

Yik Wo International Holdings Limited 易和國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8659



2020

INTERIM REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors (the "Directors") of Yik Wo International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.yikwo.cn.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Youjiang (*Chairman*)
Ms. Xu Liping
Mr. Zhang Yuansheng

Independent non-executive Directors

Mr. Li Danny Fui Lung
Mr. Liu Dajin
Mr. Deng Zhihuang

COMPANY SECRETARY

Mr. Yeung Tsz Kit Alban

COMPLIANCE OFFICER

Mr. Xu Youjiang

COMPLIANCE ADVISER

Grand Moore Capital Limited

AUTHORISED REPRESENTATIVES

Mr. Xu Youjiang
Mr. Yeung Tsz Kit Alban

AUDIT COMMITTEE

Mr. Li Danny Fui Lung (*Chairman*)
Mr. Liu Dajin
Mr. Deng Zhihuang

REMUNERATION COMMITTEE

Mr. Deng Zhihuang (*Chairman*)
Mr. Li Danny Fui Lung
Mr. Liu Dajin
Mr. Zhang Yuansheng

NOMINATION COMMITTEE

Mr. Liu Dajin (*Chairman*)
Mr. Deng Zhihuang
Mr. Li Danny Fui Lung
Mr. Xu Youjiang

AUDITOR

Grant Thornton Hong Kong Limited

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wukeng Industrial Zone
Longhu Town
Jinjiang City
Fujian Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 6, 3/F., Lladro Centre
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Kwun Tong
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maple Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Wan Chai
Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China
Jinjiang Longhu Branch
Baikai Jingbianzhong Complex
Fenglin Industrial Zone
Longhu Town
Jinjiang City
Fujian Province
China

WEBSITE ADDRESS

www.yikwo.cn

STOCK CODE

8659

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Company and its subsidiaries (collectively, the “Group”) is principally engaged in the design and development, manufacturing and sales of disposable plastic food storage containers in the People’s Republic of China (the “PRC”). Mr. Xu, the chairman and executive director of the Company is responsible for the overall management, strategic development and major decision-making of the Group.

The Group facilitates production of a comprehensive range of disposable plastic food storage containers, design and production of moulds, which are mainly sold to customers in the PRC, with a small portion of the sales to customers in overseas countries, including the United States, Australia, Saudi Arabia and the Republic of Trinidad and Tobago.

For the six months ended 30 June 2020, the revenue of the Group recorded an increase primarily due to the demands for the Group’s disposable plastic food storage containers having increased and remaining at a high level.

Looking forward, the Directors consider that the Group will continue to be affected by external opportunities and challenges such as the popularity of environmentally friendly disposable plastic food storage containers, advances in production technologies and competition from substitutes, such as disposable food storage containers in the market made of other materials. The Directors are of the view that maintaining product safety and focusing on environmental protection, brand promotion, expansion of sales channels and product customisation remain to be the key drivers for the growth of the disposable plastic storage container business. With the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen its market position in the industry and expand its market share by the implementation of the Group’s business plans through utilisation of the net proceeds from the listing of the Company’s shares (the “Shares”) on GEM of the Stock Exchange (the “Listing”) on 13 July 2020 (the “Listing”).

FINANCIAL REVIEW

Revenue

The revenue increased from approximately RMB98.6 million for the six months ended 30 June 2019 to approximately RMB106.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB7.5 million or approximately 7.6%. Such increase was mainly due to the increase in demands for take-away food by the general public due to the outbreak of COVID-19.

Cost of sales

The cost of sales increased from approximately RMB69.9 million for the six months ended 30 June 2019 to approximately RMB74.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB4.9 million or approximately 7.1%. Such increase was mainly attributable to the increase in expenses, such as salary and raw materials purchased, incurred during the temporary suspension of the operation of our production facilities from 29 January 2020 to 9 February 2020 in accordance with the policies imposed by the local government.

Gross Profit

Gross profit of the Group increased by approximately RMB2.5 million or approximately 8.7% from approximately RMB28.8 million for the six months ended 30 June 2019 to approximately RMB31.3 million for the six months ended 30 June 2020. The increase was mainly driven by the increase in gross profit margin for the six months ended 30 June 2020. The overall gross profit margin increased from approximately 29.2% for the six months ended 30 June 2019 to approximately 29.5% for the six months ended 30 June 2020 due to the increase in selling price of the Group’s products with a higher demand for the Group’s products in the market.

Management Discussion and Analysis

Administrative and other operating Expenses

Administrative and other operating expenses of the Group decreased by approximately RMB1.1 million or approximately 9.0% from approximately RMB12.4 million for the six months ended 30 June 2019 to approximately RMB11.3 million for the six months ended 30 June 2020.

Administrative and other operating expenses primarily consist of staff costs, amortisation expense in intangible assets, travelling expenses, utilisation expenses and entitlement expenses, depreciation, transportation and motor vehicle expenses, professional service fees and other costs incurred for the Group's daily operation. The decrease was mainly attributable to a re-allocation of materials in research and development to construction in progress and decrease in professional service fees following the Listing.

Listing Expenses

During the six months ended 30 June 2020 and 2019, the Group recognised non-recurring listing expenses of approximately RMB4.1 million and RMB4.3 million respectively in connection with the Listing.

Finance Costs

Finance costs for the Group decreased by approximately RMB0.01 million or approximately 11.3% from approximately RMB0.12 million for the six months ended 30 June 2019 to approximately RMB0.10 million for the six months ended 30 June 2020. It was mainly due to the lease arrangement in respect of the machinery and equipment at the end of lease term.

Income Tax Expense

Income tax expense for the Group increased by approximately RMB1.1 million or 29.6% from approximately RMB3.7 million for the six months ended 30 June 2019 to approximately RMB4.8 million for the six months ended 30 June 2020. The increase in taxation was mainly attributable to the increase in profit before taxation from approximately RMB11.1 million for the six months ended 30 June 2019 to approximately RMB14.7 million for the six months ended 30 June 2020.

Profit for the Period

Profit for the period increased by approximately RMB2.5 million or approximately 33.3% from approximately RMB7.4 million for the six months ended 30 June 2019 to approximately RMB9.9 million for the six months ended 30 June 2020. Such increase was primarily attributable to the net effect of the increase in gross profit, selling expenses and income tax expense and decrease in administrative and other operating expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our net current assets increased from approximately RMB48.0 million as at 31 December 2019 to approximately RMB58.4 million as at 30 June 2020 primarily due to (i) the increase in trade and other receivables of approximately RMB1.7 million, (ii) the increase in cash and cash equivalents of approximately RMB12.4 million and (iii) the increase in inventories of approximately RMB0.7 million, partially offset by the increase in trade and other payables of approximately RMB3.4 million and the increase in income tax payables of approximately RMB1.0 million.

The current ratio improved slightly from approximately 2.7 as at 31 December 2019 to approximately 2.8 as at 30 June 2020.

The gearing ratio is calculated based on debts divided by total equity as at the respective dates and multiplied by 100%. The gearing ratio remained at a similar level at approximately 38.6% and 37.9% as at 31 December 2019 and 30 June 2020, respectively.

SHARE CAPITAL

Details of the movements during the year ended 31 December 2019 and six months ended 30 June 2020 in the Company's share capital are set out in note 21 to the interim financial report.

SEGMENTAL INFORMATION

The Directors regard the Group's business of design and development, marketing and sales of disposable food storage container as a single operation segment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2020, the Group did not have plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS HELD

There was no significant investment held by the Group during the six months ended 30 June 2020 (2019: Nil).

CHARGES ON GROUP ASSETS

As at 30 June 2020, the Group did not have any charges on its assets (31 December 2019: Nil).

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in RMB. The Directors consider that the impact of foreign exchange exposure to the Group is minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of 133 employees (31 December 2019: 125 employees). The staff costs, including Directors' emoluments, of the Group were approximately RMB6.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB6.1 million). Remuneration is determined with reference to a fixed salary and the Group utilises an appraisal system for the employees, which is based on conducting salary reviews and thereby making promotion decisions.

USE OF PROCEEDS

Since the Company's Listing on 13 July 2020, no proceed has been utilised since the Listing Date and up to the date of this report and it is expected that the Group will utilise such net proceeds in the manner consistent with the proposed allocation as stated in the prospectus of the Company dated 30 June 2020 (the "Prospectus").

Management Discussion and Analysis

The Implementation Plan (as defined in the Prospectus) of the Group was based on business objectives and strategies at the time of preparation of the Prospectus. The Directors are of the view that the Implementation Plan remains applicable and the proceeds shall be applied with the view of expanding the Group's production capacity and enhancing the Group's production efficiency by purchasing new machinery, setting up a second production facility to cope with the Group's business expansion, strengthening the Group's research and development capabilities in mould and product design and production and production techniques and continuing to expand the Group's sales and marketing team.

The Directors will constantly evaluate the Group's business objective and will change or modify its plans against the changing market conditions to align with the intended and projected business growth of the Group.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this report, the interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Company's Shares

Name of Director	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding in the Company
Mr. Xu	Interest in a controlled corporation ^(Note 1)	301,500,000 ordinary shares	Long	50.25%
Ms. Xu Liping	Interest of spouse ^(Note 2)	301,500,000 ordinary shares	Long	50.25%

Notes:

1. Mr. Xu holds the entire issued share capital of Prize Investment Limited. Accordingly, Mr. Xu is deemed to be interested in the Shares held by Prize Investment Limited under the SFO.
2. Ms. Xu Liping is the spouse of Mr. Xu and is therefore deemed to be interested in the Shares in which Mr. Xu is interested under the SFO.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this report, the interests and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding in the Company
Prize Investment Limited	Beneficial owner	301,500,000 ordinary shares	Long	50.25%
Merit Winner Limited ("Merit Winner")	Beneficial owner	67,500,000 ordinary shares	Long	11.25%
Mr. Hui Man Kit ("Mr. Hui")	Interest of a controlled corporation <i>(Note 1)</i>	67,500,000 ordinary shares	Long	11.25%
Ms. Hui Mei Nga	Interest of spouse <i>(Note 2)</i>	67,500,000 ordinary shares	Long	11.25%
Sun Kong Investments (BVI) Limited ("Sun Kong")	Beneficial owner	54,000,000 ordinary shares	Long	9.00%
Mr. Wong Hing Nam ("Mr. Wong")	Interest of a controlled corporation <i>(Note 3)</i>	54,000,000 ordinary shares	Long	9.00%
Ms. Chan Lai Yin	Interest of spouse <i>(Note 4)</i>	54,000,000 ordinary shares	Long	9.00%

Notes:

- The entire issued share capital of Merit Winner was held by Mr. Hui. Accordingly, Mr. Hui is deemed to be interested in the Shares held by Merit Winner under the SFO.
- Ms. Hui Mei Nga is the spouse of Mr. Hui and is therefore deemed to be interested in the Shares in which Mr. Hui is interested under the SFO.
- The entire issued share capital of Sun Kong was held by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the Shares held by Sun Kong under the SFO.
- Ms. Chan Lai Yin is the spouse of Mr. Wong and is therefore deemed to be interested in the Shares in which Mr. Wong is interested under the SFO.

Save as disclosed above, as at the date of this report and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the Shares or underlying shares and/or the debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Management Discussion and Analysis

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 June 2020.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Grand Moore Capital Limited (“Grand Moore”), as at 30 June 2020, save for the compliance adviser agreement dated 12 June 2019 entered into between the Company and Grand Moore, neither Grand Moore, its directors, employees and close associates (as defined under the GEM Listing Rules) had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

Ms. Xu Liping is the chief executive officer of the Group, while Mr. Xu is the chairman. The roles of the chairman and chief executive are separated and performed by different individuals.

As at 30 June 2020, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2020.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: RMB22,900,000).

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are mainly (i) to review and supervise the financial reporting process and to oversee the audit process of our Group; (ii) to oversee internal control procedures and corporate governance of our Group; (iii) to supervise internal control systems of our Group; and (iv) and to monitor any continuing connected transactions. The Audit Committee consists of three members, namely Mr. Li Danny Fui Lung, Mr. Liu Dajin and Mr. Deng Zhihuang, all being independent non-executive Directors of the Company. Mr. Li Danny Fui Lung currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

By order of the Board
Yik Wo International Holdings Limited
Xu Youjiang
Chairman and Executive Director

Hong Kong, 14 August 2020

As at the date of this report, the executive Directors are Mr. Xu Youjiang, Ms. Xu Liping and Mr. Zhang Yuansheng, and the independent non-executive Directors are Mr. Li Danny Fui Lung, Mr. Liu Dajin, and Mr. Deng Zhihuang.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three and six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	5	61,830	56,338	106,089	98,631
Cost of sales		(42,428)	(39,845)	(74,814)	(69,857)
Gross profit		19,402	16,493	31,275	28,774
Other income	6	27	12	50	23
Selling expenses		(3,015)	(2,809)	(5,214)	(5,124)
Administrative and other operating expenses		(7,291)	(6,366)	(11,322)	(12,440)
Profit from operations		9,123	7,330	14,789	11,233
Finance costs	7	(50)	(57)	(102)	(115)
Profit before income tax	8	9,073	7,273	14,687	11,118
Income tax expense	9	(3,231)	(2,621)	(4,798)	(3,702)
Profit for the period		5,842	4,652	9,889	7,416
Other comprehensive income, net of tax:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation recognised		9	(9)	8	(9)
Total comprehensive income for the period		5,851	4,643	9,897	7,407
Profit for the period attributable to:					
Equity holders of the Company		5,842	4,526	9,889	7,152
Non-controlling interests		—	126	—	264
		5,842	4,652	9,889	7,416
Total comprehensive income for the period attributable to:					
Equity holders of the Company		5,851	4,517	9,897	7,143
Non-controlling interests		—	126	—	264
		5,851	4,643	9,897	7,407
Earnings per share attributable to equity holders of the Company					
Basic and diluted (RMB cents)	11	1.30	1.01	2.20	1.59

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	28,364	28,077
Intangible assets	14	5,500	6,500
		33,864	34,577
Current assets			
Inventories	15	7,064	6,390
Trade and other receivables	16	40,090	38,370
Amount due from the ultimate holding company	17	1	1
Amount due from a shareholder	18	6,018	6,018
Cash and cash equivalents	19	38,565	26,171
		91,738	76,950
Current liabilities			
Trade and other payables	20	29,513	26,109
Income tax payable		3,232	2,267
Lease liabilities	13	609	595
		33,354	28,971
Net current assets		58,384	47,979
Total assets less current liabilities		92,248	82,556
Non-current liabilities			
Lease liabilities	13	3,498	3,703
Net assets		88,750	78,853
EQUITY			
Share capital	21	1	1
Reserves		88,749	78,852
Total equity		88,750	78,853

Condensed Consolidated Statement of Changes in Equity

For the Six months ended 30 June 2020

	Attributable to equity holders of the Company							
	Share Capital	Share Premium*	Statutory Reserve*	Translation Reserve*	Retained Profits*	Total	Non-Controlling Interests	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
As at 1 January 2019 (audited)	20,001	—	7,812	—	49,217	77,030	4,054	81,084
Profit for the period	—	—	—	—	7,152	7,152	264	7,416
Other comprehensive income:								
– Exchange differences on translation of foreign operation recognised	—	—	—	(9)	—	(9)	—	(9)
Total comprehensive income for the period	—	—	—	(9)	7,152	7,143	264	7,407
Transaction with owners:								
– Dividends declared (note 10)	—	—	—	—	(21,755)	(21,755)	(1,145)	(22,900)
– Issue of share capital (note 21)	—*	20,000	—	—	—	20,000	—	20,000
– Acquisition of Hengsheng Animation Diffusion Co., Ltd. (“Hengsheng Animation”)*	(20,000)	—	—	—	3,173	(16,827)	(3,173)	(20,000)
As at 30 June 2019 (unaudited)	1	20,000	7,812	(9)	37,787	65,591	—	65,591
As at 1 January 2020 (audited)	1	20,000	9,829	(96)	49,119	78,853	—	78,853
Profit for the period	—	—	—	—	9,889	9,889	—	9,889
Other comprehensive income:								
– Exchange differences on translation of foreign operation recognised	—	—	—	8	—	8	—	8
Total comprehensive income for the period	—	—	—	8	9,889	9,897	—	9,897
As at 30 June 2020 (unaudited)	1	20,000	9,829	(88)	59,008	88,750	—	88,750

* Amount less than RMB1,000

* The reserves accounts comprise the Group’s reserves of RMB88,749,000 in the condensed consolidated statement of financial position as at 30 June 2020 (as at 31 December 2019: RMB78,852,000).

* Hengsheng Animation is a wholly foreign-owned enterprise established in the PRC on 13 April 2011 and an indirect wholly-owned subsidiary of the Company.

Condensed Consolidated Statement of Cash Flows

For the Six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<i>Net cash generated from operating activities</i>	15,993	7,399
Cash flows used in investing activities		
Interest received	50	23
Purchase of property, plant and equipment	(3,657)	(836)
Proceeds of disposal of property, plant and equipment	—	2
<i>Net cash used in investing activities</i>	(3,607)	(811)
Cash flows used in financing activities		
Issue of shares pursuant to Pre-IPO investment	—	20,000
Acquisition of interest in Hengsheng Animation	—	(20,000)
<i>Net cash used in financing activities</i>	—	—
Net increase in cash and cash equivalents	12,386	6,588
Cash and cash equivalents at the beginning of the period	26,171	9,044
Effect of foreign exchange rate changes	8	(9)
Cash and cash equivalents at the end of the period	38,565	15,623

Notes to the Interim Financial Report

for the six months ended 30 June 2020

1. GENERAL INFORMATION

Yik Wo International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) was incorporated as an exempted company in the Cayman Islands on 13 December 2018 with limited liability. The addresses of the Company’s registered office and principal place of business are PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, People’s Republic of China (the “PRC”), respectively. The Company was formerly known as Yihe International Holdings Limited and changed to its current name on 15 February 2019.

The Company is an investment holding company and its subsidiaries are principally engaged in the design and development, manufacturing and sales of disposable plastic food storage containers in the PRC.

The Company’s immediate and ultimate holding company is Prize Investment Limited (“Prize Investment”), a company incorporated in the British Virgin Islands (the “BVI”). The ultimate controlling party of the Group is Mr. Xu Youjiang (“Mr. Xu”).

Since 13 July 2020, the Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “GEM of the Stock Exchange”).

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information does not include all of the information required in annual consolidated financial statements and should be read in conjunction with the accountant’s report of the Group for the year ended 31 December 2019 included in the prospectus.

The condensed consolidated interim financial information is unaudited.

The condensed consolidated interim financial information is presented in thousands of units of Renminbi (“RMB’000”), except when otherwise indicated, which was approved for issue by the Board of Directors on 14 August 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the accounting policies adopted in the Group's accountant's report for the year ended 31 December 2019 included in the prospectus, except for the adoption of the following new and amended Hong Kong Financial Report Standards ("HKFRSs") issued by the HKICPA effective for the annual period beginning on 1 January 2020.

Adoption of new and amended HKFRSs

The Group has adopted the following new and amended HKFRSs that have become effective for accounting period beginning on 1 January 2020 and are relevant to the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new standards, interpretations or amendments to standards and interpretations that is not yet effective for the current accounting period.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial information requires management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2019.

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for the six months ended 30 June 2020

5. REVENUE

The Group's principal activities are disclosed in note 1 to the condensed consolidated interim financial statements.

The Group's product is disposable plastic food storage containers. All the revenue are recognised at a point in time. The Group's contracts with customers usually have original expected duration of one year or less.

The chief operating decision-maker has been identified as the executive directors of the Company. The Directors regard the Group's business of design and development, manufacturing and sales of disposable plastic food storage containers as a single operating segment and reviews the overall results of the Group as a whole to make decisions about resources allocation and assess the performance of the component. Accordingly, no segment analysis information is presented.

Disaggregation of revenue from contracts with customers

The Group derives revenue from sales of products in the following brands and nature:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Brand:				
Products under "JAZZIT" brand	55,398	49,604	94,660	87,198
Non-branded products	6,432	6,734	11,429	11,433
	61,830	56,338	106,089	98,631
Nature:				
Regular products	34,270	44,119	69,481	77,596
Customised products	26,943	11,524	35,170	19,666
Others	617	695	1,438	1,369
	61,830	56,338	106,089	98,631

Regular products represent products with more simplistic design and features suitable for food and beverage storage with one compartment. Customised products are products with enhanced design features and higher degree of functionality, which generally allow customers to store various kinds of food and beverage with multi-compartment disposable plastic food storage containers.

Notes to the Interim Financial Report

for the six months ended 30 June 2020

5. REVENUE (continued)

Geographical information

Information about the Group's revenue by geographical locations based on the area or country in which the external customer is operated is presented as below:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
PRC (place of domicile)	61,183	55,177	104,955	97,138
Overseas	647	1,161	1,134	1,493
	61,830	56,338	106,089	98,631

The Group's non-current assets are all located in the PRC.

6. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest income	27	12	50	23

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest expense for lease arrangements	50	57	102	115

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8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Depreciation				
– Owned used	1,526	1,384	3,038	2,754
– Held under leases	166	166	332	332
Amortisation of intangible assets included in administrative and other operating expenses	500	500	1,000	1,000
Short-term lease charges in respect of – Premises	19	18	38	36
Cost of inventories recognised as an expense	37,333	35,616	66,127	61,639
Research and development cost (including staff costs)	1,515	2,190	2,867	4,205
Loss on disposals of property, plant and equipment	—	93	—	93
Listing expenses	3,699	2,056	4,133	4,317
Staff costs (including Directors' emoluments)				
– Salaries, allowances and other benefits	3,438	3,127	6,150	5,888
– Contributions to defined contribution retirement plans	8	121	48	249
	3,446	3,248	6,198	6,137

9. INCOME TAX EXPENSE

No provision for profits tax has been provided by the Company as the Company had no assessable profits subject to taxation in any jurisdiction. No provision for Hong Kong profits tax has been provided as the Group had no assessable profits arising from Hong Kong during the six months ended 30 June 2020 and 2019.

The provision for the PRC enterprise income tax has been provided at the applicable tax rate of 25% (2019: 25%) on the assessable profits of the PRC subsidiaries.

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for the six months ended 30 June 2020

9. INCOME TAX EXPENSE (continued)

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax				
Provision for PRC enterprise income tax	3,231	1,911	4,798	2,992
Underprovision in prior year	—	710	—	710
	3,231	2,621	4,798	3,702

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: RMB22,900,000).

11. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the period attributable to equity holders of the Company and the number of ordinary shares outstanding during the period on the assumption that the Reorganisation and the Capitalisation Issue as defined and set out in the Company's prospectus dated 30 June 2020 had been effective on 1 January 2019.

	Three months ended 30 June		Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Earnings:				
Profit for the period attributable to equity holders of the Company for purpose of basic earnings per share (RMB'000)	5,842	4,526	9,889	7,152
Number of shares:				
Number of ordinary shares for the purpose of basic earnings per share (in thousand)	450,000	450,000	450,000	450,000

The diluted earnings per share equal to basic earnings per share. No adjustment has been made to the basic earnings per share amounts presented for both periods as there was no potential ordinary share in issue.

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12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB3,657,000 (six months ended 30 June 2019: RMB836,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain plant and equipment with an aggregate carrying amount of nil (six months ended 30 June 2019: RMB95,000) for proceeds of nil (six months ended 30 June 2019: RMB2,000), resulting in a loss of disposal of nil (six months ended 30 June 2019: RMB93,000)

13. LEASE LIABILITIES

Lease liabilities are presented in the condensed consolidated statement of financial position as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Current:		
– Third parties	202	198
– Jinjiang Hengsheng Toys Co., Ltd (“Hengsheng Toys”)	407	397
Non-current:		
– Third parties	941	1,066
– Hengsheng Toys	2,557	2,637
	4,107	4,298

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for the six months ended 30 June 2020

13. LEASE LIABILITIES (continued)

As at 30 June 2020 and 31 December 2019, the Group has leases for an office and factory premises. Except for short-term leases, these leases are reflected on the condensed consolidated statement of financial position as property, plant and equipment (see Note 12) and lease liabilities.

Each lease generally imposes a restriction that the right-of-use asset can only be used by the Group. Leases can only be cancelled with mutual agreement between the Group and the lessor. There is no variable lease payment, extension options and termination option among the lease contracts.

Future minimum lease payments at 30 June 2020 were as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Within one year	793	793
One to five years	3,122	3,415
After five years	891	891
	4,806	5,099
Finance charges	(699)	(801)
	4,107	4,298
	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Present value of minimum lease payments:		
Due within one year	609	595
Due in second to fifth years	2,639	2,864
Due after the fifth years	859	839
	4,107	4,298
Less: Portion due within one year included under current liabilities	(609)	(595)
Portion due after one year included under non- current liabilities	3,498	3,703

On 21 June 2020, lease period of certain lease agreements with Jinjiang Hengsheng Toys Co., Ltd. ("Hengsheng Toys") were revised from ten years to three years effective from 21 June 2020. The Group can elect to renew for another three years with same rentals upon the expiration of the three-year lease term. Thereafter the lease period and rentals are subject to negotiations but Hengsheng Toys agrees to lease to the Group for a maximum of 20 years from 21 June 2020. The effect of modification of the lease terms to the condensed consolidated interim financial statements is not significant.

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for the six months ended 30 June 2020

14. INTANGIBLE ASSETS

	Trademark RMB'000
Cost	
As at 1 January 2020 (audited) and 30 June 2020 (unaudited)	9,500
Accumulated amortisation	
As at 1 January 2020 (audited)	3,000
Charge for the period	1,000
As at 30 June 2020 (unaudited)	4,000
Net book amount	
As at 30 June 2020 (unaudited)	5,500
As at 31 December 2019 (audited)	6,500

15. INVENTORIES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Raw materials	5,209	3,038
Finished goods	1,855	3,352
	7,064	6,390

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade receivables		
– from third parties	35,460	35,442
Prepayments	4,630	2,928
	40,090	38,370

The Directors consider that the fair values of all of the trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts due to these balances having short maturity periods on their inception.

Notes to the Interim Financial Report

for the six months ended 30 June 2020

16. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables

Before accepting any new customer, the Group applies an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 40 days. Overdue balances are reviewed regularly by the senior management. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables, based on the invoice date and net of impairment, is as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Within 30 days	22,918	19,229
31 days to 60 days	12,542	16,213
	35,460	35,442

All trade receivables are denominated in RMB. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. As at 31 December 2019 and 30 June 2020, all trade receivables were not past due. During the year ended 31 December 2019 and the period ended 30 June 2020, no write-off was made against the trade receivables.

Generally, the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. As at 31 December 2019 and 30 June 2020, there has not been any significant change in the gross amounts of trade receivables that has affected the estimation of the loss allowance during the year/period.

17. AMOUNT DUE FROM THE ULTIMATE HOLDING COMPANY

The amount due was non-trade in nature, unsecured, interest free and repayable on demand and was settled by declaration of dividend subsequent to 30 June 2020.

18. AMOUNT DUE FROM A SHAREHOLDER

The amount due was non-trade in nature, unsecured, interest free and had no fixed terms of repayment.

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Mr. Xu (note)	6,018	6,018

Note: The outstanding amount due from a shareholder was settled by declaration of dividend subsequent to 30 June 2020.

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19. CASH AND CASH EQUIVALENTS

As at 30 June 2020, bank balances of RMB38,506,000 (31 December 2019: RMB25,904,000) were denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's foreign exchange control regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

20. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade payables		
– to third parties	22,260	22,541
Accrued charges and other payables		
– Other tax payables	893	436
– Accrued salaries	859	1,060
– Accrued listing expenses	5,165	676
– Other payables and accruals	336	1,396
	7,253	3,568
	29,513	26,109

Trade payables

The Group was granted by its suppliers credit periods ranging from 30 to 60 days. An aged analysis of the trade payables based on the invoice date, is as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
0-30 days	14,522	12,963
31-90 days	7,738	9,578
	22,260	22,541

All trade payables are denominated in RMB. All amounts are short-term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

Notes to the Interim Financial Report

for the six months ended 30 June 2020

21. SHARE CAPITAL

	No. of ordinary shares	HK\$'000
Authorised:		
As at 1 January 2019 (audited) and 31 December 2019 (audited)	38,000,000	380
Increase in authorised share capital (note (iii))	4,962,000,000	49,620
As at 30 June 2020 (unaudited)	5,000,000,000	50,000
	No. of ordinary shares	RMB'000
Issued and fully paid:		
At 1 January 2019 (audited)	1	1
Issue of shares (note (i))	8,199	—*
Issue of shares pursuant to Pre-IPO Investment (note (ii))	1,800	—*
As at 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	10,000	1

* Amount less than RMB1,000

The ordinary shares of the Company has a par value of HK\$0.01 each.

Note (i): The Company issued 999 ordinary shares on 4 January 2019 of HK\$0.01 each at par to Prize Investment Limited. On 30 April 2019, 7,200 ordinary shares of HK\$0.01 each were issued at par to Prize Investment Limited.

Note (ii): On 23 April 2019 and 7 May 2019, the Company entered into pre-IPO investment agreements with two independent third parties to allot and issue 1,200 and 600 ordinary shares of HK\$0.01 each at the total consideration of RMB13,333,000 and HK\$7,610,000, respectively.

Note (iii): On 19 June 2020, the authorised share capital of the Company increased from HK\$380,000 to HK\$50,000,000 divided by 5,000,000,000 ordinary shares of HK\$0.01 each by creation of an additional 4,962,000,000 shares.

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22. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following transactions with related parties during the period.

(a) Compensation of key management personnel

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Salaries, allowances and benefits	342	344	677	559
Retirement scheme contributions	4	6	11	10
	346	350	688	569

(b) Transactions with related party

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Hengsheng Toys (note)				
– Renal expenses	19	18	38	36

Note: Hengsheng Toys is controlled by Mr. Hui Man Kit. Mr. Hui Man Kit is the brother of Mr. Xu, the controlling shareholder and executive director of the Group. Mr. Xu was a director of Heng Sheng Holding Group Limited, the ultimate holding company of Hengsheng Toys, from July 2015 to 31 March 2019.

23. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this condensed consolidated interim financial information, the following significant events took place subsequent to 30 June 2020:

- i) On 2 July 2020, the Company declared and paid a dividend in favour of one of the ordinary shareholders of the Company, Prize Investment, in an aggregate amount of RMB7,522,185 to offset the amount due from the ultimate holding company and amount due from a shareholder.
- ii) On 13 July 2020, a total of 150,000,000 new shares of the Company were issued at the offer price of HK\$0.4 per share, upon the listing of the Company's shares on GEM of the Stock Exchange.