Miji International Holdings Limited
米技國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1715)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2018	2017
Revenue *(RMB'000)*	**281,690**	255,384
Gross profit *(RMB'000)*	**149,800**	136,505
Gross profit margin *(%)*	**53.2%**	53.5%
Net profit for the year *(RMB'000)*	**23,687**	21,081
Earnings per share		
– Basic and diluted *(RMB cents)*	**1.73**	1.81

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Miji International Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"). These results have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
Revenue	3	**281,690**	255,384
Cost of sales	4	**(131,890)**	(118,879)
Gross profit		**149,800**	136,505
Other income		**4,781**	1,354
Other gains/(losses), net		**769**	(682)
Selling and distribution expenses	4	**(92,330)**	(71,282)
Administrative expenses	4	**(24,089)**	(27,535)
Research and development expenses	4	**(11,662)**	(11,693)
Operating profit		**27,269**	26,667
Finance income		**418**	240
Finance costs		**(1,782)**	(1,113)
Finance costs, net		**(1,364)**	(873)
Share of profit of an associate		**2,519**	1,021
Profit before income tax		**28,424**	26,815
Income tax expense	5	**(4,737)**	(5,734)
Profit for the year		**23,687**	21,081
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**7**	251
Release of reserve upon disposal of a subsidiary		**–**	81
Other comprehensive income for the year, net of tax		**7**	332
Total comprehensive income for the year		**23,694**	21,413

	Note	**2018**	2017
		RMB'000	*RMB'000*
Profit attributable to:			
Owners of the Company		**22,404**	20,394
Non-controlling interest		**1,283**	687
		23,687	21,081
Total comprehensive income attributable to:			
Owners of the Company		**22,411**	20,726
Non-controlling interest		**1,283**	687
Total comprehensive income for the year		**23,694**	21,413
Earnings per share attributable to owners of the Company for the year			
Basic and diluted	6	**RMB1.73 cents**	RMB1.81 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	**2018** **RMB'000**	2017 *RMB'000*
ASSETS			
Non-current assets			
Land use right and property, plant and equipment		**7,612**	7,623
Investment in an associate		**4,779**	4,925
Intangible assets		**1,002**	1,040
Deferred income tax assets		**2**	104
Prepayments		**3,998**	–
		17,393	13,692
Current assets			
Inventories		**56,272**	44,959
Trade receivables	7	**67,518**	43,205
Other receivables, deposits and prepayments		**27,370**	18,212
Restricted bank deposit		**17,524**	–
Bank deposits		**35,048**	–
Cash and cash equivalents		**46,944**	61,585
		250,676	167,961
Total assets		**268,069**	181,653
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**12,561**	–
Combined capital		**–**	1
Share premium		**72,173**	–
Reserves		**86,274**	63,862
		171,008	63,863
Non-controlling interest		**3,745**	4,647
Total equity		**174,753**	68,510

	Note	2018 RMB'000	2017 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	8	**43,788**	63,086
Borrowings		**41,600**	40,000
Amount due to an associate		**336**	148
Amount due to a non-controlling interest		**2,185**	2
Contract liabilities		**2,732**	–
Advance receipts from customers		**–**	5,988
Current income tax liabilities		**2,675**	3,919
		93,316	113,143
Total liabilities		**93,316**	113,143
Total equity and liabilities		**268,069**	181,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 16 May 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands.

The Company is an investment holding company and the Group mainly engages in the development, manufacturing and selling of kitchen appliances in the People's Republic of China (the "PRC").

The Company commenced its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited on 16 July 2018.

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKFRS 1 (Amendment)	First time adoption of HKFRSs
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Revenue from Contracts with Customers
Hong Kong Accounting Standard ("HKAS") 28 (Amendments)	Investment in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The impact of adoption of HKFRSs 9 and 15 have been disclosed below while for other amendments to existing standards, they did not result in any significant impact on the results and financial position of the Group. No retrospective adjustments are required.

(a) ***HKFRS 9 – Impact on the consolidated financial statements***

As explained in the notes below, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting which is not relevant to the Group for the year. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

(i) *Classification and measurement*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. All classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 January 2018.

(ii) *Impairment of financial assets*

The Group's significant financial assets which are subject to the new expected credit loss model include trade receivables and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

While cash and cash equivalents and bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been classified based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(b) ***HKFRS 9 – Financial Instruments – Accounting policies applied from 1 January 2018***

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated statement of comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) HKFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are related to presentation of contract liabilities. Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for receipt in advance from customers were previously presented as accruals and other payables.

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application on 1 January 2018:

	HKAS 18 carrying amount as at 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount as at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position (extract)			
Advance receipts from customers	5,988	(5,988)	–
Contract liabilities	–	5,988	5,988

The Group manufactures and sells a range of electronic appliance, including mainly electronic stoves, in both wholesale and retail markets. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(d) ***The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2019:***

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined
HKAS 1 and HKAS 8 (Amendments)	Definition of Materiality	1 January 2020
HKAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	1 January 2019
HKAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Annual Improvements Project	Annual Improvements 2015-2017 Cycle (Amendment)	1 January 2019

3 SEGMENT INFORMATION AND REVENUE

The chief operating decision-makers have been identified as the executive directors of the Company. Management has determined the operating segments based on the information reviewed by the executive directors for the purpose of allocating resources and assessing performance. The only component in internal reporting to the executive directors are the Group's development, manufacturing and selling of kitchen appliance. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 operating segment.

The Group's activities are mainly carried out in the PRC and a majority of the Group's assets and liabilities of the operating companies are located in the PRC. As at 31 December 2018, non-current assets of RMB18,785,000 (2017: RMB12,951,000) of the Group are located in the PRC. For the year ended 31 December 2018, revenue of RMB280,590,000 (2017: RMB254,118,000) are derived from external customers in the PRC.

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**281,690**	255,384
Timing of revenue recognition		
At a point of time	**281,690**	255,384

4 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Cost of materials used	**125,895**	114,361
Auditor's remuneration		
– Audit services	**1,309**	235
Legal and professional fee	**747**	1,167
Amortisation and depreciation	**1,715**	1,943
Employee benefit expenses (including directors' emoluments)	**32,653**	32,617
Consignment fee	**47,874**	28,466
Operating lease rentals	**2,973**	2,705
Decoration expenses	**1,976**	1,644
Advertising and promotion expenses	**7,812**	8,766
Listing expenses	**7,998**	11,097
Product design and inspection fee	**3,126**	2,149
Provision for bad debts expenses	**–**	652
Impairment losses on financial assets – trade receivables	**27**	–
Sundry expenses of consignment stores	**6,806**	8,863
Travelling and entertainment expenses	**3,525**	2,905
Transportation expenses	**4,089**	2,597
Others	**11,446**	9,222
Total cost of sales, selling and distribution expenses, research and development expenses and administrative expenses	**259,971**	229,389

5 INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current income tax	**4,635**	5,842
Deferred income tax	**102**	(108)
	4,737	5,734

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits in Hong Kong during the year ended 31 December 2018 (2017: Nil).

(iii) The PRC enterprise income tax ("EIT")

Under the Enterprise Income Tax Law of the PRC (the "New EIT Law"), the applicable income tax rate for the Group's entities in the PRC, except for Miji Electronics and Appliances (Shanghai) Ltd. ("Miji Shanghai"), is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Miji Shanghai obtained the Certificate on 4 September 2014. The Certificate has expired on 3 September 2017. Miji Shanghai renewed the Certificate on 23 October 2017 and the Certificate will be expired on 22 October 2020.

(iv) Corporate income tax in Germany

Income tax on profits arising from Germany has been calculated on the estimated assessable profits for the year at the rate of approximately 30%.

(v) Withholding tax on distributed profits

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared by the PRC companies to their foreign investors. Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the future.

6 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation of shares which took place on 24 June 2018.

	2018	2017
Profit attributable to owners of the Company *(RMB'000)*	**22,404**	20,394
Weighted average number of ordinary shares in issue	**1,298,630,091**	1,124,999,901
Basic earnings per share *(RMB cents)*	**1.73**	1.81

(b) Diluted

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the years.

7 TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**68,197**	43,857
Loss allowance	**(679)**	(652)
Trade receivables, net	**67,518**	43,205

The carrying amounts of the trade receivables approximate their fair value and are denominated in RMB.

The Group's credit terms to trade receivables are generally 30 to 365 days. The ageing analysis of the trade receivables, based on invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**29,059**	37,621
31–60 days	**19,062**	1,714
61–90 days	**15,917**	255
Over 90 days	**3,480**	3,615
	67,518	43,205

8 TRADE PAYABLES

As at 31 December 2018, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
1–30 days	**13,497**	24,325
31–60 days	**6,809**	5,887
61–90 days	**1,621**	3,915
Over 90 days	**1,500**	126
	23,427	34,253

9 DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends	**–**	26,357

For the year ended 31 December 2018, the Company did not declare any dividend.

For the year ended 31 December 2017, dividends of RMB26,357,000 were declared on 31 July 2017 by the companies now comprising the Group. All the dividends declared during the year ended 31 December 2017 have been transferred to the amount due to a shareholder.

The rates of dividends and the number of shares ranking for dividends are not presented as such information of dividend declared prior to the Listing is not considered meaningful for the purpose of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group develops, manufactures and sells premium kitchen appliances to middle-class and upper-middle class customers. According to the research report prepared by China Insights Consultancy Limited, the Group was the largest premium radiant stove manufacturer and supplier in the PRC in 2017 in terms of the retail sales value of the PRC's premium radiant stove market.

The Group's products mainly include radiant and induction hobs and stoves. Its core brands are "Miji Design" (德國米技), "Miji Home" (米技生活) and "Miji Pro" (米技商用). For the manufacturing of its hobs and stoves, the Group has two factories located in Shanghai, the PRC and one production workshop in Germany with an aggregate gross floor area of approximately 9,100 sq.m. All of the Group's hobs and stoves comply with the relevant safety standards and mandatory registration requirements in the PRC and Germany.

The Group's products are mainly sold in the PRC. The Group distributes its products across the PRC through various sales channels comprising mainly distributors, consignment sales, television platforms, online platforms and corporate clients. It also sells some products in Germany through Amazon Germany.

For the Reporting Period, the Group's revenue increased by approximately 10.3% to RMB281.7 million as compared with RMB255.4 million for the year ended 31 December 2017. The Group's profit for the Reporting Period also increased by approximately 12.3% to RMB23.7 million as compared with RMB21.1 million for the year ended 31 December 2017.

FINANCIAL REVIEW

Revenue

Revenue by product categories

The Group derives its revenue from the sales of (i) radiant hobs and stoves; (ii) induction hobs and stoves; (iii) pots and pans; and (iv) other small kitchen appliances and kitchen cabinets. Radiant hobs and stoves is the Group's major product type, contributing over 75% of our total revenue for the Reporting Period. The Group's total revenue for the Reporting Period amounted to approximately RMB281.7 million.

Set out below is a breakdown of revenue by product categories for the Reporting Period:

	Year ended 31 December			
	2018		2017	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Hobs and stoves (Radiant)	**218,318**	**77.5**	202,890	79.4
Hobs and stoves (Induction)	**19,678**	**7.0**	18,804	7.4
Pots and pans	**26,787**	**9.5**	20,079	7.9
Others *(Note)*	**16,907**	**6.0**	13,611	5.3
Total	**281,690**	**100.0**	255,384	100.0

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Revenue by geographical regions

During the Reporting Period, the Group's revenue was substantially derived in the PRC.

Revenue by sales channels

The Group sells its products through various channels, mainly including its consignment stores, sales to corporate clients, sales from television platforms and online platform and physical sales locations operated by the Group's distributors. Set out below is a breakdown of revenue by sales channels for the Reporting Period:

	Year ended 31 December			
	2018		2017	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Direct Sales				
Consignment stores	**50,716**	**18.0**	56,065	22.0
Corporate clients	**26,622**	**9.5**	36,979	14.5
Television platforms	**100,920**	**35.8**	59,115	23.1
Subtotal	**178,258**	**63.3**	152,159	59.6
Distributors				
Online platform	**76,202**	**27.1**	71,765	28.1
Physical sales locations	**20,781**	**7.4**	23,809	9.3
Television platforms	**6,449**	**2.2**	7,651	3.0
Subtotal	**103,432**	**36.7**	103,225	40.4
Total	**281,690**	**100.0**	255,384	100.0

During the Reporting Period, the Group's direct sales revenue from television platform increased by 70.7% to approximately RMB100.9 million from approximately RMB59.1 million for the year ended 31 December 2017. The significant increment was mainly driven by the launch of products on more television platforms for sale. The Directors believe that the recognition of the corporate image and products can be enhanced by increasing the number of television platforms that distributes the Group's products, which will in turn increase its sales revenue. As at 31 December 2018, the Group had six more television platforms that distribute its products as compared with 31 December 2017. Further, the Group also rolled out new products and offered more kitchen appliance package options to cater various needs of the customers of the television platforms.

Gross profit and gross profit margin

The Group recorded gross profit margin of 53.2% for the Reporting Period as compared with 53.5% for the year ended 31 December 2017. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Reporting Period:

	Year ended 31 December			
	2018		2017	
	Gross profit *RMB'000*	**Gross profit margin** %	Gross profit *RMB'000*	Gross profit margin %
Hobs and stoves (Radiant)	**116,620**	**53.4**	108,228	53.3
Hobs and stoves (Induction)	**10,584**	**53.8**	10,186	54.2
Pots and pans	**13,929**	**52.0**	10,954	54.6
Others *(Note)*	**8,667**	**51.3**	7,137	52.4
Total	**149,800**	**53.2**	136,505	53.5

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Other income

Other income mainly includes government grant and sundry income. The Group recorded other income of RMB4.8 million for the Reporting Period as compared with RMB1.4 million for the year ended 31 December 2017.

Other gains and losses

Other gains and losses mainly comprised exchange differences and loss on disposal of property, plant and equipment. The Group recorded other gains of RMB0.8 million for the Reporting Period as compared with other losses of RMB0.7 million for the year ended 31 December 2017.

Selling and distribution expenses

Selling and distribution expenses mainly represent consignment fee for the Group's direct sales through consignment stores and television platform, sundry expenses of consignment stores, salaries, performance bonuses and employee benefits expenses of sales and marketing staff, business travelling and entertainment expenses, advertising and promotion expenses, rental expenses and transportation expenses for delivery of products to customers. Selling and distribution expenses for the Reporting Period increased by approximately 29.5% to RMB92.3

million from RMB71.3 million for the year ended 31 December 2017 because of the increase in consignment fees arising from the significant increase in the Group's direct sales through television platforms.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, general office expenses, rental expenses, legal and professional fees, depreciation of property, plant and equipment, amortisation of land use right and intangible assets, listing expenses and other miscellaneous administrative expenses. Administrative expenses for the Reporting Period decreased by approximately 12.4% to RMB24.1 million from RMB27.5 million for the year ended 31 December 2017. The decrease in administrative expenses for the Reporting Period was primarily attributed to the decrease in non-recurring listing expenses for the Reporting Period to approximately RMB8.0 million from approximately RMB11.1 million for the year ended 31 December 2017.

Research and development expenses

Along with the Group's business development and sales growth, the Group continued to devote significant resources into the development of new products. Research and development expenses for the Reporting Period remained stable at RMB11.7 million when compared to RMB11.7 million for the year ended 31 December 2017.

Finance income

Finance income represents bank interest income. For the Reporting Period, the Group's finance income amounted to approximately RMB0.4 million as compared with RMB0.2 million for the year ended 31 December 2017.

Finance costs

For the Reporting Period, the Group's finance costs amounted to approximately RMB1.8 million as compared with RMB1.1 million for the year ended 31 December 2017. The increase in financial costs was primarily attributed to the increase of bank borrowings during the Reporting Period.

Income tax expenses

For the Reporting Period, the Group's income tax expenses amounted to approximately RMB4.7 million as compared with RMB5.7 million for the year ended 31 December 2017. The decrease in income tax expenses was primarily attributed to the decrease in assessable profits during the Reporting Period.

Net profit

As a result of the above factors, the Group's net profit for the Reporting Period was RMB23.7 million, representing an increase of 12.4% as compared with the year ended 31 December 2017. Net profit margin for the Reporting Period also increased to 8.4% from 8.3% for the year ended 31 December 2017.

Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2018 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then.

The Group funds its business and working capital requirements by using a balanced mix of internal resources, bank borrowings and a partial portion of the proceeds from the initial public offering (the "**IPO**"). The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 31 December 2018, the Group had net current assets of approximately RMB157.4 million (31 December 2017: RMB54.8 million), cash and cash equivalents amounted to approximately RMB46.9 million (31 December 2017: RMB61.6 million) and bank borrowings amounted to approximately RMB41.6 million (31 December 2017: RMB40.0 million). The Group's cash and cash equivalents and bank borrowings as at 31 December 2018 were mainly denominated in RMB, Hong Kong Dollars ("**HKD**") and United States Dollars ("**USD**"), with bank borrowings subject to fixed interest rates of approximately 5.2% per annum.

As at 31 December 2018, the Group had a current ratio of 2.7 times (31 December 2017: 1.5 times) and gearing ratio of 0.2 (calculated by dividing total debt by total equity) (31 December 2017: 0.6).

As at 31 December 2018, the Group did not have any available unutilised banking facilities (31 December 2017: nil).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any significant capital commitments (31 December 2017: nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities or guarantees (31 December 2017: nil).

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged property, plant and equipment with carrying amount of approximately RMB4.5 million and restricted bank deposit of approximately RMB17.5 million to secure its bank borrowings of approximately RMB23.0 million and RMB15.6 million respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2018, the Group did not make any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group set out its future plans in its prospectus dated 29 June 2018 (the "**Prospectus**"). As part of its future plans, the Group will expand its sales network by establishing showrooms in major cities of the PRC and increasing the number of consignment stores. The Group will also devote more resources into research and development to enhance its product portfolio and add additional functions to its existing products. To enhance the value the Group and its shareholders, the Group will also consider potential investment opportunities when they arise.

On 25 January 2019, the Company announced that its principal operating subsidiary, Miji Electronics and Appliances (Shanghai) Ltd. entered into a sale and purchase agreement with a PRC property developer, for the purchase of a commercial property at a consideration of approximately RMB14.3 million. This property, with a gross floor area of 407.36 square meters is located in Minhang District, Shanghai and it is currently under construction. It is expected that the construction of this property will be completed and this property will be transferred to the Group by 30 June 2019. The Company will use this property for marketing purpose and office use.

FOREIGN EXCHANGE RISKS

Our Group's foreign exchange risk mainly relates to fluctuations in exchange rates of RMB against our assets and liabilities in USD and HKD, and these may affect our operation results. Our Group does not have a hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 297 staff (31 December 2017: 286 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance.

USE OF PROCEEDS FROM IPO

Shares of the Company were listed on the Main Board of the Stock Exchange on 16 July 2018. The net proceeds from the IPO, net of underwriting commissions and other relevant expenses, amounted to approximately HK$76.2 million. The Group will apply such proceeds in accordance with the section headed "Future plans and use of proceeds" set out in the Prospectus.

The use of the net proceeds from the Listing Date up to the date of this announcement had been applied as follows:

	Planned use of net proceeds (approximately)	**Utilised net proceeds from IPO from the Listing Date to the date of this announcement** (approximately)	**Unutilised net proceeds from IPO as at the date of this announcement** (approximately)	**Expected timeline for unutilised net proceeds from IPO**
Establish showrooms in major cities of the PRC	HK$24.5 million	HK$2.9 million	HK$21.6 million	HK$21.6 million to be utilised by 30 June 2021
Repayment of bank loans	HK$18.2 million	HK$18.2 million	–	N/A
Expand and strengthen sales and marketing capacities	HK$18.1 million	HK$6.5 million	HK$11.6 million	HK$11.6 million to be utilised by 30 June 2021
Develop and diversify product portfolio of hobs and stoves	HK$2.7 million	HK$0.6 million	HK$2.1 million	HK$2.1 million to be utilised by 30 June 2020
Conduct project of 米技電爐具智能化服務平台 (Establishment of Smart Service Platform for Miji Electric Stoves*)	HK$5.3 million	HK$2 million	HK$3.3 million	HK$3.3 million to be utilised by 30 June 2020
General working capital	HK$7.4 million	HK$7.4 million	–	N/A

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries from the Listing Date up to the date of this announcement.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST

For the Reporting Period, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions upon successful listing and all Directors have confirmed, upon specific enquiry made, that they complied with the Model Code from the Listing Date up to the date of this announcement.

CORPORATE GOVERNANCE

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "**CG Code**"), contained in Appendix 14 to the Listing Rules. Except for code provision A.2.1, the Board is of the view that the Company has complied with the code provisions set out in the CG Code from Listing Date up to the date of this announcement.

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Madam Maeck is our chairperson and chief executive officer. With her extensive experience in the industry, the Directors believe that vesting the roles of both chairperson and chief executive officer in the same person provides the Company with strong and consistent leadership, allowing effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Madam Maeck performs both the roles of chairperson and chief executive officer, the division of responsibilities between the chairperson and chief executive officer is clearly established. In general, the chairperson is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Madam Maeck distinctly. Further, the current structure does not impair the balance of power and authority between the Board and management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors.

AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with the CG Code. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, financial reporting system, risk management and internal control systems, and has reviewed the Group's annual results for the Reporting Period.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's external auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

EVENT AFTER THE REPORTING PERIOD

Discloseable Transaction in relations to Acquisition of Property

On 25 January 2019, Miji Electronics and Appliances (Shanghai) Ltd. (米技電子電器（上海）有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 上海愷崇房地產開發有限公司 (Shanghai Kaichong Property Development Co., Ltd.*) (the "**Vendor**"), pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell one unit of 愷尚大廈 (Kaishang Building*), a commercial building situated at No. 5, Lane 158, Pan Yang Road, Huacao Town, Minhang District, Shanghai, China with a gross floor area of 407.36 square meters (the "**Property**"), by way of pre-sale prior to the completion of the construction of the Property, at a consideration of RMB14,298,336 (the "**Acquisition**").

As certain applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

For details of the Acquisition, please refer to the announcement of the Company dated 25 January 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.mijiholdings.com). The annual report of the Company for the year ended 31 December 2018 will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Miji International Holdings Limited
Madam Maeck Can Yue
Chairperson and Executive Director

Hong Kong, 18 March 2019

As at the date of this announcement, the executive Directors are Madam Maeck Can Yue and Mr. Walter Ludwig Michel, and the independent non-executive Directors are Mr. Wang Shih-fang, Mr. Yan Chi Ming and Mr. Hooi Hing Lee.

* *For identification purpose only*