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## **MIKO INTERNATIONAL HOLDINGS LIMITED**

**米格國際控股有限公司**

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

**(Stock Code: 1247)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Miko International Holdings Limited (the “**Company**”) announced the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, as follows:

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021 (Expressed in Renminbi)*

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Turnover</b>	4	<b>59,741</b>	42,981
Cost of sales		<u>(53,523)</u>	<u>(37,963)</u>
<b>Gross profit</b>		<b>6,218</b>	5,018
Other revenue	5	<b>437</b>	369
Share of results from an associate		<b>(37)</b>	(799)
Allowance for expected credit loss on trade receivables, net		<b>(93)</b>	(1,415)
Selling and distribution expenses		<b>(8,590)</b>	(20,052)
Administrative and other operating expenses		<b>(18,785)</b>	(11,211)
Gain on derecognition of convertible bonds		<b>1,006</b>	–
<b>Loss from operations</b>		<b>(19,844)</b>	(28,090)
Finance costs	6(a)	<u>(2,350)</u>	<u>(2,335)</u>
<b>Loss before taxation</b>	6	<b>(22,194)</b>	(30,425)
Income tax expenses	7	<u>–</u>	<u>(375)</u>
<b>Loss for the period attributable to shareholders of the Company</b>		<b>(22,194)</b>	(30,800)
<b>Other comprehensive loss for the period</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(1,270)</u>	<u>(2,177)</u>
<b>Total comprehensive loss for the period attributable to shareholders of the Company</b>		<u><b>(23,464)</b></u>	<u>(32,977)</u>
			(Restated)
<b>Loss per share (RMB cents)</b>			
– Basic and diluted	8	<u><b>(20.7)</b></u>	<u>(31.3)</u>

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

*As of 30 June 2021 (Expressed in Renminbi)*

	<i>Notes</i>	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		48,649	55,550
Intangible assets		466	824
Right-of-use assets		2,369	2,413
Investment in an associate		45,822	45,859
		<b>97,306</b>	104,646
<b>Current assets</b>			
Inventories		12,774	23,128
Trade receivables	9	58,314	59,020
Prepayments, deposits and other receivables		8,712	12,139
Cash and cash equivalents		43,082	39,169
		<b>122,882</b>	133,456
<b>Current liabilities</b>			
Trade and other payables	10	21,343	22,805
Bank loans		43,750	44,150
Convertible bonds		–	14,963
		<b>65,093</b>	81,918
<b>Net current assets</b>		<b>57,789</b>	51,538
<b>Total assets less current liabilities</b>		<b>155,095</b>	156,184
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,300	1,300
Convertible bonds		12,870	–
		<b>14,170</b>	1,300
<b>Net assets</b>		<b>140,925</b>	154,884
<b>Equity</b>			
Share capital	11(a)	9,491	7,833
Reserves		131,434	147,051
<b>Total equity</b>		<b>140,925</b>	154,884

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 1601, Ho King Commercial Centre, 2-16 Fa Yuen Street, Mong Kok, Kowloon, Hong Kong.

As at 30 June 2021, the directors of the Company consider the immediate and ultimate controlling parties to be Think Wise Holdings Investment Limited and Mr. Ding Peiji respectively.

During the period, the Company and its subsidiaries (collectively the “**Group**”) was principally engaged in the business of design, manufacture and sales of children apparel products. There were no significant changes in the nature of the Group's principal activities during the period.

The unaudited condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) unless otherwise stated.

These condensed consolidated interim financial statements have not been audited.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “**unaudited interim results**”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). The Board approved the unaudited interim results for issue on 27 August 2021.

The unaudited interim results have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the adoption of new standards and amendments to existing standards as set out in note 3.

The preparation of the unaudited interim results in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim results contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The condensed consolidated interim results have not been audited by the Company's independent auditors, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

The financial information relating to the financial year ended 31 December 2020 that is included in the unaudited interim results as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2020 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 March 2021.

### 3. CHANGES IN ACCOUNTING POLICIES

The IASB had issued a number of amendments to IFRSs. The application of the amendments to IFRSs in the current period had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited interim results.

### 4. TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are the design, manufacture and sales of children's apparel products. Turnover represents the sales value of goods sold less returns, discounts and value added taxes.

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Wholesalers		Retail outlets		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<b>53,110</b>	41,746	<b>6,631</b>	1,235	<b>59,741</b>	42,981
Inter-segment revenue	–	548	–	–	–	548
Reportable segment revenue	<b>53,110</b>	42,294	<b>6,631</b>	1,235	<b>59,741</b>	43,529
Segment results	<b>(25,805)</b>	(20,334)	<b>5,868</b>	(4,865)	<b>(19,937)</b>	(25,199)
Allowance for expected credit loss on trade receivables, net	<b>(75)</b>	(1,221)	<b>(18)</b>	(194)	<b>(93)</b>	(1,415)
Other revenue					<b>437</b>	369
Share of results from an associate					<b>(37)</b>	(799)
Central administration costs					<b>(1,220)</b>	(1,046)
Gain on derecognition of convertible bonds					<b>1,006</b>	–
Finance costs					<b>(2,350)</b>	(2,335)
Loss before taxation					<b>(22,194)</b>	(30,425)

All of the segment revenue reported above are generated from external customers.

Revenue from contracts with customers are recognised at a point in time.

The accounting policies of the operating segments are the same as the Group's accounting policies to the consolidated financial statements. Segment results represent the loss recorded by each segment without allocation of other revenue, share of results from an associate, finance costs, gain on derecognition of convertible bonds and central administration costs including directors' remuneration. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Wholesalers		Retail outlets		Total	
	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Segment assets	<u>172,196</u>	<u>166,391</u>	<u>823</u>	<u>25,529</u>	<u>173,019</u>	191,920
Unallocated assets					<u>47,169</u>	<u>46,182</u>
Total assets					<u><u>220,188</u></u>	<u><u>238,102</u></u>
Segment liabilities	<u>61,269</u>	<u>58,807</u>	<u>876</u>	<u>19</u>	<u>62,145</u>	58,826
Unallocated liabilities					<u>17,118</u>	<u>24,392</u>
Total liabilities					<u><u>79,263</u></u>	<u><u>83,218</u></u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investment in associate, certain other prepayments and receivables and certain cash and cash equivalents; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities, convertible bonds and certain accrued charges and other payables

### Geographical information

All the Group's revenue from external customers and non-current assets are based in Mainland China.

### Information about major customers

Revenue from major customers contributing over 10% of the turnover of the Group is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	11,885	10,177
Customer B	11,142	10,161
Customer C	8,493	8,990
Customer D	7,774	6,917
	<u>          </u>	<u>          </u>

### 5. OTHER REVENUE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	67	–
Rental income	370	369
	<u>          </u>	<u>          </u>
	<u>437</u>	<u>369</u>

## 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>(a) Finance costs:</b>		
Interest on bank loans	1,040	1,074
Imputed interest on convertible bonds	1,310	1,261
	<u>2,350</u>	<u>2,335</u>
<b>(b) Staff costs (including directors' remuneration):</b>		
Contributions to defined contribution retirement plans	645	860
Salaries, wages and other benefits	9,683	11,291
	<u>10,328</u>	<u>12,151</u>
<b>(c) Other items:</b>		
Amortisation of intangible assets	358	1,390
Depreciation of property, plant and equipment	6,837	6,034
Depreciation of right-of-use assets	44	44
Loss on disposal on property, plant and equipment	14	–
Allowance for expected credit loss on trade receivables, net	93	1,415
Research and development expenses	5,576	1,601
Cost of inventories sold <sup>#</sup>	53,523	37,963
	<u>53,523</u>	<u>37,963</u>

<sup>#</sup> Cost of inventories for the six months ended 30 June 2021 includes RMB4,388,000 (six months ended 30 June 2020: RMB4,864,000) relating to staff costs, which amount is also included in note 6(b) above.



## 7. TAXATION

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
– PRC corporate income tax	–	–
<b>Deferred tax</b>		
– Origination of temporary differences	–	375
	<u>–</u>	<u>375</u>
	<u>–</u>	<u>375</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands or BVI;
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax for the six months ended 30 June 2020 and 2021; and
- (iii) The applicable income tax rate for all of the Group’s subsidiaries in Mainland China is 25%.

## 8. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to shareholders of the Company of RMB22,194,000 (six months ended 30 June 2020: loss of RMB30,800,000) and the weighted average of 107,424,530 ordinary shares (six months ended 30 June 2020: 98,400,000 ordinary shares (restated)).

### (b) Diluted loss per share

The effect of the Company’s share options and convertible bonds was anti-dilutive for six months ended 30 June 2021 and 2020, and therefore, diluted loss per share are the same as the basic loss per share.

On 16 March 2021, the Company implemented share consolidation and the weighted average number of ordinary share in issue used in the basic and diluted loss per share calculation for the period ended 30 June 2020 was adjusted retrospectively.

## 9. TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables of the Group based on invoice date and net of allowance for doubtful debts, is as follows:

	At <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2020 <i>RMB'000</i> <b>(Audited)</b>
Within 90 days	<b>38,732</b>	38,662
90-120 days	<b>4,143</b>	9,874
After 120 days but within 180 days	<b>11,510</b>	6,162
After 180 days but within 1 year	<b>3,929</b>	4,322
Over 1 year	—	—
	<b>58,314</b>	59,020

## 10. TRADE PAYABLES

Set out below is an ageing analysis of the trade payables at the end of the reporting period based on relevant invoice dates:

	At <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2020 <i>RMB'000</i> <b>(Audited)</b>
Within 3 months	<b>6,958</b>	3,228
After 3 months but within 6 months	—	—
After 6 months but within 1 year	—	—
After 1 year	—	497
	<b>6,958</b>	3,735

## 11. CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

#### *Authorised and issued share capital*

	2021			2020		
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>	<i>RMB'000</i>
			<i>(Unaudited)</i>	<i>(Restated)</i>		<i>(Audited)</i>
<b>Authorised:</b>						
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>100,000</u>	<u>79,380</u>	<u>1,000,000,000</u>	<u>100,000</u>	<u>79,380</u>
<b>Ordinary shares, issued and fully paid:</b>						
At 1 January, 31 December	98,400,000	9,840	7,833	98,400,000	9,840	7,833
Issuance of ordinary shares on 9 April 2021 <i>(note i)</i>	<u>19,680,000</u>	<u>1,968</u>	<u>1,658</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June	<u>118,080,000</u>	<u>11,808</u>	<u>9,491</u>	<u>98,400,000</u>	<u>9,840</u>	<u>7,833</u>

*note:*

(i) On 9 April 2021, all conditions set out in the placing agreement have been fulfilled and the completion of the placing took place in accordance with the terms and conditions of the Placing Agreement. An aggregate of 19,680,000 Placing Shares have been placed to not less than six placees who and whose ultimate beneficial owners are not the connected person(s) of the Company and its connected persons at the Placing Price of HK\$0.48 per Placing Share. The net proceeds from the Placing amounted to approximately RMB7,751,000. The Company intends to utilise the net proceeds from the placing for repayment of bank borrowings, general working capital and corporate purpose.

### (b) Share premium

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed. The Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

### (c) Dividends

No dividend was paid or proposed during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period. The rates of dividend and the number of shares ranking for dividend are not presented, as such information is not considered meaningful for the purpose of the unaudited interim results.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

For the six months ended 30 June 2021 (“**1H 2021**”), revenue and net loss of our Group amounted to approximately RMB59.7 million and RMB22.2 million respectively, as compared to the revenue and net loss of approximately RMB43.0 million and RMB30.8 million respectively for the six months ended 30 June 2020 (“**1H 2020**”).

The extraordinary outbreak of the COVID-19 pandemic and the globally lockdown of the cities severely hit the world economy in the year of 2020 and the first half of 2021. The major economies of the world still faced a struggling situation.

Overall sales performance increased by 39% for the six months ended 30 June 2021 as compared with the same period in 2020 and this reflected a positive signal of business environment in the first half of 2021. Considering the unprecedented challenges and market uncertainty posed by the global health and economic crisis, the Group took immediate actions to preserve cash and strengthen its liquidity. The Group has been managing operating expenses and reducing its marketing and promotion cost sharply under such tough economy and business environment. In addition, the Group remained focused on further strengthening resilience of the business and ensure the sustainability in the market.

In addition, the Group would pay more focus to the e-commerce business partners as more customers have switched their consumption preferences to on-line platforms.

The outlook of the industry and business in the second half of 2021 is highly uncertain from the possible impact from the another round of COVID-19 pandemic. The Group will continuously maintain clean and comfortable environment and provide all the necessary safety supports to protect the employees, customers and suppliers from COVID-19 pandemic.

In the medium to long-term, the Group remains positive about its business and believes that it will bring satisfactory and sustainable returns to the shareholders. The Group continuously remains open to the opportunities for investment that can have sustainable growth going forward.

### **FINANCIAL REVIEW**

#### **Revenue**

Our Group’s products are primarily marketed through wholesaling to the distributors and self-operated stores who operate with “redkids” brand in various provinces and municipalities in Mainland China.

Sales performance for the first half of 2021 was rebounded from the outbreak of the COVID-19 pandemic in Mainland China since 2020 and weak consumption market.

For the apparel products segment, sales volume was approximately 2.4 million units for 1H 2021, representing about a 41.2% increase as compared to that of approximately 1.7 million units for 1H 2020. The average wholesale selling price for 1H 2021 recorded a reduction as compared to that for 1H 2020, partially reflecting our change in product mix in 1H 2021.

For the footwear and accessories segment, sales increased from approximately RMB15,000 for 1H 2020 to approximately RMB1.3 million for 1H 2021. The increase in sales from this segment is mainly due to the adjustment in the products sales category strategy in 1H 2021.

Sales to distributors continued to account for the majority of our Group's revenue during 1H 2021. Sales to distributors were approximately RMB53.1 million for 1H 2021, representing approximately 97.9% of our Group's revenue, as compared to that of approximately RMB41.7 million and 97.1% for 1H 2020.

Sales from self-operated stores were approximately RMB6.6 million for 1H 2021, representing 11.1% of our Group revenue, as compared to that of approximately RMB1.2 million or 2.9% for 1H 2020.

The tables below set forth our revenue by (i) products segment and (ii) sales channels for the period indicated:

	1H 2021		1H 2020		% change
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Apparel	<b>58,460</b>	<b>97.9</b>	42,966	100.0	36.0
Footwear and Accessories	<b>1,281</b>	<b>2.1</b>	15	0.0	8,440
	<b><u>59,741</u></b>	<b><u>100.0</u></b>	<b><u>42,981</u></b>	<b><u>100.0</u></b>	39.0
	1H 2021		1H 2020		% change
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Sales to distributors	<b>53,110</b>	<b>88.9</b>	41,746	97.1	27.2
Sales from self-operated stores	<b>6,631</b>	<b>11.1</b>	1,235	2.9	437.0
	<b><u>59,741</u></b>	<b><u>100.0</u></b>	<b><u>42,981</u></b>	<b><u>100.0</u></b>	39.0

### **Cost of Sales**

Our cost of sales recorded an increase from approximately RMB38.0 million for 1H 2020 to approximately RMB53.5 million for 1H 2021, which was broadly in line with the increase in sales volume. We devoted our focus on brand and wholesale management, and engaged other OEM factories to handle most of the manufacturing tasks. As a percentage of cost of sales, purchases from OEM factories accounted for approximately 54.1% for 1H 2021, which was comparable to that of approximately 50.0% for 1H 2020.

### **Gross Profit and Gross Profit Margin**

As a result of the foregoing, our gross profit increased from approximately RMB5.0 million for 1H 2020 to approximately RMB6.2 million for 1H 2021. Gross profit margin was approximately 10.4% for 1H 2021, representing a decrease of approximately 1.3 percentage points as compared to that of 11.7% for 1H 2020.

### **Other Revenue**

Other revenue of our Group mainly included the interest income from bank deposits of RMB67,000 during 1H 2021 and rental income of approximately RMB0.4 million during 1H 2021 (1H 2020: approximately RMB0.4 million).

### **Share of Results from an Associate**

In 1H 2021, share of loss from an associate of the Group was approximately RMB37,000 (1H 2020: share of loss approximately RMB0.8 million).

### **Allowance for Expected Credit Loss on Trade Receivables, net**

Allowance for expected credit loss of approximately RMB93,000 in respect of trade receivables was made (1H 2020: approximately RMB1.4 million) due to decisions made by the management of the Company taking into consideration the current credit worthiness, the past collection history, the aged status and the prevailing market conditions. We continue to conduct comprehensive review of our distributors' repayment histories, resources and financial capabilities to ensure that they are able to repay the debts within the credit period.

### **Selling and Distribution Expenses**

Selling and distribution expenses primarily consisted of marketing rebates, salaries and benefits for sales and marketing personnel, and advertising and exhibition expenses for outdoor advertisements. Selling and distribution expenses was approximately RMB8.6 million for 1H 2021, representing an decrease of approximately RMB11.5 million or about 57.2%, as compared to that of approximately RMB20.1 million for 1H 2020. The decrease in selling and distribution expenses was mainly due to decrease in the advertisement and marketing related expenses in view of current tough business environment recorded in 1H 2021. As a percentage of revenue, selling and distribution expenses was 14.4% for 1H 2021 (1H 2020: 46.7%).

## **Administrative and Other Operating Expenses**

Administrative and other operating expenses primarily consisted of R&D expenses, salaries and benefits for administrative personnel, professional expenses in relation to legal and financial advisory services and taxes and levies. Administrative and other operating expenses was approximately RMB18.8 million for 1H 2021, representing an increase of approximately RMB7.6 million or about 67.6% as compared to that of approximately RMB11.2 million for 1H 2020. The increase in the administrative and other operating expenses mainly reflected the increase in R&D expenses. As for the percentage of revenue, it increased from 26.1% for 1H 2020 to 31.4% for 1H 2021.

## **Finance Costs**

Finance costs comprised of interest on bank loans and imputed interest on convertible bonds. There were no significant change, between the two periods.

## **Taxation**

No income tax expense was recorded for 1H 2021, as compared to approximately RMB0.4 million for 1H 2020. Currently, our principal subsidiaries in Mainland China are subject to an enterprise income tax rate of 25%.

## **Loss for the Period after Taxation**

As a result of the foregoing, loss for the period after taxation approximately RMB22.2 million was recorded as compared to the loss for 1H 2020 approximately RMB30.8 million.

## **WORKING CAPITAL MANAGEMENT**

Our Group recorded net current assets of approximately RMB57.8 million with a current ratio of 1.9 times as of 30 June 2021, compared to that of approximately RMB51.5 million and 1.6 times as of 31 December 2020. The table below sets forth the turnover days of trade receivables, inventories and trade payables at the end of the period indicated.

	<b>Turnover days</b>	
	<b>As of 30 June 2021</b>	<b>As of 30 June 2020</b>
Trade receivables	<b>178</b>	266
Inventories	<b>61</b>	284
Trade payables	<b>18</b>	19

## LIQUIDITY AND CAPITAL RESOURCES

Our Group mainly relies on cash flows from operations to finance working capital requirements and capital expenditures. Our Group's cash and cash equivalents totalled approximately RMB43.1 million as of 30 June 2021 (31 December 2020: approximately RMB39.2 million). Bank borrowings of our Group was approximately RMB43.8 million as of 30 June 2021, as compared to that of approximately RMB44.2 million as of 31 December 2020. Gearing ratio was only 40.2% and 38.2%, respectively, as of 30 June 2020 and 31 December 2020.

Our Group recorded a increased in net cash used in operating activities of approximately RMB13.0 million, from net cash generated from operating activities approximately RMB11.8 million for 1H 2020 to net cash used in operating activities approximately RMB1.2 million for 1H 2021.

Net cash generated from investing activities of approximately RMB117,000 was made for 1H 2021, which mainly represented the proceed from disposal of property, plant and equipment and bank interest received. Net cash generated from financing activities was approximately RMB5.0 million for 1H 2021, as compared to net cash used in financing activities of approximately RMB2.9 million for 1H 2020 which mainly represented proceeds from placing shares.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately RMB3.8 million for 1H 2021 (1H 2020: net increase approximately RMB8.9 million).

### *Notes to financial ratios:*

- (1) Trade receivables turnover days equal the average of the opening and closing balances of trade receivables of the relevant period divided by revenue of the relevant period and multiplied by 182 days.
- (2) Inventory turnover days equal the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.
- (3) Trade payables turnover days equal the average of the opening and closing balances of trade payables of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.
- (4) Current ratio equals current assets divided by current liabilities as of the end of the period.
- (5) Gearing ratio equals the total of bank and other borrowings divided by total equity as of the end of the period.



## **CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES**

### **Placing of Shares under General Mandate**

On 23 February 2021 (after trading hours), the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 19,680,000 placing shares at the placing price of HK\$0.48 per placing share to not less than six placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons. The placing shares were allotted and issued pursuant to the specific mandate, which had been approved at the extraordinary general meeting of the Company. Details of the placing of new shares were set out in the announcement of the Company dated 23 February 2021 and 12 March 2021.

### **Amendments to the Terms and Conditions of the CB Subscription Agreement and the Convertible Bonds**

On 1 February 2021, the Company, Quanzhou Tuoyu Trade Co., Ltd. (the “**Purchaser**”) and Bright Oasis Investment Holdings Limited (the “**Subscriber**”) have entered into a deed of amendment (“**Deed of Amendment**”). According to the Deed of Amendment, the Company, the Purchaser and the Subscriber have agreed that the maturity date of the Convertible Bonds shall be extended from 23 June 2021 to 23 June 2023. For further details, please refer to the announcement of the Company dated 1 February 2021.

### **Share consolidation and change in board lot size**

The Company proposed a share consolidation of every ten issued existing shares be consolidated into one consolidated share (“**Share Consolidation**”). Before the Share Consolidation was effective on 16 March 2021, 984,000,000 existing shares have been allotted and issued. Upon the Share Consolidation becoming effective and assuming that no existing shares are issued or bought back from the date of announcement until the effective date of the Share Consolidation, not more than 98,400,000 consolidated shares will be in issue. The board lot size for trading on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) is proposed to be changed from 2,000 existing shares to 6,000 consolidated shares conditional upon the Share Consolidation becoming effective. Details of the Share Consolidation and change in board lot size were set out in the announcement of the Company dated 10 February 2021 and the circular of the Company dated 25 February 2021.

## **FINANCIAL RISK MANAGEMENT**

We have a treasury policy that aims to better control our treasury operations and lower borrowing cost. Our treasury policy requires our Group to maintain an adequate level of cash and cash equivalents, and sufficient available banking facilities to finance our daily operations and to address short-term funding needs. We review and evaluate our treasury policy from time to time to ensure its adequacy and effectiveness.

Except for operations of our Company and other investment holding companies outside Mainland China, our Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the management considers our Group's exposure to currency risk insignificant.

Our interest rate risk arises primarily from bank borrowings. As our Group's operations are mainly conducted in Mainland China and the majority of our Group's assets and liabilities, and sales and purchases are transacted in RMB, the Directors are of the view that our Group are not subject to significant foreign exchange rate risks.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

Our Group had no material contingent liabilities as of 30 June 2021.

## **PLEDGE OF ASSETS**

Certain properties and lease prepayments with net book value of approximately RMB36.8 million as at 30 June 2021 (31 December 2020: approximately RMB30.1 million) were pledged for certain bank loans.

## **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

Our Group made no other significant investments, material acquisitions or disposal for the six months ended 30 June 2021.

## **INVESTMENTS HELD IN FOREIGN CURRENCY AND HEDGING**

For the six months ended 30 June 2021, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the movement in exchange rate.

## **EMPLOYEES AND REMUNERATION POLICIES**

The emolument policy of our Group aims at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Our emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of our business development, so as to achieve our operational targets. As at 30 June 2021, we employed around 310 full-time employees. The total staff costs for 1H 2021 was approximately RMB10.3 million (1H 2020: approximately RMB12.2 million).

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

Neither our Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities during 1H 2021.

## **CORPORATE GOVERNANCE CODE**

The Company is committed to maintain a high standard of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. During 1H 2021, the Board comprised of three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). During 1H 2021, the Company has complied with the CG Code, except for the deviations as explained below.

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. As Mr. Ding Peiji ("**Mr. Ding**") is both the chief executive officer and the chairman of the Board of the Company, the Company deviates from code provision A.2.1. We consider that vesting the roles of both chairman and chief executive officer in Mr. Ding has the benefit of ensuring consistent leadership within our Group and enabling more effective and efficient overall strategic planning for our Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure and taking into account the background and experience of our Directors.

Code provision C.1.2 provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management provides information and updates to the members of the Board as and when appropriate.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ securities transactions. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during 1H 2021.

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

The Company has an Audit Committee (the “**Audit Committee**”) which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process, internal controls and risk management. The Audit Committee, comprising of Mr. Wu Shiming, chairman of Audit Committee, Mr. Hung Cho Sing and Mr. Chan Wai Wong, has reviewed the accounting principles and practices adopted by the Group and discussed with the management with respect to financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2021, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for 1H 2021 (1H 2020: Nil).

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained sufficient public float of more than 25% of the Company’s issued share capital as required under the Listing Rules as of the date of this announcement.

## **PUBLICATION OF RESULTS**

This unaudited interim results announcement has been published on our website at [www.redkids.com](http://www.redkids.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report of our Company for 1H 2021 containing all the information required by Appendix 16 to the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) will be dispatched to the shareholders of our Company and published on our website at [www.redkids.com](http://www.redkids.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in due course on or before 30 September 2021.

## **APPRECIATION**

The Board would like to express our heartfelt gratitude towards the management team and staff for their commitment and diligence, and would like to thank our shareholders and business associates for their strong support to the Group.

On behalf of the Board  
**Miko International Holdings Limited**  
**Ding Peiji**  
*Chairman*

Hong Kong  
27 August 2021

*As at the date of this announcement, the executive Directors are Mr. Ding Peiji, Mr. Ding Peiyuan and Ms. Ding Lizhen; and the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Chan Wai Wong and Mr. Wu Shiming.*