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## **Jiujiuwang Food International Limited**

**久久王食品国际有限公司**

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

**(Stock Code: 1927)**

### **UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2021, revenue was approximately RMB409,825,000 (2020: approximately RMB401,232,000), representing a year-on-year increase of 2.1%.

For the year ended 31 December 2021, gross profit was approximately RMB130,193,000 (2020: approximately RMB127,757,000), representing a year-on-year increase of 1.9%.

For the year ended 31 December 2021, profit attributable to owners of the Company was approximately RMB27,289,000 (2020: approximately RMB44,078,000), representing a year-on-year decrease of 38.1%, mainly due to the increase of listing expenses, which are non-recurring in nature. The adjusted net profit<sup>Note</sup> was approximately RMB42,151,000 for the year ended 31 December 2021.

For the year ended 31 December 2021, basic earnings per share of the Company were RMB3.6 cents (2020: RMB7.4 cents).

The Board has resolved not to declare any final dividend for the year ended 31 December 2021.

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

The board (the “**Board**”) of directors (the “**Directors**”) of Jiujiuwang Food International Limited (the “**Company**”) is pleased to announce the unaudited annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**We**” and “**Our**”) for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020 as follows:

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <b>RMB'000</b> <b>(Audited)</b>
Revenue	5	<b>409,825</b>	401,232
Cost of sales		<u>(279,632)</u>	<u>(273,475)</u>
Gross profit		<b>130,193</b>	127,757
Other income, gain or (loss), net	6	<b>4,909</b>	406
Selling expenses		<b>(37,584)</b>	(33,954)
Administrative expenses		<b>(28,550)</b>	(18,955)
Listing expenses		<b>(14,862)</b>	(1,443)
Finance costs	7	<u>(12,285)</u>	<u>(13,634)</u>
Profit before taxation	8	<b>41,821</b>	60,177
Taxation	9	<u>(14,532)</u>	<u>(16,099)</u>
<b>Profit for the year</b>		<u><b>27,289</b></u>	<u>44,078</u>
<b>Profit for the year attributable to owners of the Company</b>		<u><b>27,289</b></u>	<u>44,078</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(113)</u>	<u>518</u>
Other comprehensive (expense)/income for the year, net of tax		<u>(113)</u>	<u>518</u>
Total comprehensive income for the year attributable to owners of the Company		<u><b>27,176</b></u>	<u>44,596</u>
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted (RMB cents)	11	<u><b>3.6</b></u>	<u>7.4</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <i>RMB'000</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>305,139</b>	233,500
Right-of-use assets		<b>22,828</b>	23,406
Deferred tax assets		<b>134</b>	120
		<hr/> <b>328,101</b>	<hr/> 257,026
<b>Current assets</b>			
Inventories		<b>99,754</b>	81,199
Trade receivables	<i>12</i>	<b>114,339</b>	97,370
Prepayments and other receivables		<b>40,286</b>	45,410
Cash and cash equivalents		<b>36,197</b>	28,468
		<hr/> <b>290,576</b>	<hr/> 252,447
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>22,393</b>	24,459
Contract liabilities		<b>1,128</b>	1,056
Bank borrowings		<b>213,410</b>	218,920
Tax payables		<b>1,702</b>	4,374
		<hr/> <b>238,633</b>	<hr/> 248,809
<b>Net current assets</b>		<hr/> <b>51,943</b>	<hr/> 3,638
<b>Total assets less current liabilities</b>		<hr/> <b>380,044</b>	<hr/> 260,664
<b>Net assets</b>		<hr/> <b>380,044</b>	<hr/> 260,664
<b>EQUITY</b>			
Share capital	<i>14</i>	<b>532</b>	350
Reserves		<b>379,512</b>	260,314
<b>Total equity</b>		<hr/> <b>380,044</b>	<hr/> 260,664

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL INFORMATION

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

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

The Company’s functional currency is Hong Kong dollars (“**HK\$**”). However, the consolidated financial statements are presented in Renminbi (“**RMB**”), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the Group’s transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant (“**HKICPA**”) for the first time, which are mandatorily effective for their annual reporting period commencing 1 January 2021 for the preparation of consolidated financial statements:

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

In addition, the Group applied the agenda decision of the HKFRS Interpretations Committee (the “**Committee**”) of the HKICPA-issued on June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

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

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Costs of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018–2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations <sup>2</sup>

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

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

#### 4. OPERATING SEGMENT

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

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

##### Geographical information

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
PRC	368,667	365,837
Asia (excluding PRC) (Note 1)	14,745	12,319
Europe (Note 2)	22,810	21,129
Others (Note 3)	3,603	1,947
	<u>409,825</u>	<u>401,232</u>

Notes:

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

##### Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the year ended 31 December 2021 and 31 December 2020 are as follow:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Customer A	95,968	86,375
Customer B	—*	45,004
	<u>          </u>	<u>          </u>

\* The customer contributed less than 10% of the total revenue of the Group.

As at 31 December 2021 and 31 December 2020, 24.3% and 55.7% respectively of the Group's trade receivable were due from those customers.

## 5. REVENUE

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Analysed by type of products		
OEM products	174,296	173,460
Own-branded products		
— Coolsa	206,102	183,811
— Lalabo	24,219	36,053
— Jiujiuwang	5,208	7,908
	<u>409,825</u>	<u>401,232</u>
Sale of good, recognised at a point in time	<u>409,825</u>	<u>401,232</u>

Transaction prices are fixed in respective contracts. Unsatisfied performance obligations at 31 December 2021 and 31 December 2020 have expected duration of less than one year and are thus not disclosed as permitted under HKFRS 15.

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Bank interest income	199	173
Exchange gain/(loss)	215	(404)
Rental income	26	29
Government grants ( <i>Note</i> )	4,529	198
Loss on disposal of property, plant and equipment	(4)	(139)
(Allowances for)/reversal of expected credit losses on trade receivables	(56)	549
	<u>4,909</u>	<u>406</u>

*Note:* Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. There are no special condition or contingencies that are needed to be fulfilled and they were non-recurring in nature.

## 7. FINANCE COSTS

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest expenses on — bank borrowings wholly repayable within five years	<u>12,285</u>	<u>13,634</u>

## 8. PROFIT BEFORE TAXATION

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Employee expenses, including directors' emoluments	36,712	35,945
Retirement benefit schemes contributions	<u>9,498</u>	<u>9,120</u>
Total employee expenses	<u>46,210</u>	<u>45,065</u>
Auditors' remuneration	1,250	600
Cost of inventories recognised as expenses	220,425	213,214
Depreciation of property, plant and equipment	17,183	16,533
Depreciation of right-of-use assets	578	579
Allowance for/(reversal of) expected credit losses on trade receivables	56	(549)
Listing expenses	<u>14,862</u>	<u>1,443</u>

## 9. TAXATION

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
The taxation charge comprises:		
Current tax		
— PRC Enterprise Income Tax	14,546	15,962
Deferred taxation	<u>(14)</u>	<u>137</u>
Total tax expenses for the year	<u>14,532</u>	<u>16,099</u>

## Hong Kong

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the year (2020: Nil).

## The PRC

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

Under the PRC Enterprise Income Tax Law (the “**EIT Law**”) and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% for both years.

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

## 10. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

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

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted loss per share	<u>27,289</u>	<u>44,078</u>
	2021 '000 (Unaudited)	2020 '000 (Audited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>751,858</u>	<u>594,000</u>

For the year ended 31 December 2021, the weighted average number of ordinary shares are on the basis of 594,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue and the addition of 198,000,000 shares in issue pursuant to the Global Offering on 16 March 2021.

For the year ended 31 December 2020, the weighted average number of ordinary shares are on the basis of 594,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed “Share Capital” set out in the Prospectus date 26 February 2021.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the years ended 31 December 2021 and 2020.

## 12. TRADE RECEIVABLES

	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	2020 <i>RMB'000</i> (Audited)
Trade receivables	<b>114,875</b>	97,850
Less: allowance for expected credit losses	<b>(536)</b>	(480)
	<b><u>114,339</u></b>	<u>97,370</u>

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

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

	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	2020 <i>RMB'000</i> (Audited)
Within 30 days	<b>31,964</b>	37,174
31–60 days	<b>26,466</b>	29,767
61–90 days	<b>22,012</b>	18,011
91–180 days	<b>33,228</b>	12,418
181–365 days	<b>669</b>	–
Over 365 days	–	–
	<b><u>114,339</u></b>	<u>97,370</u>

Before accepting any new customer, the Group has assessed the potential customer’s credit quality and defined credit limit to each customer on an individual basis. Credit limited attributed to customers are reviewed when necessary. As at 31 December 2021 and 2020, the Group does not charge interest nor hold any collateral over the balances.

### 13. TRADE AND OTHER PAYABLES

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

	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	2020 <i>RMB'000</i> (Audited)
Within 30 days	<b>4,152</b>	3,724
31–60 days	<b>1,499</b>	1,343
Total trade payables	<b>5,651</b>	5,067
Accruals and other payables	<b>9,161</b>	11,083
Amount due to a director	<b>7,581</b>	8,309
	<b>22,393</b>	24,459

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

### 14. SHARE CAPITAL

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

*Notes:*

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

Since the outbreak of the epidemic caused by the COVID-19, major cities in the People's Republic of China (the “**PRC**”) have taken emergency public health measures including travel restrictions to control the COVID-19 epidemic. Our Group has implemented various measures in response to the COVID-19 epidemic to strengthen our existing business. As a result, the sales of our products have been improved for the year ended 31 December 2021.

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

### BUSINESS REVIEW

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

During the year ended 31 December 2021, the Group recorded a profit of approximately RMB27.3 million as compared to a profit of approximately RMB44.1 million for the corresponding period in 2020. The decrease was mainly due to the net effect of (i) the increase in expenses of listing (the “**Listing**”) on the Stock Exchange on 16 March 2021 of approximately RMB13.5 million and (ii) the increase in research and development expenses of approximately RMB11.4 million.

### PROSPECT

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

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

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

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

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by approximately 2.1% from approximately RMB401.2 million for the year ended 31 December 2020 to approximately RMB409.8 million for the year ended 31 December 2021. The increase in revenue was mainly attributable to (i) the increase in OEM products as a result of the increase in our sales of the confectionary products to Gary & Bros Confectionary; and (ii) the increase in the sales volume of the products under Coolsa brand.

### **Cost of sales**

The Group's cost of sales mainly comprised of (i) direct materials costs, (ii) production costs; and (iii) direct labour costs. For the years ended 31 December 2020 and 2021, the cost of sales amounted to approximately RMB273.5 million and RMB279.6 million, respectively, representing an increase of approximately 2.2%, which was in line with the increase in revenue by approximately 2.1% for the same year.

## **Gross profit**

The Group's gross profit, which equals to the revenue minus cost of sales, for the year ended 31 December 2021 was approximately RMB130.2 million, representing an increase of approximately 1.9% from approximately RMB127.8 million for the year ended 31 December 2020. The increase in gross profit was in line with the increase in revenue for the same period. The Group's gross profit margin remained stable at approximately 31.8% for the years ended 31 December 2020 and 2021, respectively.

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

The Group's other gain and income increased from approximately RMB0.4 million for the year ended 31 December 2020 to approximately RMB4.9 million for the year ended 31 December 2021. The increase in other income and gain was mainly due to the increase in government grant.

## **Selling expenses**

The Group's selling expenses mainly comprised of marketing and promotion expenses, staff costs, travelling expenses, and office expenses and others. The Group's selling expenses increased from approximately RMB34.0 million for the year ended 31 December 2020 to approximately RMB37.6 million for the year ended 31 December 2021. The increase in selling expenses was mainly due to the increase in marketing and promotion activities to our products during the period.

## **Administrative expenses**

The Group's administrative expenses mainly comprised of depreciation and amortisation expenses, taxes and stamp duty, staff costs, research and development expenses and office expenses. The Group's administrative expenses increased from approximately RMB19.0 million for the year ended 31 December 2020 to approximately RMB28.6 million for the year ended 31 December 2021, representing an increase of approximately 50.5%. The increase in administrative expenses was mainly attributable to the increase in research and development expenses for developing new products of approximately RMB11.4 million.

## **Income tax expenses**

The Group's income tax expenses were approximately RMB16.1 million and RMB14.5 million for the years ended 31 December 2020 and 2021, respectively. The increase was mainly due to the decrease in taxable profit, after excluding non-deductible Listing expense for the year ended 31 December 2021.

## Finance costs

The Group's finance costs decreased from approximately RMB13.6 million for the year ended 31 December 2020 to approximately RMB12.3 million for the year ended 31 December 2021. The decrease in finance costs was mainly attributable to the lower average amount of bank borrowing during the year.

## Profit

The Group recorded a profit of approximately RMB27.3 million for the year ended 31 December 2021 as compared to a profit of approximately RMB44.1 million for the year ended 31 December 2020. The decrease was mainly due to the increase in Listing expenses of approximately RMB14.9 million and the increase in research and development expenses of approximately RMB11.4 million during the year. The effect was partially offset by the increase in gross profit of approximately RMB2.4 million, which was in line with the increase in revenue for the same year.

## Use of net proceeds

The net proceeds (the “**Net Proceeds**”) from the Listing on 28 March 2021 (the “**Listing Date**”), after deducting the underwriting fees and commissions and estimated expenses paid by the Company in connection thereto, were approximately HK\$75.7 million. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The Net Proceeds as at 31 December 2021 were used as follows:

	Allocation of the Net Proceeds <i>HK\$' Million</i>	Utilised IPO Proceeds as at 31 December 2021 <i>HK\$' Million</i>	Unutilised IPO Proceeds as at 31 December 2021 <i>HK\$' Million</i>	Expected Timeline for utilising the remaining unused Net Proceeds <i>(Note)</i>
Expansion of production capacities	40.3	31.0	9.3	December 2023
Replacement of machines in existing production lines	20.1	20.1	–	N/A
Partial repayment of bank loans	6.3	6.3	–	N/A
Enhancement of marketing efforts	6.7	6.7	–	N/A
General working capital	2.3	2.3	–	N/A
	<u>75.7</u>	<u>66.4</u>	<u>9.3</u>	

*Note:*

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Capital structure**

As at 31 December 2021, the Company had a total of 792,000,000 shares of US\$0.0001 each in issue (the “**Shares**”). The Shares of the Company were listed on the Stock Exchange on 16 March 2021 by way of the Hong Kong public offering and the international placing and 198,000,000 Shares were issued at a price of HK\$0.75 per Share. The Group generally finances its daily operations with internally generated resources and banking facilities. The interest rates of the borrowings are charged by reference to prevailing market rates.

### **Cash position**

At 31 December 2021, the cash and cash equivalents of the Group amounted to approximately RMB36.2 million, representing an increase of approximately 27.0% from approximately RMB28.5 million at 31 December 2020. The increase was mainly due to the Net Proceeds.

### **Borrowings**

At 31 December 2021, the total borrowings of the Group, all of which were denominated in RMB, amounted to approximately RMB213.4 million (at 31 December 2020: approximately RMB218.9 million). Among the borrowings,

1. approximately RMB31.0 million (as at 31 December 2020: RMB40.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 6.09% and was secured by corporate guarantee by independent third parties.
2. approximately RMB151.0 million (at 31 December 2020: RMB147.4 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging from 3.35%–5.87% and was secured by right-of-use assets and property, plant and equipment of the Company.
3. approximately RMB26.5 million (at 31 December 2020: RMB27.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 5.22% and was secured by corporate guarantee by independent third parties.

4. approximately RMB4.9 million (at 31 December 2020: RMB4.5 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 5.00% and was unsecured.

### **Pledge of assets**

At 31 December 2021, the Group had pledged certain assets to secure facilities granted to the Group included (i) the right-of-use assets with carrying amount of RMB22,828,000 (2020: RMB23,406,000); (ii) the building with carrying amount of RMB114,470,000 (as at 31 December 2020: approximately RMB118,540,000); and (iii) plant and machinery with carrying amount of RMB48,491,000 (as at 31 December 2020: approximately RMB56,623,000).

### **Gearing ratio**

At 31 December 2021, the gearing ratio of the Group was approximately 56.2% (as at 31 December 2020: approximately 84.0%). The decrease was mainly due to the increase in amount of the total equity of the Group during the period. The gearing ratio is calculated based on the bank borrowings divided by the total equity of the Group at the end of the respective period.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group had 403 employees (as at 31 December 2020: 504 employees). Remuneration of employees (excluding the Directors) is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. As incentives or rewards for their contribution to the Group, the Group has adopted the share option scheme and may grant options under the share option scheme to reward its employees, the Directors and other selected participants for their contributions to the Group.

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

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

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group had capital commitment of approximately RMBNil (2020: RMB15,000,000) in respect of acquisition of property, plant and equipment.

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

There was no other material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021 (during the period between the Listing Date and 31 December 2020: Nil).

## **SIGNIFICANT INVESTMENTS HELD**

As at 31 December 2021, the Group did not hold any significant investments (as at 31 December 2020: Nil).

## **CONTINGENT LIABILITIES**

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

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

As at 31 December 2021, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## **TREASURY AND RISK MANAGEMENT**

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

At 31 December 2021, the Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents.

At 31 December 2020 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

## **Trade receivables**

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

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

## **Other receivables**

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

## **Cash and cash equivalents**

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

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

## **LITIGATIONS**

At 31 December 2021, the Group was not engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance pending or threatened by or against any member of the Group.

## **DIVIDEND**

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

## **DIRECTORS’ SECURITIES TRANSACTIONS**

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

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year under review.

## **PUBLIC FLOAT**

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

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

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

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the COVID-19 coronavirus outbreak. Due to lockdowns and restrictions in force in parts of China to combat the COVID-19 outbreak, the auditor of the Company is unable to obtain certain necessary documents and information (including but not limited to audit confirmation letters) to complete the audit verification procedures. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company currently expects that the auditing process should be completed on or before 25 April 2022.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company and the Board, but have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. The audit committee of the Company confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

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

The unaudited annual results announcement has been published on the websites of the Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)) and the Company ([www.jiujiuwang.com](http://www.jiujiuwang.com)). An announcement relating to the audited results and the material differences (if any) as compared with the unaudited consolidated financial results for the year ended 31 December 2021 contained herein will be made when the auditing process has been completed. The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be despatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **ANNUAL GENERAL MEETING**

The annual general meeting of shareholders ("**2022 AGM**") will be held on Tuesday, 31 May 2022, while the notice and circular convening the 2022 AGM will be published and dispatched to the Company's shareholders in the form required in the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to establish entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 26 May 2022 to 31 May 2022, both days inclusive, during which period no transfer of the Shares will be registered. Shareholders are reminded to ensure that all completed Share transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 May 2022.

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

Hong Kong, 31 March 2022

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