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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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2020	2019
Revenue (<i>RMB'000</i>)	189,380	246,302
Gross profit (<i>RMB'000</i>)	94,986	133,646
Gross profit margin (%)	50.2%	54.3%
Net (loss)/profit for the year (<i>RMB'000</i>)	(19,950)	19,897
(Loss)/earnings per share		
– Basic and diluted (<i>RMB cents</i>)	(1.41)	1.25

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 2020 (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 2020

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	189,380	246,302
Cost of sales	4	(94,394)	(112,656)
Gross profit		94,986	133,646
Other income		5,352	4,746
Other gains, net		3,255	918
Selling and distribution expenses	4	(93,604)	(88,643)
Administrative expenses	4	(20,335)	(18,152)
Research and development expenses	4	(10,685)	(9,885)
Net impairment losses on financial assets		(1,407)	(128)
Operating (loss)/profit		(22,438)	22,502
Finance income		539	999
Finance costs		(2,451)	(3,158)
Finance costs, net		(1,912)	(2,159)
Share of net profit of associates		4,679	1,931
(Loss)/profit before income tax		(19,671)	22,274
Income tax expense	5	(279)	(2,377)
(Loss)/profit for the year		(19,950)	19,897
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		23	(8)
Total comprehensive (loss)/income for the year		(19,927)	19,889

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss)/profit attributable to:			
Owners of the Company		(21,128)	18,761
Non-controlling interests		1,178	1,136
		<u>(19,950)</u>	<u>19,897</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(21,105)	18,753
Non-controlling interests		1,178	1,136
		<u>(19,927)</u>	<u>19,889</u>
Total comprehensive (loss)/income for the year			
		<u>(19,927)</u>	<u>19,889</u>
(Loss)/earnings per share attributable to owners of the Company for the year			
Basic and diluted (<i>RMB cents</i>)	6	<u>(1.41)</u>	<u>1.25</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		2020	2019
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		20,757	20,478
Right-of-use assets		2,813	6,226
Land use rights		8,795	9,005
Investments in associates		17,592	7,246
Intangible assets		1,022	870
Deferred income tax assets		212	155
		51,191	43,980
Current assets			
Inventories		66,814	56,181
Trade receivables	7	52,501	67,150
Other receivables, deposits and prepayments		27,652	32,360
Restricted bank deposit	8	–	17,915
Cash and cash equivalents	8	48,184	86,709
		195,151	260,315
Total assets		246,342	304,295
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		12,561	12,561
Share premium		72,173	72,173
Reserves		84,015	105,120
		168,749	189,854
Non-controlling interests		4,202	4,988
Total equity		172,951	194,842

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,710	3,418
Borrowings		<u>5,676</u>	<u>6,965</u>
		<u>7,386</u>	<u>10,383</u>
Current liabilities			
Trade and other payables	9	26,155	46,007
Borrowings		27,289	46,547
Lease liabilities		1,972	3,323
Amount due to an associate		4,450	977
Amount due to a non-controlling interest		1,004	–
Contract liabilities		4,652	720
Current income tax liabilities		<u>483</u>	<u>1,496</u>
		<u>66,005</u>	<u>99,070</u>
Total liabilities		<u>73,391</u>	<u>109,453</u>
Total equity and liabilities		<u>246,342</u>	<u>304,295</u>

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 Windward 3, Regatta Office Park, PO Box 1350, 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 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.

(a) 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 2020:

- Amendments to Definition of a Business – HKFRS 3;
- Amendments to Definition of Material – HKAS 1 and HKAS 8;
- Amendments to Hedge Accounting – HKAS 39, HKFRS 7 and HKFRS 9;
- Revised Conceptual Framework for Financial Reporting – Conceptual Framework for Financial Reporting 2018; and
- Amendments to COVID-19 Related Rental Concession – HKFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior year and are not expected to significantly affect the current or future periods.

(b) New and revised HKFRSs issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Annual Improvement Projects	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 2020, non-current assets of RMB38,674,000 (2019: RMB43,376,000) of the Group were located in the PRC. For the year ended 31 December 2020, revenue of RMB188,276,000 (2019: RMB246,192,000) was derived from external customers in the PRC. Revenues of approximately RMB80,694,000 and RMB29,363,000 (2019: RMB60,031,000 and RMB28,045,000) were derived from two (2019: two) individual external customers, each of which contributed more than 10% of Group's revenue.

(a) **Revenue from contracts with customers**

	2020 RMB'000	2019 RMB'000
Revenue		
Sales of goods	<u>189,380</u>	<u>246,302</u>
Timing of revenue recognition		
At a point in time	<u>189,380</u>	<u>246,302</u>

(b) **Liabilities related to contracts with customers**

The Group has recognised the following liabilities related to contracts with customers:

	2020 RMB'000	2019 RMB'000
Contract liabilities – sales of goods (<i>Notes</i>)	<u>4,652</u>	<u>720</u>

Notes:

(i) ***Significant changes in contract assets and liabilities***

Contract liabilities for sales of goods have increased by RMB3,932,000 as a result of the negotiation of larger prepayments and an increase in overall contract activity.

(ii) ***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:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	<u>720</u>	<u>2,732</u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of materials used	87,668	106,314
Auditor's remuneration		
– Audit services	1,747	1,852
Legal and professional fees	3,849	2,246
Depreciation of property, plant and equipment	3,540	2,297
Depreciation of right-of-use assets	3,413	3,279
Depreciation and amortisation of land use rights	210	57
Amortisation of intangible assets	243	225
Employee benefit expenses (including directors' emoluments)	25,634	28,271
Consignment fee	46,190	42,669
Short term lease expenses	882	1,034
Decoration expenses	3,379	2,566
Advertising and promotion expenses	10,600	6,892
Product design and inspection fee	3,058	2,249
Sundry expenses of consignment stores	7,344	8,336
Travelling and entertainment expenses	2,547	3,121
Transportation expenses	5,643	4,476
Others	13,071	13,452
Total cost of sales, selling and distribution expenses, research and development expenses and administrative expenses	219,018	229,336

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 2020 and 2019.

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 2020 and 2019, 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax	336	2,530
Deferred income tax	(57)	(153)
	279	2,377

6 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holder of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
(Loss)/profit attributable to owners of the Company (RMB'000)	<u>(21,128)</u>	<u>18,761</u>
Weighted average number of ordinary shares in issue	<u>1,500,000,000</u>	<u>1,500,000,000</u>
Basic (loss)/earnings per share (RMB cents)	<u>(1.41)</u>	<u>1.25</u>

(b) Diluted

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares in existence during both years presented.

7 TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	54,715	67,957
Less: loss allowance	<u>(2,214)</u>	<u>(807)</u>
Trade receivables, net	<u>52,501</u>	<u>67,150</u>

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:

	2020 RMB'000	2019 RMB'000
0–30 days	19,054	37,924
31–60 days	10,875	12,929
61–90 days	7,863	9,282
Over 90 days	<u>14,709</u>	<u>7,015</u>
	<u>52,501</u>	<u>67,150</u>

8 RESTRICTED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Restricted bank deposit (<i>Note</i>)	–	17,915
Cash and cash equivalents		
– Cash at bank	48,100	86,634
– Cash on hand	84	75
	<hr/>	<hr/>
Total cash and bank balances	48,184	104,624
	<hr/>	<hr/>

Note: As at 31 December 2019, RMB17,915,000 are restricted deposits held at bank as a security for bank borrowings of the Group. During the year ended 31 December 2020, the restricted bank deposit has been released.

9 TRADE PAYABLES

As at 31 December 2020, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
1–30 days	10,101	17,586
31–60 days	3,485	6,553
61–90 days	270	1,527
Over 90 days	357	243
	<hr/>	<hr/>
	14,213	25,909
	<hr/>	<hr/>

10 DIVIDENDS

No dividend was declared by the Company for the years ended 31 December 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND BUSINESS STRATEGY

During the Reporting Period, the Group continues to develop, manufacture and sell premium kitchen appliances with a major focus on the PRC market. The Group distributes its products across the PRC through various sales channels comprising mainly of distributors, consignment sales, television platforms, online platforms and corporate clients.

Year 2020 has been very challenging due to the outbreak of the novel coronavirus (the “**COVID-19**”). Global economy suffered significant adverse impact as a result of the lockdown and social distancing measures imposed by the PRC government and many other countries to prevent the spread of the COVID-19, which caused (i) delays in the supply of raw materials from suppliers; (ii) postponement of work resumption after Chinese New Year holidays; and (iii) delays in the original production schedule and product delivery. Retail sales performance was also significantly affected as retail stores could not open for business or were forced to shorten their business hours under the lockdown measures and consumers became more prudent on their spending and preferred to stay at home to reduce the risk of infections.

Under the deteriorating economic conditions and business environment, the Group implemented various measures during the Reporting Period to reduce the adverse impact of COVID-19 and stimulate its sales performance. These measures included the close down of non-profitable consignment stores, the delay of opening new consignment stores, the offer of more attractive incentives to its customers and the increase in the number of product exhibitions and other marketing events to enhance the recognition of its brands and products. The Group also terminated its business cooperation with an underperforming online distributor. During the Reporting Period, one of the Group’s major online distributors had significant changes in its overall strategies, practices and operational tactics and the Group’s sales performance through online platform during the Reporting Period was adversely affected as a result. The Group swiftly replaced this underperforming distributor by another distributor in the last quarter of 2020. The Directors believe that these measures partially reduced the adverse impact of COVID-19 on the Group’s financial performance. The Group also recorded a gain of RMB5.8 million on the disposal of equity interest in a company engaged in the sale and manufacture of small electrical appliances. Overall, the Group’s revenue for the Reporting Period decreased by 23.1% to RMB189.4 million as compared with RMB246.3 million for the year ended 31 December 2019 and the Group recorded a net loss of RMB20.0 million for the Reporting Period.

During the Reporting Period, the PRC government has taken swift and decisive measures in response to the outbreak of COVID-19. Under these measures, PRC was among first to successfully contain and mitigate the spread of COVID-19. After the coronavirus outbreak has been contained, the PRC government rolled out various measures to stimulate its economy and boost domestic consumption.

The Directors believe that the retail industry will gradually recover. The Group will remain prudent on business development and continue to implement appropriate measures to improve its sales performance. 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 79.4% of our total revenue for the Reporting Period. The Group's total revenue for the Reporting Period amounted to approximately RMB189.4 million.

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

	Year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Hobs and stoves (Radiant)	150,313	79.4	192,344	78.1
Hobs and stoves (Induction)	10,277	5.4	16,649	6.8
Pots and pans	9,664	5.1	16,535	6.7
Others (<i>Note</i>)	19,126	10.1	20,774	8.4
Total	<u>189,380</u>	<u>100.0</u>	<u>246,302</u>	<u>100.0</u>

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			
	2020		2019	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Direct Sales				
Consignment stores	29,353	15.5	36,469	14.8
Corporate clients	2,238	1.2	11,131	4.5
Television platforms	121,589	64.2	115,560	46.9
Subtotal	<u>153,180</u>	<u>80.9</u>	<u>163,160</u>	<u>66.2</u>
Distributors				
Online platforms	25,753	13.6	62,348	25.3
Physical sales locations	10,447	5.5	20,794	8.5
Subtotal	<u>36,200</u>	<u>19.1</u>	<u>83,142</u>	<u>33.8</u>
Total	<u>189,380</u>	<u>100.0</u>	<u>246,302</u>	<u>100.0</u>

Consignment stores

During the Reporting Period, the Group's direct sales revenue from consignment stores decreased by 19.5% to RMB29.4 million from RMB36.5 million for the year ended 31 December 2019, resulting from the shortened business hours of consignment stores under the lock-down measures implemented by the PRC government and the decline in consumers' spending.

Corporate clients

During the Reporting Period, the Group's sales revenue from corporate clients decreased by 80.2% to RMB2.2 million from RMB11.1 million for the year ended 31 December 2019. The decrease in sales revenue from corporate clients was attributable to fewer purchase orders from property developers received by the Group.

Television platforms

During the Reporting Period, the Group's direct sales revenue from television platforms increased by 5.2% to RMB121.6 million from RMB115.6 million for the year ended 31 December 2019, which was in line with the Group's business plan to increase the proportion of its sales through this sales channel which provided access to customers remotely. The Group offered more attractive incentives to the customers of television platforms, mainly housewives and elderly age groups, because the Group considered that they have more savings than the younger generations and they view kitchen appliances are essential to their daily lives.

Online platforms

During the Reporting Period, the Group's sales revenue to distributors who operate online platforms decreased by 58.6% to RMB25.8 million from RMB62.3 million for the year ended 31 December 2019. The decrease in sales revenue from online platforms operated by the Group's distributors was primarily attributable to: (i) the replacement of a major online distributor; and (ii) the decline in consumer spending as a result of the outbreak of COVID-19.

Physical sales locations

During the Reporting Period, the Group's sales revenue to distributors who operate physical sales locations decreased by 50.0% to RMB10.4 million from RMB20.8 million for the year ended 31 December 2019, primarily attributable to the shortened business hours of physical sales locations under the lock-down measures implemented by the PRC government and the decline in consumers' spending.

Gross profit and gross profit margin

The Group's gross profit margin decreased to 50.2% for the Reporting Period as compared with 54.3% for the year ended 31 December 2019 because the Group offered more attractive incentives to its customers to stimulate sales performance. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Reporting Period:

	Year ended 31 December			
	2020		2019	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Hobs and stoves (Radiant)	75,821	50.4	106,097	55.2
Hobs and stoves (Induction)	5,079	49.4	9,474	56.9
Pots and pans	4,677	48.4	8,087	48.9
Others (<i>Note</i>)	9,409	49.2	9,988	48.1
Total	<u>94,986</u>	50.2	<u>133,646</u>	54.3

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

Other income

Other income mainly includes government grant, licensing and management fee income from an associate and sundry income. The Group's other income for the Reporting Period increased by 14.9% to RMB5.4 million for the Reporting Period from RMB4.7 million for the year ended 31 December 2019. Such increase was primarily attributable to the increase in licensing and management fee income from an associate but partially offset by the decrease in government grant.

Other gains, net

Other gains, net mainly comprised gain on partial disposal of investment in an associate, net exchange loss/gain and loss on disposal of property, plant and equipment. The Group's other gain increased by 2.7 times to RMB3.3 million for the Reporting Period from RMB0.9 million for the year ended 31 December 2019. Such increase was primarily attributable to the recognition of a one-off gain on partial disposal of an associate of RMB5.8 million, but partially offset by an exchange loss of RMB2.6 million.

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 increased by 5.6% to RMB93.6 million for the Reporting Period from RMB88.6 million for the year ended 31 December 2019. Such increase was primarily attributable to the increase in (i) the number of product exhibitions and other marketing events organised to enhance the recognition of the Group's brands and products; and (ii) consignment fees along with the increased proportion of 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, depreciation and amortisation of land use rights and intangible assets and other miscellaneous administrative expenses. Administrative expenses for the Reporting Period increased by 11.5% to RMB20.3 million from RMB18.2 million for the year ended 31 December 2019. The increase in administrative expenses for the Reporting Period was primarily attributable to the increase in depreciation on the Group's property and leasehold improvements.

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 put its primary focus on product development and diversification of product portfolio, and research and development expenses for the Reporting Period increased by 8.1% to RMB10.7 million from RMB9.9 million for the year ended 31 December 2019.

Finance income

Finance income represents bank interest income. The Group's finance income for the Reporting Period decreased by 50% to RMB0.5 million from RMB1.0 million for the year ended 31 December 2019, primarily attributable to the decrease in bank interest income generated from bank deposits during the Reporting Period.

Finance costs

The Group's finance costs for the Reporting Period decreased by 21.9% to RMB2.5 million from RMB3.2 million for the year ended 31 December 2019. The decrease in finance costs was primarily attributable to the repayment of borrowings during the Reporting Period.

Income tax expenses

The Group's income tax expenses for the Reporting Period amounted to RMB0.3 million as compared with RMB2.4 million for the year ended 31 December 2019. The decrease in income tax expenses was primarily attributable to the decrease in assessable profits during the Reporting Period.

Net (loss)/profit

As a result of the above factors, the Group's net loss for the Reporting Period was RMB20.0 million, as compared with net profit of RMB19.9 million for the year ended 31 December 2019.

Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (31 December 2019: 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. 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 2020, the Group had net current assets of RMB129.1 million (31 December 2019: RMB161.2 million), bank deposits and cash and cash equivalents amounted to RMB48.2 million (31 December 2019: RMB86.7 million) and borrowings amounted to RMB33.0 million (31 December 2019: RMB53.5 million). The Group's cash and cash equivalents as at 31 December 2020 were mainly denominated in RMB and HKD. As at 31 December 2020, the Group's borrowings (denominated in RMB) amounting to RMB32.3 million and RMB0.7 million (31 December 2019: RMB48.8 million and 4.7 million) carried interest at floating rate and fixed rate respectively. The weighted average interest rates are 5.0% (2019: 5.2%) per annum.

As at 31 December 2020, the Group had a current ratio of 3.0 times (31 December 2019: 2.6 times) and gearing ratio of 0.2 (calculated by dividing total debt by total equity) (31 December 2019: 0.3).

As at 31 December 2020, the Group did not have any available unutilised banking facilities (31 December 2019: nil).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (31 December 2019: nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities or guarantees (31 December 2019: nil).

PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged land use rights and buildings with carrying amount of RMB18.7 million to secure its borrowings of RMB29.3 million.

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

During the Reporting Period, the Group entered into an agreement with an independent third party for the disposal of 9% 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 RMB7.2 million. The Group recorded a gain of RMB5.8 million on such disposal and after the completion of such disposal, the issued shares of Miji Xuanshang held by the Group decreased from 49% to 40%.

During the Reporting Period, the Group invested RMB11.8 million, representing 33% equity interest, in Sky Asia Construction Engineering Limited (“**Sky Asia**”) and constituted 4.8% of the Group’s total assets as at 31 December 2020. It was classified as an investment in an associate in the Group’s consolidated financial statements.

Saved as disclosed herein, during the Reporting Period, the Group did not have any material acquisitions and disposals of assets, subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Saved as disclosed in this announcement, during the Reporting Period, the Group did not make any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

On 17 January 2020, Miji Electronics and Appliances (Shanghai) Ltd. (“**Miji Shanghai**”), 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.*) (the “**JV Partner**”) for the formation of a joint venture company. This joint venture company is intended for the acquisition of a land parcel in Shanghai Xinzhuang Industrial Zone for the construction of production plant, office, research and development center, staff quarter and other ancillary facilities (the “**Shanghai Project**”). For details of the formation of this joint venture company, please refer to the announcement dated 17 January 2020.

On 4 September 2020, Miji Shanghai and the JV Partner have entered into a termination agreement and a share transfer agreement. Pursuant to the termination agreement, the cooperation agreement dated 17 January 2020 entered into between Miji Shanghai and the JV Partner has been terminated after the completion of the several events. Pursuant to the share transfer agreement, the JV Partner has transferred its 40% equity interest in the joint venture company to Miji Shanghai at a consideration of RMB1. After completion of the termination agreement and the share transfer agreement, the joint venture company has become a wholly-owned subsidiary of the Company. For details of the termination of the formation of the joint venture company, please refer to the announcement dated 4 September 2020.

The Group will continue to carry out the Shanghai Project. As at the date of this announcement, the project design and the implementation of the Shanghai Project are still pending on the approval by the relevant PRC government authorities and the acquisition of the Target Land is subject to the process of public tender, auction and listing for sale. The Company will make further announcements to update its shareholders on the latest status of the Shanghai Project when appropriate.

Save as disclosed herein, as at 31 December 2020, 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 currencies other than RMB, 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 2020, the Group had a total of 227 staff (31 December 2019: 238 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

The Shares were listed on the Main Board of the Stock Exchange on 16 July 2018. The net proceeds from the initial public offering, net of underwriting commissions and other relevant expenses, amounted to approximately HK\$76.2 million (the “**Net Proceeds**”). On 6 August 2020, the Company made an announcement (the “**Announcement**”) and the Board resolved to change the use of unutilised Net Proceeds in the sum of HK\$12.6 million, which was originally intended for the establishment of showrooms in major cities of the PRC. The outbreak of the COVID-19 had significant adverse impact on the global economy and consumer confidence. Under the existing economic conditions, the Board considers that it would be in the best interests of the Company and its shareholders to stop opening new retail stores and showrooms as they may not be able to generate sufficient revenue to cover operating costs, such as rental expenses and labour costs. Instead, it would be more appropriate to adjust the initial business development plan and re-allocate the unutilised Net Proceeds for the (i) repayment of borrowings; (ii) expansion and strengthening of sales and marketing capacities; and (iii) development and diversification of product portfolio of hobs and stoves. Please refer to the Announcement for details of the change in the use of unutilised Net Proceeds.

As at 31 December 2020, the Company utilised HK\$75.1 million or 98.6% of the Net Proceeds. Set out below is the breakdown of the use of the Net Proceeds up to 31 December 2020:

Intended use of Net Proceeds	Original allocation of Net Proceeds (approximately)	Revised allocation of Net Proceeds (as disclosed in the Announcement) (approximately)	Utilised amount of Net Proceeds up to 31 December 2020 (approximately)	Unutilised amount of Net Proceeds up to 31 December 2020 (approximately)	Expected timeline for fully utilising the unutilised Net Proceeds after the revised allocation
Establish showrooms in major cities of the PRC	HK\$24.5 million	HK\$11.9 million	HK\$11.9 million	–	N/A
Repayment of bank loans	HK\$18.2 million	HK\$23.2 million	HK\$23.2 million	–	N/A
Expand and strengthen sales and marketing capacities	HK\$18.1 million	HK\$21.7 million	HK\$21.7 million	–	N/A
Develop and diversify product portfolio of hobs and stoves	HK\$2.7 million	HK\$6.7 million	HK\$5.6 million	HK\$1.1 million	HK\$1.1 million to be utilised by 30 June 2021
Conduct project of 米技電爐具智能化服務平台建設 (Establishment of Smart Service Platform for Miji Electric Stoves*)	HK\$5.3 million	HK\$5.3 million	HK\$5.3 million	–	N/A
General working capital	<u>HK\$7.4 million</u>	<u>HK\$7.4 million</u>	<u>HK\$7.4 million</u>	<u>–</u>	N/A
Total	<u>HK\$76.2 million</u>	<u>HK\$76.2 million</u>	<u>HK\$75.1 million</u>	<u>HK\$1.1 million</u>	

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 Reporting Period.

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 Reporting Period.

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 Reporting Period.

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 Wednesday, 16 June 2021 to Tuesday, 22 June 2021 (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 Tuesday, 22 June 2021 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 Tuesday, 15 June 2021.

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 Reporting Period 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 Reporting Period. 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

On 21 January 2021, Wide Big Investment Limited ("**Wide Big**"), the controlling shareholder (as defined under the Listing Rules) of the Company entered into a sale and purchase agreement with Mr. Wu Huizhang ("**Mr. Wu**"), pursuant to which Wide Big agreed to sell, and Mr. Wu agreed to purchase 375,000,000 shares of the Company (representing 25.00% of the total issued shares of the Company as at the date of this announcement) at a consideration of HK\$55,000,000 (the "**Disposal**"). The Disposal was completed on 21 January 2021. Both Wide Big and Mr. Wu become substantial shareholders (as defined under the Listing Rules) of the Company immediately after the Disposal. For further details of the Disposal, please refer to the Company's announcement dated 21 January 2021.

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.

DISCLOSURE OF INFORMATION ON DIRECTOR

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on the Director is as follows:

The independent non-executive Director, Mr. Hooi Hing Lee, has been appointed as an independent non-executive director of Frontier Services Group Limited (stock code: 00500) since 28 October 2020.

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 Reporting Period 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, 30 March 2021

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

* *For identification purpose only*