 286 as of June 30, 2021 and (ii) the recovery of the operation of our existing Tai Er restaurants from the Pandemic. Our revenue from Tai Er as a percentage of total revenue increased from 70.7% for the six months ended June 30, 2020 to 79.3% for the same period in 2021, primarily due to the increase in the number of Tai Er restaurants during the period.

Our revenue from other brands increased by 238.2% from RMB11.0 million for the six months ended June 30, 2020 to RMB37.1 million for the same period in 2021, primarily due to the recovery of the operation from the Pandemic and the increase in revenue from Song Chongqing Hot Pot Factory. As a result, revenue from other brands as a percentage of total revenue increased from 1.2% for the six months ended June 30, 2020 to 1.8% for the same period in 2021.

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 periods indicated:

	For the six months ended June 30,			
	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Restaurant operations	1,703,797	84.3	717,510	75.6
Delivery business	302,489	15.0	219,778	23.1
Sales of specialities	5,408	0.3	1,273	0.1
Others	9,791	0.4	10,946	1.2
Total	<u>2,021,485</u>	<u>100.0</u>	<u>949,507</u>	<u>100.0</u>

Revenue from restaurant operations increased by 137.5% from RMB717.5 million for the six months ended June 30, 2020 to RMB1,703.8 million for the same period in 2021, primarily due to the recovery of our restaurant operations from the Pandemic as well as our expanded restaurant network. As a result, revenue from restaurant operations as a percentage of total revenue increased from 75.6% for the six months ended June 30, 2020 to 84.3% for the same period in 2021.

Revenue from delivery business increased by 37.6% from RMB219.8 million for the six months ended June 30, 2020 to RMB302.5 million for the same period in 2021, primarily due to the increase in the number of our restaurants which also offer delivery services. Revenue from our delivery business as a percentage of total revenue decreased from 23.1% for the six months ended June 30, 2020 to 15.0% for the same period in 2021, primarily due to the recovery of our restaurant operations from the Pandemic.

Revenue from sales of specialties increased by 324.8% from RMB1.3 million for the six months ended June 30, 2020 to RMB5.4 million for the same period in 2021, primarily due to our continued development of the Tai Er brand's specialties products. Revenue from sales of specialties as a percentage of total revenue remained relatively stable at 0.1% for the six months ended June 30, 2020 and 0.3% for the same period in 2021, respectively.

Revenue from others decreased by 10.6% from RMB10.9 million for the six months ended June 30, 2020 to RMB9.8 million for the same period in 2021, primarily due to a decrease in the number of our franchised Double Eggs restaurants from 33 as of June 30, 2020 to 26 as of June 30, 2021, resulting in a decrease in revenue generated from our franchised Double Eggs restaurants. Revenue from others as a percentage of total revenue decreased from 1.2% for the six months ended June 30, 2020 to 0.4% for the same period in 2021.

Other Revenue

Our other revenue increased by 9.9% from RMB27.1 million for the six months ended June 30, 2020 to RMB29.8 million for the same period in 2021, primarily due to (i) an increase in income of RMB10.0 million from value-added tax super deduction and exemption granted by the government authorities in the PRC, partially offset by (ii) a decrease in interest income of RMB13.3 million attributable to the decreased balance of our bank deposits and the decline of deposit interest rate.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 101.9% from RMB372.1 million for the six months ended June 30, 2020 to RMB751.2 million for the same period in 2021 as a result of the expansion of our restaurant network. Our raw materials and consumables used as a percentage of revenue decreased from 39.2% for the six months ended June 30, 2020 to 37.2% for the same period in 2021, primarily because we have secured lower costs of procurement of key raw materials, namely bass and sauerkraut.

Staff Costs

Our staff costs increased by 54.7% from RMB327.3 million for the six months ended June 30, 2020 to RMB506.4 million for the same period in 2021, primarily due to an increase in the number of our employees as we recruited new employees for the newly opened restaurants in the first half of 2021. Our staff costs as a percentage of revenue decreased from 34.5% for the six months ended June 30, 2020 to 25.1% for the same period in 2021, primarily due to the recovery of our restaurant operations from the Pandemic.

Depreciation of Right-of-use Assets

Depreciation of right-of-use assets increased by 41.0% from RMB114.4 million for the six months ended June 30, 2020 to RMB161.4 million for the same period in 2021, primarily due to the increase in the number of our restaurants. Depreciation of right-of-use assets as a percentage of revenue decreased from 12.1% for the six months ended June 30, 2020 to 8.0% for the same period in 2021, primarily due to the recovery of our restaurant operations from the Pandemic.

Other Rentals and Related Expenses

Our other rentals and related expenses increased by 260.8% from RMB14.0 million for the six months ended June 30, 2020 to RMB50.4 million for the same period in 2021, primarily due to the increase in variable rent payment as a result of the recovery of our restaurant operations from the Pandemic and the expansion of our restaurant network. Our other rentals and related expenses as a percentage of revenue increased from 1.5% for the six months ended June 30, 2020 to 2.5% for the same period in 2021, primarily due to the decrease in COVID-19 related rent concessions during the six months ended June 30, 2021.

Depreciation and Amortization of Other Assets

Depreciation and amortization of other assets increased by 38.0% from RMB51.3 million for the six months ended June 30, 2020 to RMB70.8 million for the same period in 2021, primarily due to an increase in restaurant renovation costs along with our restaurant network expansion. Depreciation and amortization of other assets as a percentage of revenue decreased from 5.4% for the six months ended June 30, 2020 to 3.5% for the same period in 2021, primarily due to the recovery of our restaurant operations from the Pandemic.

Utilities Expenses

Our utilities expenses increased by 71.2% from RMB37.7 million for the six months ended June 30, 2020 to RMB64.5 million for the same period in 2021, primarily due to the recovery of our restaurant operations from the Pandemic. Our utilities expenses as a percentage of revenue decreased slightly from 4.0% for the six months ended June 30, 2020 to 3.2% for the six months ended June 30, 2021, primarily because revenue contribution from Tai Er restaurants continued to grow in the first half of 2021 and Tai Er restaurants incurred lower utilities expenses compared with our other brands.

Travelling and Related Expenses

Our travelling and related expenses increased by 64.9% from RMB6.1 million for the six months ended June 30, 2020 to RMB10.0 million for the same period in 2021, primarily because our staff travelled more in the first half of 2021 as our operation resumed from the Pandemic and opened more restaurants nationwide. Our travelling and related expenses as a percentage of revenue remained relatively stable at 0.6% and 0.5% for the six months ended June 30, 2020 and 2021, respectively.

Listing Expenses

We recorded no listing expense for the six months ended June 30, 2021 in relation to the global offering of the Company's shares (the "**Shares**") in connection with the listing of the Shares (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Global Offering**"), while we incurred listing expenses of RMB7.3 million (equivalent to approximately HKD8.3 million), representing 0.8% of our revenue for the six months ended June 30, 2020.

Advertising and Promotion Expenses

Our advertising and promotion expenses increased by 53.3% from RMB10.9 million for the six months ended June 30, 2020 to RMB16.8 million for the same period in 2021 in line with our business expansion. Our advertising and promotion expenses as a percentage of revenue decreased from 1.2% for the six months ended June 30, 2020 to 0.8% for the six months ended June 30, 2021, primarily due to the recovery of our restaurant operations from the Pandemic.

Other Expenses

Our other expenses increased by 18.2% from RMB91.3 million for the six months ended June 30, 2020 to RMB107.9 million for the same period in 2021, primarily due to an increase in transportation and related expenses of RMB14.2 million as a result of our business expansion.

Share of Profits/(Losses) of Associates

We incurred share of losses of associates of RMB7.6 million for the six months ended June 30, 2020, while recognized share of profits of associates of RMB1.3 million for the same period in 2021, primarily due to the gains of our minority equity investments in associates.

Other Net Income/(Losses)

We incurred other net losses of RMB39.4 million for the six months ended June 30, 2020, while we recognized other net income of RMB0.1 million for the six months ended June 30, 2021, primarily due to a decrease in losses on restaurant closures, net of RMB25.8 million.

Finance Costs

Our finance costs increased by 8.1% from RMB33.8 million for the six months ended June 30, 2020 to RMB36.5 million for the same period in 2021, primarily due to an increase in interest on lease liabilities of RMB3.1 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

We incurred income tax expenses of RMB71.6 million for the six months ended June 30, 2021. We recognized income tax credit of RMB40.2 million for the six months ended June 30, 2020, primarily because we recorded a loss before taxation in the first half of 2020 due to the adverse impact of the Pandemic on our operation.

Profit/(Loss) for the Period

As a result of the foregoing, we recognized a profit for the period of RMB205.2 million for the six months ended June 30, 2021, compared to a loss for the period of RMB88.7 million for the six months ended June 30, 2020.

Non-IFRS Measures

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

Store Level Operating Profit and Store Level Operating Profit Margin

We believe that store level operating profit helps shareholders and investors better understand our multi-brand and multi-concept strategy by directly illustrating the profitability of our different brands at store level, and that it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry.

We define store level operating profit as revenue deducting the following expenses at store level: (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, (vii) advertising and promotion expenses and (viii) other expenses. The following table illustrates our store level operating profit and store level operating profit margin by brands for the periods indicated:

	For the six months ended June 30,			
	2021		2020	
	Store Level Store Level Operating Profit RMB'000 (Unaudited)	Operating Profit Margin (%)	Store Level Store Level Operating Profit RMB'000 (Unaudited)	Operating Profit Margin (%)
Jiu Mao Jiu	29,627	7.8%	(40,016)	(17.2%)
Tai Er	375,445	23.4%	75,626	11.3%
Other Brands	(310)	(0.8%)	(6,162)	(56.2%)
Total	404,762	20.0%	23,448	2.5%

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

The presentation of adjusted net profit/(loss) 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/(loss) is frequently used by other interested parties when evaluating the performance of a company.

We define adjusted net profit/(loss) as profit/(loss) for the period 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 initial public offering. The following table illustrates a reconciliation from profit/(loss) for the period to adjusted net profit/(loss) for the periods indicated:

	For the six months ended	
	June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit/(loss) for the period.	205,158	(88,696)
Add:		
Equity-settled share-based payment expenses	3,194	2,961
Listing expenses	-	7,344
Less:		
Interest income on subscription monies received from initial public offering	-	(36,449)
Adjusted net profit/(loss)	208,352	(114,840)
Revenue	2,021,485	949,507
Adjusted net profit/(loss) margin (%)	10.3	(12.1)

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	As of
	June 30,	December 31,
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	
Food ingredients	33,165	26,094
Condiment product	14,360	12,828
Beverage	1,981	1,167
Other materials	14,280	11,005
Total	63,786	51,094

Our inventories increased by 24.8% from RMB51.1 million as of December 31, 2020 to RMB63.8 million as of June 30, 2021 in line with the expansion of our restaurant network.

Our inventory turnover days for the year ended December 31, 2020 and for the six months ended June 30, 2021, being the average of the beginning and ending inventories for that year/period divided by raw materials and consumables used for the same year/period and multiplied by the number of days in that year/period, was 22.0 days and 13.8 days, respectively. The decrease in our inventory turnover days was primarily due to the faster consumption of food ingredients as a result of the recovery of our restaurant operations from 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 10.3% from RMB1,216.0 million as of December 31, 2020 to RMB1,341.8 million as of June 30, 2021, 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 platforms, 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 24.1% from RMB15.1 million as of December 31, 2020 to RMB18.7 million as of June 30, 2021, primarily due to the expansion of our restaurant network. As a result, our trade debtors turnover days, being the average of the beginning and ending balances of trade debtors for that year/period divided by revenue for the same year/period and multiplied by the number of days in that year/period, decreased from 1.8 days for the year ended December 31, 2020 to 1.5 days for the six months ended June 30, 2021.

Trade Payables

Our trade payables primarily consisted of payables to our suppliers. Our trade payables remained relatively stable at RMB137.7 million as of December 31, 2020 and RMB135.1 million as of June 30, 2021, respectively. Our trade payables turnover days, being the average of the beginning and ending balances of trade payables for that year/period divided by raw materials and consumables used for the same year/period and multiplied by the number of days in that year/period, decreased from 40.9 days for the year ended December 31, 2020 to 32.7 days for the six months ended June 30, 2021, primarily because we negotiated with our suppliers for the extension of credit term for the year ended December 31, 2020 due to the Pandemic.

Capital Structure

Our total assets increased from RMB4,806.5 million as of December 31, 2020 to RMB5,212.7 million as of June 30, 2021. Our total liabilities increased from RMB1,746.0 million as of December 31, 2020 to RMB1,884.8 million as of June 30, 2021. Liabilities-to-assets ratio remained relatively stable at 36.3% as of December 31, 2020 and 36.2% as of June 30, 2021, respectively.

The current ratio, being current assets divided by current liabilities as of the respective dates, remained relatively stable at 3.82 as of December 31, 2020 and 3.70 as of June 30, 2021, respectively.

Liquidity, Capital Resources and Gearing

For the six months ended June 30, 2021, we financed our operations primarily through cash generated from operations, proceeds from the Global Offering and 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). We mainly utilized our cash on procurement of food ingredients, consumables and equipment, and restaurant renovations. Our cash and cash equivalents increased by 26.5% from RMB1,843.9 million as of December 31, 2020 to RMB2,333.4 million as of June 30, 2021, primarily attributable to cash flows generated from our business operation and the withdrawal of deposits with banks with an original maturity date of over three months.

Our gearing ratio, being interest-bearing bank loans divided by total equity as of the respective dates and multiplied by 100%, decreased from 1.4% as of December 31, 2020 to nil as of June 30, 2021.

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 131.3% from RMB69.3 million for the six months ended June 30, 2020 to RMB160.2 million for the same period in 2021.

Indebtedness

Bank Loans

We repaid all of our outstanding bank loans as of December 31, 2020 in the first half of 2021. As a result, our bank loans decreased from RMB43.0 million as of December 31, 2020 to nil as of June 30, 2021.

Lease Liabilities

Our lease liabilities increased by 10.7% from RMB1,284.2 million as of December 31, 2020 to RMB1,422.1 million as of June 30, 2021, primarily due to the increase in the number of our restaurants.

Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Pledge of Assets

As of June 30, 2021, the Group had no restricted bank deposit (as of December 31, 2020: RMB126,000 restricted for the regulatory inspection by the PRC State Administration of Foreign Exchange and RMB1,200 pledged as deposits for POS machines).

Significant Events After the Reporting Period

There are no material events subsequent to June 30, 2021 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 the PRC with most of the transactions 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

On March 22, 2021, 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-3 located at the north side of Hengli Industrial Park Feng Ma Road, Guangzhou, Guangdong Province, the PRC with a site area of 39,488 square meters (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 plot ratio of the Land is not more than 3.5 and the permitted use of the Land is industrial use. The Project is being prepared for construction as of the date of this announcement 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 announcements of the Company dated March 22, 2021 and April 13, 2021.

Except as disclosed above, during the six months ended June 30, 2021, the Group did not make 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.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2021 (for the six months ended June 30, 2020: nil).

Company Information

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

Employees

As of June 30, 2021, the Group had a total of 13,966 employees, substantially all of whom were based in the PRC.

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

No Material Change

Since the publication of our audited financial statements for the year ended December 31, 2020 on March 23, 2021, there have been no material changes to our business.

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 which have been used in accordance with the manner set out in the prospectus of the Company dated December 30, 2019 (as adjusted in the 2020 annual report of the Company). The following table sets forth the status of the use of net proceeds from the Global Offering⁽¹⁾:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering (In HKD millions)	Percentage of used amount as of August 15, 2021 (%)	Percentage of unused balance as of August 15, 2021 (%)	Timeframe for the unused balance
Expand our restaurant network	77.4	1,837.9	34.5	65.5	By the end of 2022
Open new Jiu Mao Jiu restaurants in 2020 and 2021	7.2	171.9	63.1	36.9	By the end of 2021
Open new Tai Er restaurants in 2020 and 2021	38.6	917.1	53.8	46.2	By the end of 2021
Open new restaurants of other brands in 2020 and 2021	8.1	191.1	16.8	83.2	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	51.0	49.0	By the end of 2023
Construct and establish a supply chain center in Southern China by 2023	3.2	76.4	36.8	63.2	By the end of 2023
Renovate our existing central kitchens and upgrading our equipment and facilities	2.4	57.3	69.9	30.1	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	46.5	53.5	By the end of 2023

Notes:

- The figures in the table are approximate figures.
- 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 (as defined in the announcement of the Company dated July 16, 2020 in relation to the subscription for new Shares under the general mandate):

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the Subscription <i>(In HKD millions)</i>	Percentage of used amount as of August 15, 2021 (%)	Percentage of unused balance as of August 15, 2021 (%)	Timeframe for the unused balance
Invest in suppliers for key raw material	55.0	456.5	15.2	84.8	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	68.6	31.4	By the end of 2026
Total	100.0	830.0	48.6	51.4	By the end of 2026

Note:

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 of June 30, 2021, the remaining life of the Share Option Scheme is approximately eight years and five months.

The table below sets out the details of share options granted and outstanding during the period from January 1, 2021 to June 30, 2021 under the Share Option Scheme:

Name of grantee	Outstanding as at January 1, 2021	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at June 30, 2021	Date of grant	Exercise price (HKD per Share)	Exercise period
Directors									
Li Zhuoguang	222,500	-	-	-	-	222,500	Oct 28, 2020	17.98	Oct 28, 2021 – Oct 27, 2023
Cui Longyu	222,500	-	-	-	-	222,500	Oct 28, 2020	17.98	Oct 28, 2021 – Oct 27, 2023
He Chengxiao	289,200	-	-	-	-	289,200	Oct 28, 2020	17.98	Oct 28, 2021 – Oct 27, 2023
Other employees of the Group									
26 other employees of the Group	960,400	-	-	-	-	960,400	Oct 28, 2020	17.98	Oct 28, 2021 – Oct 27, 2023
Total	<u>1,694,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,694,600</u>			

Note: The closing price of the Shares immediately before the date on which the options were granted was HKD17.34.

Subject to the vesting conditions, the share options granted on October 28, 2020 under the Share Option Scheme are vested on the date ending 12 months after October 28, 2020.

As of June 30, 2021, 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 total number of Shares in issue at that date, and the number of Shares in respect of which options may further be granted under the Share Option Scheme was 131,645,400, representing 9.06% of the total number of Shares in issue at that date.

ROUNDING

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the six months ended 30 June 2021 – unaudited**(Expressed in Renminbi)*

	Note	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	3	2,021,485	949,507
Other revenue		29,776	27,097
Raw materials and consumables used		(751,224)	(372,122)
Staff costs		(506,388)	(327,295)
Depreciation of right-of-use assets		(161,351)	(114,422)
Other rentals and related expenses		(50,399)	(13,969)
Depreciation and amortisation of other assets		(70,753)	(51,287)
Utilities expenses		(64,511)	(37,684)
Travelling and related expenses		(10,020)	(6,077)
Advertising and promotion expenses		(16,765)	(10,935)
Other expenses		(107,898)	(91,300)
Share of profits/(losses) of associates		1,282	(7,605)
Other net income/(losses)		54	(39,392)
Finance costs		(36,533)	(33,811)
Impairment losses of property, plant and equipment and right-of-use assets		–	(28,668)
Listing expenses		–	(7,344)
Interest income on subscription monies received from initial public offering (“IPO”)		–	36,449
Profit/(loss) before taxation		276,755	(128,858)
Income tax	5	(71,597)	40,162
Profit/(loss) for the period		205,158	(88,696)
Attributable to:			
Equity shareholders of the Company		186,038	(85,902)
Non-controlling interests		19,120	(2,794)
Profit/(loss) for the period		205,158	(88,696)
Earnings/(loss) per share			
Basic	6	0.13	(0.06)
Diluted	6	0.13	(0.06)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2021	2020
Note	RMB'000	RMB'000
Profit/(loss) for the period	205,158	(88,696)
Other comprehensive income for the period:		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	142,943	7,866
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities not using Renminbi (“RMB”) as functional currency	(27,552)	58,940
Other comprehensive income for the period	115,391	66,806
Total comprehensive income for the period	320,549	(21,890)
Attributable to:		
Equity shareholders of the Company	301,429	(19,096)
Non-controlling interests	19,120	(2,794)
Total comprehensive income for the period	320,549	(21,890)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited

(Expressed in Renminbi)

		At 30 June 2021	At 31 December 2020
	<i>Note</i>	<u>RMB'000</u>	<u>RMB'000</u>
Non-current assets			
Property, plant and equipment		520,470	445,031
Right-of-use assets		1,341,789	1,215,952
Intangible assets		11,115	11,914
Interest in associates		4,698	3,401
Other non-current financial assets		360,773	68,338
Deferred tax assets		85,349	86,753
Rental deposits		73,764	60,274
Other non-current assets		73,177	53,078
		<u>2,471,135</u>	<u>1,944,741</u>
Current assets			
Inventories		63,786	51,094
Trade and other receivables	7	344,410	293,274
Restricted bank deposits	8	–	127
Cash and cash equivalents	8	2,333,419	1,843,903
Deposits with banks with original maturity date over three months	8	–	673,312
		<u>2,741,615</u>	<u>2,861,710</u>
Current liabilities			
Trade and other payables	9	333,088	347,560
Contract liabilities		7,564	4,065
Lease liabilities		353,933	317,205
Bank loans		–	42,950
Current taxation		45,453	37,165
		<u>740,038</u>	<u>748,945</u>
Net current assets		<u>2,001,577</u>	<u>2,112,765</u>
Total assets less current liabilities		<u>4,472,712</u>	<u>4,057,506</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 30 June 2021 – unaudited (continued)**(Expressed in Renminbi)*

	At 30 June 2021	At 31 December 2020
<i>Note</i>	<u>RMB'000</u>	<u>RMB'000</u>
Non-current liabilities		
Lease liabilities	1,068,148	966,977
Provisions	29,215	27,050
Deferred tax liabilities	47,438	3,077
	<u>1,144,801</u>	<u>997,104</u>
NET ASSETS	<u>3,327,911</u>	<u>3,060,402</u>
CAPITAL AND RESERVES		
Share capital	<i>11(b)</i> 1	1
Reserves	<u>3,272,443</u>	<u>3,016,554</u>
Total equity attributable to equity shareholders of the Company	3,272,444	3,016,555
Non-controlling interests	<u>55,467</u>	<u>43,847</u>
TOTAL EQUITY	<u>3,327,911</u>	<u>3,060,402</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of Jiumaojiu International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 24 August 2021.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

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 IFRS are discussed below:

Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on this interim financial report as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15:		
Restaurant operations	1,703,797	717,510
Delivery business	302,489	219,778
Sales of specialities	5,408	1,273
Others	9,791	10,946
	<u>2,021,485</u>	<u>949,507</u>
Disaggregated by timing of revenue recognition		
– Point in time	2,021,249	949,112
– Over time (<i>note</i>)	236	395
	<u>2,021,485</u>	<u>949,507</u>

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

No revenue from individual customer contributing over 10% of total revenue of the Group for the six months ended 30 June 2021 and 2020.

(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 Chinese sauerkraut fish and Sichuan cuisine under Tai Er 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 investments in associates, other non-current financial assets, deferred tax assets and other head office or corporate assets. Segment liabilities include lease liabilities, provisions, trade and other payables and contract liabilities attributable to the restaurant operations activities of the individual segments and bank borrowings managed directly by the segments.

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

The measure used for reporting segment profit is "Non-GAAP Operating Profit", i.e. revenue deducting (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortisation 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 gains/(losses) on restaurants closures, impairment losses and upfront costs for opening new restaurants used by the segments in their operations.

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

For the six months ended	Jiu Mao Jiu		Tai Er		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue								
Revenue from external customers	381,687	266,828	1,602,726	671,718	37,072	10,961	2,021,485	949,507
Reportable segment profit/(loss)								
(Non-GAAP Operating Profit)	13,515	(45,174)	358,135	46,088	(2,983)	(2,160)	368,667	(1,246)
Finance costs	(6,888)	(15,035)	(28,677)	(18,219)	(968)	(557)	(36,533)	(33,811)
Gains/(losses) on restaurants closures, net	491	(26,806)	(2,971)	(1,466)	416	442	(2,064)	(27,830)
Impairment losses of property, plant and equipment and right-of-use assets	-	(20,932)	-	(4,924)	-	(2,812)	-	(28,668)
Upfront costs for opening new restaurants	(547)	(1,151)	(8,962)	(9,762)	(2,255)	-	(11,764)	(10,913)
As at 30 June/31 December								
Reportable segment assets	536,278	251,223	2,178,260	1,741,373	131,656	83,521	2,846,194	2,076,117
Reportable segment liabilities	277,600	288,945	1,829,482	1,561,147	191,703	110,945	2,298,785	1,961,037

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Reportable segment profit/(loss) (Non-GAAP Operating Profit)	368,667	(1,246)
Other revenue	29,776	27,097
Travelling and related expenses	(10,020)	(6,077)
Advertising and promotion expenses	(16,765)	(10,935)
Other expenses (other than "Transportation and related expenses")	(59,706)	(57,326)
Share of profits/(losses) of associates	1,282	(7,605)
Other net income/(losses)	54	(39,392)
Finance costs	(36,533)	(33,811)
Impairment losses of property, plant and equipment and right-of-use assets	-	(28,668)
Listing expenses	-	(7,344)
Interest income on subscription monies received from IPO	-	36,449
Consolidated profit/(loss) before taxation	276,755	(128,858)

(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 during the six months ended 30 June 2021 (during the six months ended 30 June 2020: 100%).

4 SEASONALITY OF OPERATIONS

The Group's restaurant operations business is subject to seasonal factors. Customer traffic in restaurants is usually higher during the Chinese New Year holidays, peak summer season and National Day holidays than the rest of the year. Any decrease in customer traffic in restaurants during these periods may have an adverse impact on revenue. For the twelve months ended 30 June 2021, the Group reported revenue of RMB3,786,808,000 (twelve months ended 30 June 2020: RMB2,399,656,000).

5 INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax		
Provision for the period		
– PRC income tax	70,024	7,407
– PRC withholding tax (note (v))	262	–
– Other jurisdictions	457	–
Over-provision for the PRC income tax in respect of prior years	(376)	(105)
	<u>70,367</u>	<u>7,302</u>
Deferred tax		
Origination and reversal of accumulated tax loss and temporary differences	1,230	(47,464)
	<u>71,597</u>	<u>(40,162)</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The subsidiaries in Hong Kong of the Group did not have any other assessable profits for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).
- (iii) Taxable income for the subsidiaries of the Company in the PRC are subject to PRC income tax rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%), unless otherwise specified below.

Hainan Cong Xin Catering Management Co., Ltd. (“**Hainan Cong Xin**”), Guangzhou Tai Er Catering Chain Co., Ltd. Hainan Branch, Hainan Tai Er Catering Chain Co., Ltd., Mi Liang Ren Liang (Haikou) Supply Chain Co., Ltd. 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% for the six months ended 30 June 2021.
- (iv) The Company's subsidiaries incorporated overseas, other than Hong Kong and the BVI, are subject to overseas profits tax at 3% to 27% on estimated assessable profit for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).
- (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 six months ended 30 June 2021 and 2020.

6 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company of RMB186,038,000 (six months ended 30 June 2020: loss attributable to equity shareholders of the Company of RMB85,902,000) and the weighted average of 1,453,410,000 shares (six months ended 30 June 2020: 1,344,116,000) in issue during the interim period.

	Six months ended 30 June	
	2021 shares	2020 shares
Issued shares at 1 January*	1,453,410,000	1,000,000,000
Effect of share issuance	<u>–</u>	<u>344,116,000</u>
Weighted average number of shares at 30 June	<u><u>1,453,410,000</u></u>	<u><u>1,344,116,000</u></u>

* 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) of the Company had been issued throughout 2019 and before the IPO on 15 January 2020.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the six months ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company of RMB186,038,000 and the weighted average of 1,454,046,000 shares, calculated as follows:

	Six months ended 30 June 2021 shares
Weighted average number of shares at 30 June	1,453,410,000
Effect of employees' share option scheme	<u>636,000</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u><u>1,454,046,000</u></u>

There were no diluted potential ordinary shares for the six months ended 30 June 2020, therefore, diluted loss per share are the same as the basic loss per share.

7 TRADE AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade debtors	18,721	15,089
Other receivables and deposits	168,018	126,815
Interest receivables	486	2,780
Prepayments	105,665	73,431
Amounts due from related parties	<u>51,520</u>	<u>75,159</u>
	<u><u>344,410</u></u>	<u><u>293,274</u></u>

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

Ageing analysis:

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

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 1 month	<u>18,721</u>	<u>15,089</u>

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

8 CASH AND CASH EQUIVALENTS

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Cash on hand	20	36
Cash at bank	2,333,399	2,517,306
Less: restricted bank deposits	–	(127)
Less: deposits with banks with original maturity date over three months	–	(673,312)
	<u>2,333,419</u>	<u>1,843,903</u>

Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement

9 TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Trade payables	135,116	137,731
Other payables and accrued charges	188,004	185,930
Amounts due to related parties	6,017	17,470
Dividends payable	3,951	3,880
Consideration payable for acquisition of a subsidiary	–	1,049
Consideration payable for acquisition of non-controlling interests	–	1,500
	<u>333,088</u>	<u>347,560</u>

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

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 1 year	<u>135,116</u>	<u>137,731</u>

10 EQUITY SETTLED SHARE-BASED PAYMENTS

During the six months ended 30 June 2021, the Group has the following share-based payment arrangements:

(a) Restricted Stock Units Scheme

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

As at 30 June 2021, the number of RSUs granted was 7,248,603 (31 December 2020: 8,819,603). During the six months ended 30 June 2021, 1,571,000 RSUs were vested during the six months ended 30 June 2021 (six months ended 30 June 2020: 490,526).

The Group recognised share-based expenses of RMB431,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB2,961,000).

(b) Employees' Share Option Scheme

In 2020, the Company adopted a share option scheme whereby the directors of the Company are authorised, at their discretion, to invite employees of any Company in the Group, including directors and key management personnel of the Group, to take up options at a consideration of HKD17.98 to subscribe for shares of the Company. Each option entitles the option holders to subscribe one ordinary share of the Company. The Company granted a total of 1,694,600 share options to certain directors and employees on 28 October 2020.

No options were exercised during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

The number of share options outstanding at 30 June 2021 was 1,694,600 (31 December 2020: 1,694,600). The share options outstanding at 30 June 2021 had an exercise price of HKD17.98 (31 December 2020: HKD17.98) and a weighted-average remaining contractual life of 2.3 years (31 December 2020: 2.8 years).

The Group recognised share option expenses of RMB2,763,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period (six months ended 30 June 2020: nil).

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.02 per ordinary share (six months ended 30 June 2020: nil)	24,367	–
Special dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD0.02 per ordinary share (six months ended 30 June 2020: nil)	24,367	–
	48,734	–

(b) Share capital

Issued share capital:

	Six months ended 30 June 2021		
	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 2021 and 30 June 2021	1,453,410,000	145.34	985

The ordinary shares of the Company have a par value of USD0.0000001 each.

12 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Contracted for	195,367	136,298
Authorised but not contracted for	476,464	531,093
	671,831	667,391

13 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2021.

OTHER INFORMATION

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

During the six months ended June 30, 2021 and up to the date of this announcement, 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 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 of the Company. 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 the Company has complied with all applicable code provisions as set out in the CG Code during the six months ended June 30, 2021, 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, all the Directors confirmed that they have strictly complied with the Model Code during the six months ended June 30, 2021.

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 during the six months ended June 30, 2021 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), Ms. Tang Zhihui and Ms. Zhu Rui (with Mr. Deng Tao possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls.

The members of the Audit Committee have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited interim results of the Group for the six months ended June 30, 2021.

The unaudited interim results of the Group for the six months ended June 30, 2021 have been reviewed by the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jiumaojiu.com). The interim report of the Company for the six months ended June 30, 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

APPRECIATION

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

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

Hong Kong, August 24, 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, Ms. Tang Zhihui and Ms. Zhu Rui as independent non-executive Directors.