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 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2019	2018
Revenue *(RMB'000)*	**246,302**	281,690
Gross profit *(RMB'000)*	**133,646**	149,800
Gross profit margin *(%)*	**54.3%**	53.2%
Net profit for the year *(RMB'000)*	**19,897**	23,687
Earnings per share		
– Basic and diluted *(RMB cents)*	**1.25**	1.73

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Miji International Holdings Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (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 2019

	Note	2019 *RMB'000*	2018 *RMB'000*
Revenue	3	**246,302**	281,690
Cost of sales	4	**(112,656)**	(131,890)
Gross profit		**133,646**	149,800
Other income		**4,746**	4,781
Other gains, net		**918**	769
Selling and distribution expenses	4	**(88,643)**	(92,330)
Administrative expenses	4	**(18,152)**	(24,062)
Research and development expenses	4	**(9,885)**	(11,662)
Net impairment losses on financial assets		**(128)**	(27)
Operating profit		**22,502**	27,269
Finance income		**999**	418
Finance costs		**(3,158)**	(1,782)
Finance costs, net		**(2,159)**	(1,364)
Share of profit of an associate		**1,931**	2,519
Profit before income tax		**22,274**	28,424
Income tax expense	5	**(2,377)**	(4,737)
Profit for the year		**19,897**	23,687
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(8)**	7
Total comprehensive income for the year		**19,889**	23,694

	Note	2019 *RMB'000*	2018 *RMB'000*
Profit attributable to:			
Owners of the Company		**18,761**	22,404
Non-controlling interests		**1,136**	1,283
		19,897	23,687
Total comprehensive income attributable to:			
Owners of the Company		**18,753**	22,411
Non-controlling interests		**1,136**	1,283
Total comprehensive income for the year		**19,889**	23,694
Earnings per share attributable to owners of the Company for the year			
Basic and diluted	6	**RMB1.25 cents**	RMB1.73 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 *RMB'000*	2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**20,478**	6,667
Right-of-use assets		**6,226**	–
Land use rights		**9,005**	945
Investment in an associate		**7,246**	4,779
Intangible assets		**870**	1,002
Deferred income tax assets		**155**	2
Prepayments		**–**	3,998
		43,980	17,393
Current assets			
Inventories		**56,181**	56,272
Trade receivables	7	**67,150**	67,518
Other receivables, deposits and prepayments		**32,360**	27,370
Restricted bank deposit	8	**17,915**	17,524
Bank deposits	8	**–**	35,048
Cash and cash equivalents	8	**86,709**	46,944
		260,315	250,676
Total assets		**304,295**	268,069
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**12,561**	12,561
Share premium		**72,173**	72,173
Reserves		**105,120**	86,274
		189,854	171,008
Non-controlling interests		**4,988**	3,745
Total equity		**194,842**	174,753

	Note	2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**3,418**	–
Borrowings		**6,965**	–
		10,383	–
Current liabilities			
Trade and other payables	9	**46,007**	43,788
Borrowings		**46,547**	41,600
Lease liabilities		**3,323**	–
Amount due to an associate		**977**	336
Amount due to a non-controlling interest		**-**	2,185
Contract liabilities		**720**	2,732
Current income tax liabilities		**1,496**	2,675
		99,070	93,316
Total liabilities		**109,453**	93,316
Total equity and liabilities		**304,295**	268,069

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. The Company and its subsidiaries (collectively 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 the 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 following new and amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

- HKFRS 16 Leases
- Amendments to HKFRS 9 — Prepayment Features with Negative Compensation
- Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Amendments to HKAS 19 — Plan Amendment, Curtailment or Settlement
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2(b). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(a) ***Accounting policies applied from 1 January 2019***

From 1 January 2019, leases are recognised as right-of-use assets (including land use rights which are presented as a separate line item in the consolidated statement of financial position) and a corresponding liability at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following;

- the amount of the initial measurement of lease liability;
- prepayment; and
- any initial direct costs.

(b) ***Impact of adoption on financial statements – HKFRS 16***

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the year ended 31 December 2018, as permitted under the specific transitional provision in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (date of initial application of HKFRS 16). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.4%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- to use a single discount rate to a portfolio of leases with reasonable similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019; and
- to account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 December 2018 and the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 (date of initial application of HKFRS 16) is as follows:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	4,983
Less: short-term leases recognised on a straight-line basis as expense	(236)
Less: low-value leases recognised on a straight-line basis as expense	(5)
	4,742
Discounted using the lessee's incremental borrowing rate at the date of initial application	(280)
Lease liabilities recognised as at 1 January 2019	4,462
Of which are:	
Current lease liabilities	2,087
Non-current lease liabilities	2,375
	4,462

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-to-use assets at the date of initial application.

The recognised right-of-use assets of RMB4,462,000 as at 1 January 2019 are related to office premises and warehouses.

The Group's interests in land use rights represent a right-of-use asset (2018: upfront payments) for land.

The change in accounting policy resulted in the recognition of both right-of-use assets and lease liabilities of RMB4,462,000 in the consolidated statement of financial position on 1 January 2019.

3 SEGMENT INFORMATION AND REVENUE

The chief operating decision-makers have been identified as the directors of the Company. Management has determined the operating segments based on the information reviewed by the directors for the purpose of allocating resources and assessing performance. The only component in internal reporting to the directors is the Group's development, manufacturing and selling of kitchen appliances. 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 2019, non-current assets of RMB43,376,000 (2018: RMB16,910,000) of the Group are located in the PRC. For the year ended 31 December 2019, revenue of RMB246,192,000 (2018: RMB280,590,000) are derived from external customers in the PRC. Revenues of approximately RMB60,031,000 and RMB28,045,000 (2018:RMB71,191,000 and RMB28,316,000) are derived from two (2018: two) individual external customers, each of which contributed more than 10% revenue of Group's revenue.

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**246,302**	281,690
Timing of revenue recognition		
At a point of time	**246,302**	281,690

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Sales of goods	**2,732**	5,988

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:

	2019	2018
	RMB'000	*RMB'000*
Cost of materials used	**106,314**	125,895
Auditor's remuneration		
– Audit services	**1,852**	1,309
Legal and professional fee	**2,246**	747
Depreciation of property, plant and equipment	**2,297**	1,451
Depreciation of right-of-use assets	**3,279**	–
Depreciation and amortisation of land use rights	**57**	28
Amortisation of intangible assets	**225**	236
Employee benefit expenses (including directors' emoluments)	**28,271**	32,653
Consignment fee	**42,669**	47,874
Short term lease expenses	**1,034**	–
Operating lease rentals	**–**	2,973
Decoration expenses	**2,566**	1,976
Advertising and promotion expenses	**6,892**	7,812
Listing expenses	**–**	7,998
Product design and inspection fee	**2,249**	3,126
Sundry expenses of consignment stores	**8,336**	6,806
Travelling and entertainment expenses	**3,121**	3,525
Transportation expenses	**4,476**	4,089
Others	**13,452**	11,446
Total cost of sales, selling and distribution expenses, research and development expenses and administrative expenses	**229,336**	259,944

5 INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2019 and 2018.

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. The PRC corporate income tax rate of all the PRC subsidiaries during the years ended 31 December 2019 and 2018, was 25% except for Miji Electronics and Appliances (Shanghai) Ltd ("Miji Shanghai") whose corporate income tax rate was 15% as Miji Shanghai has obtained the High New Technology Enterprise Certificate.

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

	2019	2018
	RMB'000	*RMB'000*
Current income tax	**2,530**	4,635
Deferred income tax	**(153)**	102
	2,377	4,737

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. For the years ended 31 December 2019 and 2018, the weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares.

	2019	2018
Profit attributable to owners of the Company *(RMB'000)*	**18,761**	22,404
Weighted average number of ordinary shares in issue	**1,500,000,000**	1,298,630,091
Basic earnings per share *(RMB cents)*	**1.25**	1.73

(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 both years presented.

7 TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**67,957**	68,197
Loss allowance	**(807)**	(679)
Trade receivables, net	**67,150**	67,518

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:

	2019	2018
	RMB'000	*RMB'000*
0–30 days	**37,924**	29,059
31–60 days	**12,929**	19,062
61–90 days	**9,282**	15,917
Over 90 days	**7,015**	3,480
	67,150	67,518

8. RESTRICTED BANK DEPOSIT, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	*RMB'000*
Restricted bank deposit *(Note)*	**17,915**	17,524
Bank deposits with original maturities of over three months	**–**	35,048
Cash and cash equivalents		
– Cash at bank	**86,634**	46,894
– Cash on hand	**75**	50
Total cash and bank balances	**104,624**	99,516

Note: As at 31 December 2019, RMB17,915,000 are restricted deposits held at bank as a security for bank borrowings of the Group (2018: RMB17,524,000).

9 TRADE PAYABLES

As at 31 December 2019, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
1–30 days	**17,586**	13,497
31–60 days	**6,553**	6,809
61–90 days	**1,527**	1,621
Over 90 days	**243**	1,500
	25,909	23,427

10 DIVIDENDS

No dividend was declared by the Company for the years ended 31 December 2019 and 2018.

11 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(i) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. As at the date on which the financial statements were authorised for issue, the Group expects that the COVID-19 outbreak may have an adverse impact to the financial performance of the Group for the six months ending 30 June 2020, mainly due to the postponement of work resumption implemented by the local government and adopted by our Group and our suppliers, as well as the extended closure of our consignment stores after Chinese New Year holidays. Management is yet to be able to estimate the overall impact to the financial performance and position of the Group. Nonetheless, the Group will pay close attention to the development of the COVID-19 outbreak and continuously manage relevant resources and adjust its purchase and production activities in a timely manner to mitigate the adverse impact.

(ii) Subsequent to the reporting period, the Group entered into a corporation agreement with an independence third party to form a subsidiary with the counterparty.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND BUSINESS STRATEGY

The Group develops, manufactures and sells premium kitchen appliances to middle-class and upper-middle class customers. 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. The Group tapped into the Hong Kong market during the Reporting Period through business cooperation with a wholly-owned company of a Japanese company with over 100 years of history specialising in the sales and marketing of cutlery and kitchen utensils.

During the Reporting Period, the trade war between the United States and China intensified and it adversely affected the global economy. China's economy showed signs of slowing down and Chinese consumers are more cautious on their expenditures on consumer products. The Group also suffered from the adverse impact from the trade war between the United States and China during the Reporting Period. The Group actively promoted its brand and products in various ways, which included establishing showrooms in Beijing and Shanghai, rolling out new products, organising culinary classes to educate consumers on cooking skills, promoting healthy eating habits and ways to use the Group's products to cook their meals easily. However, the Group's revenue for the Reporting Period decreased by approximately 12.6% to RMB246.3 million as compared with RMB281.7 million for the year ended 31 December 2018. The decline in the Group's revenue for the Reporting Period was primarily attributable to the decrease in sales of radiant hobs and stoves (i) through consignment stores; (ii) online platforms operated by the Group's distributors; and (iii) to corporate clients. In response to the weakening economy and the slowing consumer spending, the Group closely monitored the cost effectiveness of its marketing strategies and implemented appropriate measures to reduce operating costs. During the Reporting Period, the Group managed to reduce its selling and distribution expenses and it did not incur any listing expenses as it did in the comparative period, which partially offset the adverse impact of the decline in revenue. The Group's net profit for the Reporting Period decreased by approximately 16.0% to RMB19.9 million as compared with RMB23.7 million for the year ended 31 December 2018.

Subsequent to the Reporting Period, the outbreak of the novel coronavirus had a significant adverse impact on the global economy and consumer confidence. Amid the aforesaid economic uncertainties, the Group will continue to adopt a prudent approach to run its business operations. It will carefully study the needs and preference of consumers and offer a wider range of products and services that can capture the demand from consumers of a wider age group and those who pursue a healthier lifestyle. The Group will also explore potential opportunities that can diversify its business operations and create value for the Group and its shareholders.

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 78.1% of our total revenue for the Reporting Period. The Group's total revenue for the Reporting Period amounted to approximately RMB246.3 million.

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

	Year ended 31 December			
	2019		2018	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Hobs and stoves (Radiant)	**192,344**	**78.1**	218,318	77.5
Hobs and stoves (Induction)	**16,649**	**6.8**	19,678	7.0
Pots and pans	**16,535**	**6.7**	26,787	9.5
Others *(Note)*	**20,774**	**8.4**	16,907	6.0
Total	**246,302**	**100.0**	281,690	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 platforms 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			
	2019		2018	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Direct Sales				
Consignment stores	**36,469**	**14.8**	50,716	18.0
Corporate clients	**11,131**	**4.5**	26,622	9.5
Television platforms	**115,560**	**46.9**	100,920	35.8
Subtotal	**163,160**	**66.2**	178,258	63.3
Distributors				
Online platforms	**62,348**	**25.3**	76,202	27.1
Physical sales locations	**20,794**	**8.5**	20,781	7.4
Television platforms	**–**	**–**	6,449	2.2
Subtotal	**83,142**	**33.8**	103,432	36.7
Total	**246,302**	**100.0**	281,690	100.0

During the Reporting Period, the Group suffered from the adverse impact from the trade war between the United States and China. China's weakening economy and slowing consumer spending adversely affected the Group's revenue from consignment stores, online platforms and corporate clients.

During the Reporting Period, the Group's direct sales revenue from consignment stores decreased by 28.0% to RMB36.5 million from RMB50.7 million for the year ended 31 December 2018, primarily due to decrease in the number of customers and the average spending amount.

During the Reporting Period, the Group's sales revenue from online platforms operated by the Group's distributors decreased by 18.2% to RMB62.3 million from RMB76.2 million for the year ended 31 December 2018. The decrease in sales revenue from online platforms operated by the Group's distributors was because online platform mainly targets younger generations, which are more vulnerable in economic downturns. During the Reporting Period, the online consumers reduced their purchasing frequency and avoided spending significant amounts online.

During the Reporting Period, the Group's sales revenue from corporate clients decreased by 58.3% to RMB11.1 million from RMB26.6 million for the year ended 31 December 2018. The decrease in sales revenue from corporate clients was because the Group had fewer purchase orders from property developers.

During the Reporting Period, the Group's direct sales revenue from television platforms increased by 14.6% to approximately RMB115.6 million from approximately RMB100.9 million for the year ended 31 December 2018. 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 distribute the Group's products, which will in turn increase its sales revenue. As at 31 December 2019, the Group had 4 more television platforms that distribute its products as compared with 31 December 2018. 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's gross profit margin slightly increased to 54.3% for the Reporting Period as compared with 53.2% for the year ended 31 December 2018, primarily attributed to the increased proportion of sales of hobs and stoves, which had a higher gross profit margin than pots and pans and other products. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Reporting Period:

	Year ended 31 December			
	2019		2018	
	Gross profit *RMB'000*	**Gross profit margin** %	Gross profit *RMB'000*	Gross profit margin %
Hobs and stoves (Radiant)	**106,097**	**55.2**	116,620	53.4
Hobs and stoves (Induction)	**9,474**	**56.9**	10,584	53.8
Pots and pans	**8,087**	**48.9**	13,929	52.0
Others *(Note)*	**9,988**	**48.1**	8,667	51.3
Total	**133,646**	**54.3**	149,800	53.2

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

Other income

Other income mainly includes government grant, licensing income from an associate and sundry income. The Group's other income for the Reporting Period remained stable at RMB4.8 million as compared with the year ended 31 December 2018.

Other gains, net

Other gains, net mainly comprised net exchange gain and gain/loss on disposal of property, plant and equipment. Due to a slight increase in net exchange gain, the Group recorded other gains of RMB0.9 million for the Reporting Period as compared with other gains of RMB0.8 million for the year ended 31 December 2018.

Selling and distribution expenses

Selling and distribution expenses mainly represent consignment fee for the Group's direct sales through consignment stores and television platforms, sundry expenses of consignment stores, 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 decreased by approximately 4.0% to RMB88.6 million from RMB92.3 million for the year ended 31 December 2018, primarily attributed to (i) the decrease in consignment fees as the Group recorded a decline in sales through consignment stores; and (ii) the implementation of cost control measures to reduce unnecessary expenditure.

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, depreciation and amortisation of land use rights and intangible assets, listing expenses and other miscellaneous administrative expenses. Administrative expenses for the Reporting Period decreased by approximately 24.5% to RMB18.2 million from RMB24.1 million for the year ended 31 December 2018. The decrease in administrative expenses for the Reporting Period was primarily because the Group incurred listing expenses of approximately RMB8.0 million for the year ended 31 December 2018. Listing expenses were one-off in nature and the Group did not incur any listing expenses for the Reporting Period.

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. During the Reporting Period, the Group reduced the number of research and development projects and put its primary focus on product development and diversification of product portfolio, and accordingly research and development expenses for the Reporting Period decreased by approximately 15.4% to RMB9.9 million from RMB11.7 million for the year ended 31 December 2018.

Finance income

Finance income represents bank interest income. For the Reporting Period, the Group's finance income increased to approximately RMB1.0 million from RMB0.4 million for the year ended 31 December 2018, primarily attributed to the increase in bank interest income generated from bank deposits during the Reporting Period.

Finance costs

For the Reporting Period, the Group's finance costs amounted to approximately RMB3.2 million as compared with RMB1.8 million for the year ended 31 December 2018. The increase in finance costs was primarily attributed to the increase of borrowings drawn to finance the commercial property acquired during the Reporting Period; and the recognition of interest expenses of RMB0.5 million on lease liabilities.

Income tax expenses

For the Reporting Period, the Group's income tax expenses amounted to approximately RMB2.4 million as compared with RMB4.7 million for the year ended 31 December 2018. The decrease in income tax expenses was primarily attributed to the decrease in assessable profits during the Reporting Period. The Group's effective income tax rate for the Reporting Period decreased to 10.7% from 16.7% for the year ended 31 December 2018 because the Group incurred listing expenses of approximately RMB8.0 million for the year ended 31 December 2018 and they were non-deductible for tax purpose.

Net profit

As a result of the above factors, the Group's net profit for the Reporting Period was RMB19.9 million, representing a decrease of 16.0% as compared with RMB23.7 million for the year ended 31 December 2018. Net profit margin for the Reporting Period slightly decreased to 8.1% from 8.4% for the year ended 31 December 2018.

Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (31 December 2018: nil).

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 2019, the Group had net current assets of approximately RMB161.2 million (31 December 2018: RMB157.4 million), bank deposits and cash and cash equivalents amounted to approximately RMB86.7 million (31 December 2018: RMB82.0 million) and borrowings amounted to approximately RMB53.5 million (31 December 2018: RMB41.6

million). The Group's cash and cash equivalents as at 31 December 2019 were mainly denominated in RMB, Euro, Hong Kong Dollars ("**HKD**") and United States Dollars ("**USD**"). As at 31 December 2019, the Group's borrowings (denominated in RMB) amounting to RMB48.8 million and RMB4.7 million (31 December 2018: RMB41.6 million and nil) carried interest at floating rate and fixed rate respectively. The weighted average interest rates are 5.2% (2018: 5.1%) per annum.

As at 31 December 2019, the Group had a current ratio of 2.6 times (31 December 2018: 2.7 times) and gearing ratio of 0.3 (calculated by dividing total debt by total equity) (31 December 2018: 0.2).

As at 31 December 2019, the Group did not have any available unutilised banking facilities (31 December 2018: nil).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any significant capital commitments (31 December 2018: nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities or guarantees (31 December 2018: nil).

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged land use rights and buildings with carrying amount of approximately RMB19.6 million and restricted bank deposit of approximately RMB17.9 million to secure its borrowings of approximately RMB29.8 million and RMB16.0 million respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 25 January 2019, Miji Electronics and Appliances (Shanghai) Ltd. (米技電子電器(上海)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a PRC property developer for the sale and purchase of a commercial property and the respective land use right at a consideration of approximately RMB14.3 million. This land and property, with a gross floor area of 407.36 square meters is located in Minhang District, Shanghai and it is in close proximity to hotels and exhibition centers (the "**Property**"). The Group is currently using the Property for marketing purpose and office use.

The carrying amount of the Property as at 31 December 2019 was approximately RMB13.0 million (representing approximately 4.3% of the Group's total assets) approximate its fair value. The Group holds the Property for its own use, and is measured at cost less depreciation. The details were set out in the announcement of the Company dated 25 January 2019.

On 3 July 2019, the Group completed the acquisition of an additional 10% of the issued shares of 米技炫尚智能家用電器(上海)有限公司 (Miji Xuanshang Intelligence Home Appliances (Shanghai) Company Limited*) ("**Miji Xuanshang**"), an associate, at a consideration of approximately RMB2.0 million. After the further acquisition of equity interest of Miji Xuanshang, the Company holds 49% of the issued shares of Miji Xuanshang.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Reporting Period, 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 17 January 2020, Miji Electronics and Appliances (Shanghai) Ltd., an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with 上海米之海企業發展有限公司 (Shanghai Mizhihai Enterprise Development Co., Ltd.*) for the formation of a joint venture company. For details of the formation of joint venture company, please refer to the section headed "Events after the reporting period" in this announcement.

Save as disclosed herein, as at 31 December 2019, the Group does not have any future plans for material investments and capital assets.

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, REMUNERATION POLICY AND TRAINING

As at 31 December 2019, the Group had a total of 238 staff (31 December 2018: 297 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments.

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 31 December 2019 had been applied as follows:

	Planned use of net proceeds (approximately)	**Utilised net proceeds from IPO from the Listing Date to 31 December 2019** (approximately)	**Unutilised net proceeds from IPO as at 31 December 2019** (approximately)	**Expected timeline for unutilised net proceeds from IPO**
Establish showrooms in major cities of the PRC	HK$24.5 million	HK$10.3 million	HK$14.2 million	HK$14.2 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$12.5 million	HK$5.6 million	HK$5.6 million to be utilised by 30 June 2021
Develop and diversify product portfolio of hobs and stoves	HK$2.7 million	HK$2.7 million	–	N/A
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$3.4 million	HK$1.9 million	HK$1.9 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 for the year ended 31 December 2019.

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.

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to eligible persons. The maximum number of shares which may be issued upon exercise of all options to be granted under this share option scheme and any other schemes of the Group shall not in aggregate exceed 150,000,000, being 10% of the shares in issue as at 16 July 2018. There is no option outstanding, granted, exercised, cancelled and lapsed during the Reporting Period.

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 for the year ended 31 December 2019.

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 for the year ended 31 December 2019.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 June 2020 to Monday, 29 June 2020 (both days inclusive), during which period no transfer of the shares will be effected. The holders of shares whose names appear on the register of members of the Company on Monday, 29 June 2020 will be entitled to attend and vote at the annual general meeting of the Company. In order to qualify for attending and voting at the annual general meeting of the Company or any adjournment thereof, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 19 June 2020.

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. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement of the Group's results for the year ended 31 December 2019 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 2019. 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.

EVENTS AFTER THE REPORTING PERIOD

Formation of a joint venture company

On 17 January 2020, Miji Electronics and Appliances (Shanghai) Ltd., an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with 上海米之海企業發展有限公司 (Shanghai Mizhihai Enterprise Development Co., Ltd.*). Pursuant to this cooperation agreement, the parties agreed to form a joint venture company for the purpose of investing in a business expansion project which involves the acquisition of a land parcel in Minhang District, Shanghai for the construction of production plant, office, research and development center, staff quarter and other ancillary facilities.

Details of the formation of joint venture company are disclosed in the announcements issued by the Company on 17 January 2020 and 21 January 2020.

Outbreak of novel coronavirus disease ("COVID-19")

An outbreak of COVID-19 erupted and rapidly spread across the globe subsequent to the Reporting Period. A number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the COVID-19, including the postponement of work resumption by the local government after the Chinese New Year Holidays. The aforesaid prevention measures interrupted the Group's production capacity and schedule and certain employees were not able to report for duties due to (i) the suspension or limited service of transportation facilities in certain areas; or (ii) the implementation of 14-day mandatory quarantine measures. The prevention measures also adversely affected the supply chain logistics and the Group experienced delay in the supply of raw materials from its suppliers. Further, the outbreak of the COVID-19 significantly reduced consumer spending, and hence, retail sales of consumer goods were adversely affected.

On 17 February 2020, the Group's production facilities gradually resumed production after two weeks' production halt. The Directors believe that the outbreak of the COVID-19 would significantly impact the global consumer market. The Group's production volume and customer demand for the first half of 2020 may also decline due to the aforesaid reasons. As at the date of this announcement, the Group's production facilities have already resumed full production and the Group is working closely with its employees, suppliers and customers to mitigate the adverse impact arising from the outbreak of the COVID-19. The Group will make further announcements as and when appropriate pursuant to the requirements under the Listing Rules.

Saved as disclosed herein, the Group does not have any other important events after the Reporting Period and up to the date of this announcement.

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 2019 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 2020

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

* *For identification purpose only*