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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Miko International Holdings Limited (the “**Company**”) announced the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the financial year ended 31 December 2021 (the “**FY2021**”) together with the comparative figures for the year ended 31 December 2020 (the “**FY2020**”), which have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) and reviewed by the audit committee of the Company as below.

## AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021 (Expressed in Renminbi)*

	<i>Note</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Turnover</b>	3	<b>136,685</b>	115,785
Cost of sales		<u>(105,211)</u>	<u>(107,151)</u>
<b>Gross profit</b>		<b>31,474</b>	8,634
Other revenue	4	<b>1,038</b>	993
Written down on inventories		<b>(1,395)</b>	(7,856)
Allowance for expected credit losses on trade receivables, net		<b>(2,352)</b>	(9,652)
Gain on derecognition of convertible bonds		<b>2,760</b>	–
Selling and distribution expenses		<b>(25,319)</b>	(34,046)
Administrative and other operating expenses		<b>(19,834)</b>	(30,471)
Impairment loss on investment in an associate		<b>(2,329)</b>	–
Share of results from an associate		<b>(4,378)</b>	(817)
<b>Loss from operations</b>		<b>(20,335)</b>	(73,215)
Finance costs	5(a)	<b>(4,654)</b>	(5,003)
<b>Loss before taxation</b>	5	<b>(24,989)</b>	(78,218)
Income tax expenses	6	<b>–</b>	–
<b>Loss for the year attributable to shareholders of the Company</b>		<b>(24,989)</b>	(78,218)
<b>Other comprehensive income for the year</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<b>542</b>	373
<b>Total comprehensive loss for the year attributable to shareholders of the Company</b>		<b>(24,447)</b>	(77,845)
		<u><u>(24,447)</u></u>	<u><u>(77,845)</u></u>
			(restated)
<b>Loss per share (RMB cents)</b>			
– Basic and diluted	7	<b>(22.2)</b>	(79.5)
		<u><u>(22.2)</u></u>	<u><u>(79.5)</u></u>

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 (Expressed in Renminbi)

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>48,721</b>	55,550
Intangible assets		<b>287</b>	824
Right-of-use assets		<b>2,325</b>	2,413
Deposits paid for property, plant and equipment		<b>4,070</b>	–
Investment in an associate		<b>39,152</b>	45,859
		<hr/> <b>94,555</b>	<hr/> 104,646
		<hr/> <b>94,555</b>	<hr/> 104,646
<b>Current assets</b>			
Inventories		<b>31,106</b>	23,128
Trade receivables	8	<b>65,883</b>	59,020
Prepayments, deposits and other receivables		<b>5,257</b>	12,139
Cash and cash equivalents		<b>19,738</b>	39,169
		<hr/> <b>121,984</b>	<hr/> 133,456
		<hr/> <b>121,984</b>	<hr/> 133,456

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables	9	<b>20,197</b>	22,805
Bank loans		<b>43,300</b>	44,150
Convertible bonds		<u>–</u>	<u>14,963</u>
		<b><u>63,497</u></b>	<u>81,918</u>
<b>Net current assets</b>		<b><u>58,487</u></b>	<u>51,538</u>
<b>Total assets less current liabilities</b>		<b><u>153,042</u></b>	<u>156,184</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>1,300</b>	1,300
Convertible bonds		<b><u>13,507</u></b>	<u>–</u>
		<b><u>14,807</u></b>	<u>1,300</u>
<b>Net assets</b>		<b><u>138,235</u></b>	<u>154,884</u>
<b>Equity</b>			
Share capital		<b>9,474</b>	7,833
Reserves		<b><u>128,761</u></b>	<u>147,051</u>
<b>Total equity</b>		<b><u>138,235</u></b>	<u>154,884</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

## 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 31 December 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 year, the Company and its subsidiaries (collectively the "Group") were 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 year.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Explained on below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

### Application of amendments to IFRSs

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

In the current year, the Group has applied the following amendments to IFRS issued by IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

The Group has early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

*New and amendments to IFRSs in issue but not yet effective*

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

IFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

### 3 TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are 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	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	<b>130,054</b>	102,182	<b>6,631</b>	13,603	<b>136,685</b>	115,785
Inter-segment revenue	<u>-</u>	<u>619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>619</u>
Reportable segment revenue	<b><u>130,054</u></b>	<b><u>102,801</u></b>	<b><u>6,631</u></b>	<b><u>13,603</u></b>	<b><u>136,685</u></b>	<b><u>116,404</u></b>
Segment results	<b><u>(17,386)</u></b>	<b><u>(32,571)</u></b>	<b><u>5,868</u></b>	<b><u>(19,283)</u></b>	<b><u>(11,518)</u></b>	<b><u>(51,853)</u></b>
Written down on inventories	<b>(1,395)</b>	(7,856)	-	-	<b>(1,395)</b>	(7,856)
Allowance for expected credit loss on trade receivable, net	<b>(2,298)</b>	(8,801)	<b>(54)</b>	(851)	<b>(2,352)</b>	(9,652)
Other revenue					<b>1,038</b>	993
Share of results from an associate					<b>(4,378)</b>	(817)
Impairment loss on investment in an associate					<b>(2,329)</b>	-
Central administration costs					<b>(2,161)</b>	(4,030)
Gain on derecognition of convertible bonds					<b>2,760</b>	-
Finance costs					<b><u>(4,654)</u></b>	<b><u>(5,003)</u></b>
Loss before taxation					<b><u>(24,989)</u></b>	<b><u>(78,218)</u></b>

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, impairment loss on investment in an associate, gain on derecognition of convertible bonds, finance costs and central administrative 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:**

	Wholesalers		Retail outlets		Total	
	2021	2020	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	<u>177,230</u>	<u>166,391</u>	<u>2</u>	<u>25,529</u>	<u>177,232</u>	<u>191,920</u>
Unallocated assets					<u>39,307</u>	<u>46,182</u>
Total assets					<u><u>216,539</u></u>	<u><u>238,102</u></u>
Segment liabilities	<u>60,538</u>	<u>58,807</u>	<u>85</u>	<u>19</u>	<u>60,623</u>	<u>58,826</u>
Unallocated liabilities					<u>17,681</u>	<u>24,392</u>
Total liabilities					<u><u>78,304</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 an associate, other 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.

**Other segment information:**

	Wholesalers		Retail outlets		Total	
	2021	2020	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure*	<b>2,032</b>	2,921	–	–	<b>2,032</b>	2,921
Depreciation of property, plant and equipment	<b>7,969</b>	7,734	<b>212</b>	212	<b>8,181</b>	7,946
Depreciation of right-of-use assets	<b>88</b>	88	–	–	<b>88</b>	88
Written off						
of property, plant and equipment	<b>245</b>	716	<b>435</b>	672	<b>680</b>	1,388
Amortisation of intangible assets	<b>537</b>	717	–	1,270	<b>537</b>	1,987
Written down on inventories	<b>1,395</b>	7,856	–	–	<b>1,395</b>	7,856
Allowance for expected credit loss on trade receivable, net	<b>2,298</b>	8,801	<b>54</b>	851	<b>2,352</b>	9,652

\* Capital expenditure consists of additions to property, plant and equipment.



### Geographical information

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

### Information about major customers:

No information about major customers is presented as no single customer contributed over 10% of the total revenue of the Group during the year ended 31 December 2021 and 2020.

## 4 OTHER REVENUE

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest income	<b>128</b>	160
Rental income	<b>910</b>	683
Government grants*	–	95
Samples income	–	55
	<hr/>	<hr/>
	<b>1,038</b>	993
	<hr/> <hr/>	<hr/> <hr/>

\* During the year 2020, the Group recognised Government grants of RMB95,000 in respect of COVID-19 related subsidies of which RMB95,000 related to Employment Support Scheme provided by the Hong Kong Government.

## 5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>(a) Finance costs:</b>		
Interest on bank loans	2,072	2,285
Interest on convertible bonds	2,582	2,718
	<u>4,654</u>	<u>5,003</u>
<b>(b) Staff costs:</b>		
Contributions to defined contribution retirement plans	2,538	1,780
Salaries, wages and other benefits	26,607	23,160
Equity-settled share-based payment expenses	–	1,160
	<u>29,145</u>	<u>26,100</u>
<b>(c) Other items:</b>		
Amortisation of intangible assets	537	1,987
Depreciation of property, plant and equipment	8,181	7,946
Depreciation of right-of-use assets	88	88
Auditors' remuneration		
– Audit services	747	800
Written off of property, plant and equipment	680	1,388
Written down on inventories	1,395	7,856
Allowance for expected credit loss on trade receivables, net	2,352	9,652
Design and development expenses	7,210	7,353
Expenses related to short-term lease payment	–	107
Cost of inventories sold <sup>#</sup>	105,211	107,151
Gain on derecognition of convertible bonds	2,760	–
	<u>2,760</u>	<u>–</u>

<sup>#</sup> Cost of inventories for the year ended 31 December 2021 includes RMB12,095,000 (2020: RMB9,789,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately in notes 5(b) and (c) above for each of these types of expenses.

## 6 TAXATION

Income tax expenses in the consolidated statement of profit or loss and other comprehensive income represents:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Current tax</b>		
– PRC corporate income tax	–	–
<b>Deferred tax</b>		
– Origination of temporary differences	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

## 7 LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year of approximately RMB24,989,000 (2020: loss of approximately RMB78,218,000) and the weighted average of 112,796,000 ordinary shares (2020: restated 98,400,000 ordinary shares).

### (b) Diluted loss per share

The effect of the Company's share options and convertible bonds was anti-dilutive for the year ended 31 December 2021 and 2020, and therefore, diluted loss per share is 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 year ended 31 December 2020 was adjusted retrospectively.

## 8 TRADE RECEIVABLES

In general, the credit period granted to customers is 30 to 120 days. (2020: 30 to 120 days)

As of the end of the reporting year, the ageing analysis of trade receivables of the Group based on invoice date and net of allowance for expected credit losses, is as below:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	<b>46,248</b>	38,662
90-120 days	<b>5,735</b>	9,874
After 120 days but within 180 days	<b>7,305</b>	6,162
After 180 days but within 1 year	<b>6,595</b>	4,322
	<hr/> <b>65,883</b> <hr/>	<hr/> 59,020 <hr/>

## 9 TRADE AND OTHER PAYABLES

Included in the trade and other payables, as of the end of the reporting year the trade payables were RMB4,158,000 (2020: RMB3,735,000).

In general, the credit period granted by suppliers is 30 days.

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	<b>4,158</b>	3,238
After 3 months but within 6 months	–	–
After 6 months but within 1 year	–	–
After 1 year	–	497
	<hr/> <b>4,158</b> <hr/>	<hr/> 3,735 <hr/>

## 10 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 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 these consolidated financial statements.

## **BUSINESS REVIEW AND OUTLOOK**

For the full year of 2021, revenue and net loss before taxation of the Group amounted to approximately RMB136.7 million and RMB25.0 million respectively, as compared to revenue and net loss before taxation of approximately RMB115.8 million and RMB78.2 million respectively for the full year of 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 2021. The major economies of the world still faced a struggling situation and the business activities are seriously disrupted since the COVID-19 pandemic.

Overall children apparel retail industry is highly competitive with brands and pricing in the recent years. Coupled with the COVID-19 pandemic and recent negative sign of real estate market affect the recovery of the industry.

Overall sales performance increased by 18.0% for the full year of 2021 as compared with the full year of 2020 and this reflected a positive signal and improvement of business environment in Mainland China in the year 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 Group will keep cautious to the ever changing and challenging business situation in Mainland China going forward. The outlook of the industry and business in the upcoming year is highly uncertain given the outbreak of the COVID-19 pandemic. However, the increase in vaccination rate and introduction of anti-viral drugs would highly reduce the cases of the COVID-19 pandemic in the coming future. This also would give a good signal to the business of the Group to further recover.

In the medium to long-term, the Group remains cautiously optimistic about its business and believes that it will bring satisfactory and sustainable returns to the shareholders. Moreover, the Group continuously remains open to any new opportunities in different business scopes that can lead to sustainable growth going forward.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

The Group's products are primarily marketed through wholesaling to distributors and self-operated stores who operate "redkids" branded retail stores in various provinces and municipalities in Mainland China.

The retail industry experienced a declining retail climate affected by the outbreak of COVID-19 pandemic in China and the world for the year of 2020 and 2021. The Group's revenue was unavoidably affected by this challenging business environment despite a progressive relaxation of the one-child policy in Mainland China few years ago. Sales performance for the year of 2021 was rebounded from the outbreak of the COVID-19 pandemic in Mainland China since 2020 and weak consumption market. Coupled with an increase in orders received from the distributors, the Group's revenue recorded an increase of about 18.0%, from approximately RMB115.8 million for FY2020 to approximately RMB136.7 million for FY2021.

Sales to distributors continued to account for the majority of the Group's revenue during FY2021. Sales to distributors were approximately RMB130.1 million for FY2021, representing approximately 95.1% of the Group's revenue, as compared to that of approximately RMB102.2 million or 88.3% for FY2020.

Sales from self-operated stores were approximately RMB6.6 million for FY2021, representing 4.9% of the Group's revenue, as compared to that of approximately RMB13.6 million or 11.7% for FY2020.

Sales from the apparel products segment continued to account for the majority of the Group's revenue during FY2021. Sales were approximately RMB133.7 million for FY2021, representing 97.8% of the Group's revenue, as compared to that of approximately RMB115.2 million or 99.5% for FY2020.

For the footwear and accessories segment, sales increased from approximately RMB0.6 million for FY2020 to approximately RMB3.0 million for FY2021.

The table below sets forth the sales volume and average wholesale price for the years indicated:

	<b>FY2021</b>	FY2020	<b>% change</b>
Sales volume ( <i>million units</i> )	<b>3.8</b>	3.6	5.6
Average wholesale price ( <i>RMB</i> )	<b>36</b>	32	12.5

The table below sets forth the revenue by product/service category for the year indicated:

	FY2021		FY2020		% change
	RMB'000	%	RMB'000	%	
Apparel	133,676	97.8	115,234	99.5	16.0
Footwear and Accessories	3,009	2.2	551	0.5	446.1
	<u>136,685</u>	<u>100.0</u>	<u>115,785</u>	<u>100.0</u>	<u>18.0</u>

The Company primarily market products through the extensive retail network in Mainland China.

The table below sets forth the revenue by sales channels for the years indicated:

	FY2021		FY2020		% change
	RMB'000	%	RMB'000	%	
Sales to distributors	130,053	95.1	102,182	88.3	27.3
Sales from self-operated stores	6,632	4.9	13,603	11.7	(51.2)
	<u>136,685</u>	<u>100.0</u>	<u>115,785</u>	<u>100.0</u>	<u>18.0</u>

### Cost of Sales

The cost of sales decreased by approximately RMB2.0 million or approximately 1.8%, from approximately RMB107.2 million for FY2020 to approximately RMB105.2 million for FY2021. The decrease was generally in line with the changes in products mix sales during the year. During FY2021, the Company continued to outsource the production of products which requires special technologies and know-how to OEM factories. As a percentage of cost of sales, purchase from OEM factories accounted for approximately 68% for FY2021 as compared to that of approximately 65.0% for FY2020.

### Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased by approximately RMB22.9 million or approximately 264.5%, from approximately RMB8.6 million for FY2020 to approximately RMB31.5 million for FY2021. Gross profit margin increased by 15.5%, from 7.5% for FY2020 to 23.0% for FY2021.

## **Other Revenue**

Other revenue primarily consisted of interest income from bank deposits of approximately RMB0.1 million (FY2020: approximately RMB0.1 million), and rental and samples income of approximately RMB0.9 million (FY2020: approximately RMB0.7 million).

## **Share of Results from an Associate and Impairment Loss on Investment in an Associate**

In FY2021, share of loss from an associate of the Group was approximately RMB4.4 million (FY2020: loss of approximately RMB0.8 million). As at 31 December 2021, in view of impairment indicators of impairment to investment in an associate, the Group performed impairment assessment on the associate. As at 31 December 2021, the carrying amount of the associate amounted to approximately RMB39.2 million (2020: approximately RMB45.9 million) after taking into account the impairment of approximately RMB 2.3 million (2020: RMBNil) recognised in profit or loss during the year.

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

Allowance for expected credit loss on trade receivables of approximately RMB2.4 million (FY2020: approximately RMB9.7 million) are recorded resulting from the management of the Company taking into consideration of the current credit worthiness, the past collection history, the aged status and the prevailing market conditions. The Company will continue to conduct comprehensive review of the distributors' repayment histories, resources and financial capabilities to ensure that they are able to repay the debt 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 recorded a decrease of approximately 25.6%, from approximately RMB34.0 million for FY2020 to approximately RMB25.3 million for FY2021. The decrease was resulted from a more stringent control on advertisement and marketing expenses under the current tight business environment.

As a percentage of turnover, selling and distribution expenses were 29.4% and 18.5% for FY2020 and FY2021 respectively.

## **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 were approximately RMB19.8 million for FY2021, representing a decrease of approximately RMB10.6 million or a decrease of approximately 34.9% as compared to approximately RMB30.5 million for FY2020.



As a percentage of turnover, administrative and other operating expenses were 26.3% and 14.5% for FY2020 and FY2021 respectively.

### **Finance Costs**

Finance costs decreased by approximately RMB0.3 million, from approximately RMB5.0 million for FY2020 to approximately RMB4.7 million for FY2021.

### **Income Tax Expenses**

No income tax expenses was recognised for FY2021 (FY2020: Nil). Currently, the principal subsidiaries of the Group in Mainland China are subject to an enterprise income tax rate of 25%.

### **Loss for the Year before Taxation**

As a result of the foregoing, loss before taxation for FY2021 of approximately RMB25.0 million was recorded as compared to approximately RMB78.2 million for FY2020.

### **Working Capital Management**

The Group possesses sufficient cash to meet liquidity requirements and for strategic alliances and acquisitions, if any. As of 31 December 2021, the cash and cash equivalents, and bank deposits totaled approximately RMB19.7 million (31 December 2020: approximately RMB39.2 million), representing more than 16.1% (31 December 2020: 29.4%) of the total amount of the current assets.

Current ratio and quick ratio were 1.9 times and 1.4 times, respectively, as at 31 December 2021, as compared to 1.6 times and 1.3 times, respectively, as at 31 December 2020.

### **Inventories**

The inventories increased by approximately RMB8.0 million, from approximately RMB23.1 million as of 31 December 2020 to approximately RMB31.1 million as at 31 December 2021. Inventories mainly comprised raw materials of approximately RMB1.3 million (31 December 2020: approximately RMB1.4 million), work in progress of approximately RMB0.1 million (31 December 2020: approximately RMB2.1 million) and finished goods of approximately RMB29.8 million (31 December 2020: approximately RMB19.6 million). The inventory turnover was 141 days for FY2021 (FY2020: 124 days).

Written down on inventories of approximately RMB1.4 million (2020: approximately RMB7.9 million) is provided due to allowance made for obsolete and slow-moving inventory items as the net realisable value for such inventories based primarily on the estimated subsequent selling prices and salability of inventories.

## Trade Receivables

Trade receivables increased by approximately RMB6.9 million, from approximately RMB59.0 million as of 31 December 2020 to approximately RMB65.9 million as of 31 December 2021.

Trade receivables turnover was 167 days for FY2021 (FY2020: 200 days).

Allowance for expected credit loss on trade receivable, net of approximately RMB2.4 million (2020: approximately RMB9.7 million) is provided resulting from the management of the Company taking into consideration of the current credit worthiness, the past collection history, the aged status and the prevailing market conditions. The Group continue to conduct comprehensive review of the distributors' repayment histories, resources and financial capabilities to ensure that they are able to repay the debt within the credit period.

## Trade Payables

Trade payables increased from approximately RMB3.7 million as of 31 December 2020 to approximately RMB4.2 million as of 31 December 2021. Trade payables turnover was 14 days for FY2021 (FY2020: 13 days).

## LIQUIDITY AND FINANCIAL RESOURCES

The following table sets forth the cash flows for FY2021 and FY2020:

	<b>FY2021</b> <b>RMB'000</b>	FY2020 <i>RMB'000</i>
Net cash generated from operating activities	<b>(12,331)</b>	673
Net cash generated from investing activities	<b>(5,974)</b>	5,239
Net cash used in financing activities	<b>(1,072)</b>	996
Net increase in cash and cash equivalents	<b>(19,377)</b>	6,908
Cash and cash equivalents at 1 January	<b>39,169</b>	32,102
Effect of foreign exchange rate changes	<b>(54)</b>	159
Cash and cash equivalents at 31 December	<b>19,738</b>	39,169

The Group were in net cash position as of 31 December 2021, and the gearing ratio was 31.2% as of 31 December 2021 (31 December 2020: 38.2%).

## Notes to financial ratios

- (1) *Inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant year and multiplied by 365 days*
- (2) *Trade receivables turnover days equal to the average of the opening and closing balances of trade receivables of the relevant period divided by turnover of the relevant year and multiplied by 365 days*
- (3) *Trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days*
- (4) *Current ratio equals to current assets divided by current liabilities as of the end of the year*
- (5) *Quick ratio equals to current assets less inventories divided by current liabilities as of the end of the year*
- (6) *Gearing ratio equals to total of bank and other borrowings divided by total equity as of the end of the year*

## FINANCIAL RISK MANAGEMENT

The Group has a treasury policy that aims to better control its treasury operations and lower borrowing cost. The treasury policy requires the Group to maintain an adequate level of cash and cash equivalents, and sufficient available banking facilities to finance its daily operations and to address short-term funding needs. The Group reviews and evaluates the treasury policy from time to time to ensure its adequacy and effectiveness.

Except for operations of the Company and other investment holding companies outside Mainland China, the 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 the Group's exposure to currency risk insignificant.

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

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

### **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.

### **Placing of Shares under Specific 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.

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.

### **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.

### **CAPITAL COMMITMENTS**

As of 31 December 2021, capital expenditure contracted but not provided for was approximately RMB2.3 million (31 December 2020: Nil).

### **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as of 31 December 2021 and 2020.

### **PLEDGE OF ASSETS**

As of 31 December 2021, pledged bank deposits, certain properties and lease prepayments totalled approximately RMB28.5 million (31 December 2020: approximately RMB30.9 million) were pledged for certain bank loans.

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

The Group made no significant investments, material acquisitions or disposal during the year ended 31 December 2021.

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

For FY2021, 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 the 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. The emolument policy of the Group will be adjusted depending on a number of factors, including changes to the market practice and stages of the business development, so as to achieve the operational targets of the Group. As at 31 December 2021, the Company employed around 300 full-time employees. The total staff costs for FY2021 was approximately RMB29.1 million (FY2020: approximately RMB26.1 million).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2021.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining 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 FY2021, 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 (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During FY2021, the Company has complied with the CG Code, except for the deviation 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 is in deviation from code provision A.2.1. The Company considers that vesting the roles of both chairman and chief executive officer in Mr. Ding has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board composition and structure taking into account the background and experience of the 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. During FY2021, the management of the Company had not provided regular monthly updates to the members of the Board. The management had provided 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 FY2021.

## **REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) was established for the purposes of reviewing and providing supervision over the Group’s financial reporting process, internal controls and risk management. The Audit Committee has reviewed the audited consolidated financial statements for FY2021 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with the management and the Company’s auditors.

## **SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## **PUBLICATION OF ANNUAL RESULTS**

This announcement of audited annual results is published on the website of the Company ([www.redkids.com](http://www.redkids.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 Annual Report 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 despatched to the shareholders of the Company and published on the website of the Company and the Stock Exchange in due course.

## **APPRECIATION**

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers, management team and staff for their continuous support to the Group.

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

Hong Kong  
29 March 2022

As at the date of this announcement, the Directors are:

*Executive Directors:* Mr. Ding Peiji, Mr. Ding Peiyuan and Ms. Ding Lizhen

*Independent non-executive  
Directors:* Mr. Hung Cho Sing, Mr. Chan Wai Wong and  
Mr. Wu Shiming