



## INTERIM REPORT 2022

# MIKO INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1247





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# CORPORATE INFORMATION

## BOARD AND COMMITTEES

### Executive Directors

Mr. Ding Peiji  
Mr. Ding Peiyuan  
Ms. Ding Lizhen  
Mr. Chan Yi Hsiung  
(appointed on 22 July 2022)

### Independent Non-Executive Directors

Mr. Hung Cho Sing  
Mr. Chan Wai Wong  
Mr. Ng Shing Kin  
(appointed on 5 July 2022)  
Mr. Wu Shiming  
(resigned on 30 June 2022)

### Audit Committee

Mr. Ng Shing Kin (*Chairman*)  
Mr. Hung Cho Sing  
Mr. Chan Wai Wong

### Remuneration Committee

Mr. Hung Cho Sing (*Chairman*)  
Mr. Chan Wai Wong  
Mr. Ding Peiyuan

### Nomination Committee

Mr. Chan Wai Wong (*Chairman*)  
Ms. Ding Lizhen  
Mr. Ng Shing Kin

## AUTHORISED REPRESENTATIVES

Mr. Ding Peiji  
Mr. Pang Wing Hong

## COMPANY SECRETARY

Mr. Pang Wing Hong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HEADQUARTERS AND PLACE OF BUSINESS IN THE PRC

No. 168, Chong Rong Street  
Economic Technology Development Zone  
Quanzhou City  
Fujian Province 362000  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1601, Ho King Commercial Centre  
2-16 Fa Yuen Street  
Mong Kok, Kowloon  
Hong Kong



## CORPORATE INFORMATION

### CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3,  
Building D, P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1110,  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### AUDITORS

HLB Hodgson Impey Cheng Limited

### LEGAL ADVISERS AS TO HONG KONG LAW

Stevenson, Wong & Co  
CHIU & Co Solicitors

### INVESTOR RELATIONS CONTACT

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# MANAGEMENT DISCUSSION AND ANALYSIS







# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2022 (“**1H 2022**”), revenue and net loss of our Group amounted to approximately RMB46.0 million and RMB13.8 million respectively, as compared to the revenue and net loss of approximately RMB59.7 million and RMB22.2 million respectively for the six months ended 30 June 2021 (“**1H 2021**”).

The extraordinary outbreak of the COVID-19 pandemic and the globally severely hit the world economy in the year of 2021 and the first half of 2022. The major economies of the world still faced a struggling situation with the possible impact of inflation.

Overall sales performance decreased by 22.9% for the six months ended 30 June 2022 as compared with the same period in 2021 but the gross margin reflected a positive signal of a better pricing strategy of products sold in the first half of 2022. 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 marketing and promotion cost sharply under such tough economy and business environment.

In addition, an indirect wholly-owned subsidiary of the Company has been established in support of the Group’s intention to start a new line of business in the supply chain management in Mainland China. The new business will provide a good opportunity for the Group to diversify its business scope and broaden the Group’s revenue stream. The details of the business plan are disclosed in the announcement of the Company dated 9 August 2022.

The outlook of the industry and business in the second half of 2022 is highly uncertain from the possible impact from COVID-19 pandemic in Mainland China. The Chinese government made certain measures to stimulate the overall economic recently including but not limited to the consumption vouchers that would boost up the consumer market growth in Mainland China. 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 that operate with “redkids” brand in various provinces and municipalities in Mainland China.

For the apparel products segment, sales volume was approximately 1.2 million units for 1H 2022, representing about a 50% decrease as compared to that of approximately 2.4 million units for 1H 2021. The average wholesale selling price for 1H 2022 recorded an increase as compared to that for 1H 2021, partially reflecting our change in product mix in 1H 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS

For the footwear and accessories segment, no sales from this category is recorded in the first half 2022 as compared to that approximately RMB1.3 million for 1H 2021. The change in sales from this segment is mainly due to the adjustment in sales category strategy in 1H 2022.

Sales to distributors continued to account for the majority of our Group's revenue during 1H 2022. Sales to distributors were approximately RMB46.0 million for 1H 2022, representing approximately 100% of our Group's revenue, as compared to that of approximately RMB53.1 million and 97.9% for 1H 2021.

No sale is recorded from self-operated stores for 1H 2022, as compared to that of approximately RMB6.6 million or 11.1% for 1H 2021. Such changes reflected the adjustment of sales strategy of our Group recently in view of market changes.

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

	1H 2022		1H 2021		% change
	RMB'000	%	RMB'000	%	
Apparel	<b>46,047</b>	<b>100.0</b>	58,460	97.9	(21.2)
Footwear and Accessories	–	–	1,281	2.1	(100.0)
	<b>46,047</b>	<b>100.0</b>	59,741	100.0	(22.9)
	1H 2022		1H 2021		% change
	RMB'000	%	RMB'000	%	
Sales to distributors	<b>46,047</b>	<b>100.0</b>	53,110	88.9	(13.3)
Sales from self-operated stores	–	–	6,631	11.1	(100.0)
	<b>46,047</b>	<b>100.0</b>	59,741	100.0	(22.9)

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Cost of Sales**

Our cost of sales recorded a decrease from approximately RMB53.5 million for 1H 2021 to approximately RMB35.5 million for 1H 2022, which was broadly in line with the changes in sales mix. 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 60% for 1H 2022, which was comparable to that of approximately 54% for 1H 2021.

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

As a result of the foregoing, our gross profit increased from approximately RMB6.2 million for 1H 2021 to approximately RMB10.5 million for 1H 2022. Gross profit margin was approximately 22.9% for 1H 2022, representing an increase of approximately 12.5 percentage points as compared to that of 10.4% for 1H 2021.

## **Other Revenue**

Other revenue of our Group mainly included the rental income of approximately RMB0.6 million during 1H 2022 (1H 2021: RMB0.4 million).

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

In 1H 2022, share of loss from an associate of the Group was approximately RMB1.4 million (1H 2021: share of loss RMB37,000).

## **Reversal of Allowance/(Allowance) for Expected Credit Loss on Trade Receivables, net**

Reversal of allowance for expected credit loss of approximately RMB0.6 million in respect of trade receivables was made (1H 2021: Allowance for RMB93,000) owing 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 RMB11.4 million for 1H 2022, representing an increase of approximately RMB2.8 million or about 32.6%, as compared to that of approximately RMB8.6 million for 1H 2021. The increase in selling and distribution expenses was mainly due to increase in the advertisement and marketing related expenses in view of current business environment recorded in 1H 2022. As a percentage of revenue, selling and distribution expenses was 24.8% for 1H 2022 (1H 2021: 14.4%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consisted of design and development 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 RMB10.4 million for 1H 2022, representing a decrease of approximately RMB8.4 million or about 44.7% as compared to that of approximately RMB18.8 million for 1H 2021. The decrease in the administrative and other operating expenses mainly reflected the decrease in design and development expenses. As for the percentage of revenue, it decreased from 31.4% for 1H 2021 to 22.6% for 1H 2022.

## 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 2022 and 1H 2021. 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 of approximately RMB13.8 million was recorded as compared to the loss for 1H 2021 of approximately RMB22.2 million.

## WORKING CAPITAL MANAGEMENT

Our Group recorded net current assets of approximately RMB52.3 million with a current ratio of 1.5 times as of 30 June 2022, compared to that of approximately RMB58.5 million and 1.9 times as of 31 December 2021. The table below sets forth the turnover days of trade receivables, inventories and trade payables at the end of the period indicated.

	Turnover days	
	As of 30 June 2022	As of 30 June 2021
Trade receivables	228	178
Inventories	220	61
Trade payables	27	18



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 RMB55.5 million as of 30 June 2022 (31 December 2021: approximately RMB19.7 million). Bank borrowings of our Group was approximately RMB20.2 million as of 30 June 2022, as compared to that of approximately RMB43.3 million as of 31 December 2021. Gearing ratio was only 14.7% and 31.2%, respectively, as of 30 June 2021 and 31 December 2021.

Our Group recorded an increase in net cash generated from operating activities of approximately RMB53.4 million, from net cash used in operating activities approximately RMB1.2 million for 1H 2021 to net cash used in operating activities approximately RMB52.2 million for 1H 2022.

Net cash used in investing activities of approximately RMB3.1 million was made for 1H 2022, which mainly represented the payment for the purchase of property, plant and equipment. Net cash used in financing activities was approximately RMB13.5 million for 1H 2022, as compared to net cash generated from financing activities of approximately RMB5.0 million for 1H 2021 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 RMB35.6 million for 1H 2022 (1H 2021: net increase approximately RMB3.8 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

### Placing of Shares under General Mandate

On 22 April 2022 (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 23,616,000 placing shares at the placing price of HK\$0.58 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 general mandate, which had been approved at the annual general meeting of the Company. Details of the placing of new shares were set out in the announcements of the Company dated 22 April 2022 and 12 May 2022.

### Use of Proceeds from Placement of Shares

In April 2021, the Company completed the placement of 19,680,000 Shares and raised net proceeds of approximately HK\$9.2 million. As of 31 December 2021, the entire amount of HK\$9.2 million has fully been utilised as planned.

The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2021.

<b>Use of proceeds</b>	<b>Planned applications</b> (HK\$ million)	<b>Percentage of total net proceeds</b>	<b>Actual usage up to 31 December 2021</b> (HK\$ million)
Repayment of borrowings	5	54.3%	5
General working capital	3.4	37.0%	3.4
Settling professional fees	0.8	8.7%	0.8

In May 2022, the Company completed the placement of 23,616,000 Shares and raised net proceeds of approximately HK\$13.5 million. As of 30 June 2022, the Company has utilised HK\$2.3 million of the net proceeds. The Company will apply the net proceeds for the purpose as disclosed in the announcement of the Company dated 22 April 2022. The Company intends to fully utilise the net proceeds from the placement of 23,616,000 Shares by 31 December 2022.

The table below sets out the planned applications of the net proceeds and actual usage up to 30 June 2022.

<b>Use of proceeds</b>	<b>Planned applications</b> (HK\$ million)	<b>Percentage of total net proceeds</b>	<b>Actual usage up to 30 June 2022</b> (HK\$ million)
Repayment of borrowings	8	59.3%	0
General operation costs	4.5	33.3%	1.7
Settling professional fees	1	7.4%	0.6

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2022.

## PLEDGE OF ASSETS

Certain properties and lease prepayments with net book value of approximately RMB39.1 million as at 30 June 2022 (31 December 2021: approximately RMB36.8 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 2022.

## INVESTMENTS HELD IN FOREIGN CURRENCY AND HEDGING

For the six months ended 30 June 2022, 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 2022, we employed around 300 full-time employees. The total staff costs for 1H 2022 was approximately RMB9.6 million (1H 2021: approximately RMB10.3 million).



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 2022, 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 2022, 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 2022.

## 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. Ng Shing Kin, 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 2022, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for 1H 2022 (1H 2021: Nil).

## 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 2022.

## 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 report.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2022, the interests or short positions of the Directors and the chief executive in the Company's shares (the "Shares"), underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which would be required, pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

### Long positions in the Company

Name of Directors	Nature of interest	Capacity	Number of Shares	Approximate percentage of shareholding <sup>(7)</sup>
Mr. Ding Peiji <sup>(1)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	24,817,669	17.51%
		Beneficial owner	373,200	0.26%
		Beneficial owner	90,000 <sup>(6)</sup>	0.06%
Ms. Ding Lizhen <sup>(2)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	4,224,000	2.98%
		Beneficial owner	80,000 <sup>(5)</sup>	0.05%
		Beneficial owner	900,000 <sup>(6)</sup>	0.64%
Mr. Ding Peiyuan <sup>(3)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	4,231,200	2.99%
		Beneficial owner	80,000 <sup>(5)</sup>	0.05%
		Beneficial owner	960,000 <sup>(6)</sup>	0.68%

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Notes:

- (1) Think Wise Holdings Investment Limited ("**Think Wise**") is wholly-owned and controlled by Mr. Ding Peiji. Accordingly, Mr. Ding is deemed to be interested in all the Shares in which Think Wise is interested pursuant to the SFO.
- (2) Snowy Wise Limited ("**Snowy Wise**") is wholly-owned and controlled by Ms. Ding Lizhen, an executive Director. Accordingly, Ms. Ding Lizhen is deemed to be interested in all the Shares in which Snowy Wise is interested pursuant to the SFO.
- (3) Rightful Style Limited ("**Rightful Style**") is wholly-owned and controlled by Mr. Ding Peiyuan, an executive Director. Accordingly, Mr. Ding Peiyuan is deemed to be interested in all the Shares in which Rightful Style is interested pursuant to the SFO.
- (4) The letter "L" denotes long position.
- (5) Each of Ms. Ding Lizhen and Mr. Ding Peiyuan, an executive Director, has been granted an option to subscribe for 80,000 Shares under the Pre-IPO Share Option Scheme.
- (6) Each of Mr. Ding Peiji, Ms. Ding Lizhen and Mr. Ding Peiyuan, an executive Director, has been granted an option to subscribe for 90,000, 900,000 and 960,000 Shares respectively under the Share Option Scheme granted on 2 November 2018.
- (7) The calculation is based on the total number of 141,696,000 ordinary Shares of the Company (after the Share Consolidation) in issue as at 30 June 2022, without taking into account any Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme.

Save as disclosed above, as at 30 June 2022, none of the Directors or the chief executives of the Company or any of their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of Part XV of the SFO were as follows:

Name	Nature of interest	Capacity	Number of Shares	Approximate percentage of shareholding <sup>(8)</sup>
Think Wise <sup>(1)</sup>	L <sup>(4)</sup>	Beneficial owner	24,817,669	17.51%
Mr. Ding <sup>(1)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	24,817,669	17.51%
		Beneficial owner	373,200	0.26%
		Beneficial owner	90,000 <sup>(6)</sup>	0.06%
Snowy Wise <sup>(2)</sup>	L <sup>(4)</sup>	Beneficial owner	4,224,000	2.98%
Ms. Ding Lizhen <sup>(2)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	4,224,000	2.98%
		Beneficial owner	80,000 <sup>(5)</sup>	0.05%
		Beneficial owner	900,000 <sup>(6)</sup>	0.64%
Rightful Style <sup>(3)</sup>	L <sup>(4)</sup>	Beneficial owner	4,231,200	2.99%
Mr. Ding Peiyuan <sup>(3)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	4,231,200	2.99%
		Beneficial owner	80,000 <sup>(5)</sup>	0.05%
		Beneficial owner	960,000 <sup>(6)</sup>	0.68%
Goldrun Limited <sup>(7)</sup>	L <sup>(4)</sup>	Beneficial owner	16,480,000	11.63%
Chen Hsin Fu <sup>(7)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	16,480,000	11.63%

Notes:

- (1) Think Wise is wholly-owned and controlled by Mr. Ding. Accordingly, Mr. Ding is deemed to be interested in all the Shares in which Think Wise is interested pursuant to the SFO.
- (2) Snowy Wise is wholly-owned and controlled by Ms. Ding Lizhen, an executive Director. Accordingly, Ms. Ding Lizhen is deemed to be interested in all the Shares in which Snowy Wise is interested pursuant to the SFO.
- (3) Rightful Style is wholly-owned and controlled by Mr. Ding Peiyuan, an executive Director. Accordingly, Mr. Ding Peiyuan is deemed to be interested in all the Shares in which Rightful Style is interested pursuant to the SFO.
- (4) The letter "L" denotes long position.
- (5) Each of Ms. Ding Lizhen and Mr. Ding Peiyuan, an executive Director, has been granted an option to subscribe for 80,000 Shares under the Pre-IPO Share Option Scheme.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

- (6) Each of Mr. Ding Peiji, Ms. Ding Lizhen and Mr. Ding Peiyuan, an executive Director, has been granted an option to subscribe for 90,000, 900,000 and 960,000 Shares respectively under the Share Option Scheme granted on 2 November 2018.
- (7) Based on the notices of disclosures of interests of Goldrun Limited and Mr. Chen Hsin Fu each filed with the Stock Exchange dated 27 April 2022, these interests are held by Goldrun Limited, which is wholly owned by Mr. Chen Hsin Fu.
- (8) The calculation is based on the total number of 141,696,000 ordinary Shares in issue (after Share Consolidation) as at 30 June 2022 without taking into account of any Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme.

Save as disclosed above, as at 30 June 2022, the Company is not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of Part XV of the SFO.

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at 30 June 2022 or at any time during the period.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

There had been no contract of significance between the Company or any of its subsidiaries and the controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries during the period.

## EQUITY-SETTLED SHARE BASED PAYMENTS

The Company adopted a pre-initial public offering share option scheme (the **"Pre-IPO Share Option Scheme"**) and a share option scheme (the **"Share Option Scheme"**) on 27 December 2013 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

### Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 27 December 2013 for the purpose of giving our employees an opportunity to have a personal stake in our Company, motivating our employees to optimize their performance and efficiency, and also retaining our employees whose contributions are important to the long-term growth and profitability of our Group. Options to subscribe for an aggregate of 7,000,000 Shares were conditionally granted to 21 participants on 27 December 2013 (the **"Pre-IPO Share Options"**), representing approximately 0.8% of the Company's issued share capital as at the date of this report. The exercise price per Share is HK\$1.82 (HK\$18.2 after Share Consolidation), being 80% of the global offering price. No further options could be granted under the Pre-IPO Share Option Scheme on or after 15 January 2014, the date on which the Shares were listed on the Stock Exchange (the **"Listing Date"**). Each Pre-IPO Share Option has an eight-year exercise period and can only be exercised in the following manner:

<u>Period within which option can be exercised</u>	<u>Maximum percentage of entitlement</u>
Any time after the first anniversary of the Listing Date	30% of the Pre-IPO Share Options granted
Any time after the second anniversary of the Listing Date	30% of the Pre-IPO Share Options granted
Any time after the third anniversary of the Listing Date	40% of the Pre-IPO Share Options granted

## CORPORATE GOVERNANCE AND OTHER INFORMATION

The table below sets forth the movement of the Pre-IPO Share Options during the period.

Name	Number of Pre-IPO Share Options				As at 30 June 2022
	As at 1 January 2022	Granted during the period	Exercised during the period	Forfeited during the period	
<b>Directors</b>					
Mr. Ding Peiyuan	80,000	–	–	–	80,000
Ms. Ding Lizhen	80,000	–	–	–	80,000
<b>Others</b>					
In aggregate	130,000	–	–	–	130,000
Total	290,000	–	–	–	290,000

### Share Option Scheme

The Company adopted the Share Option Scheme on 27 December 2013 for the purpose of rewarding certain eligible persons for their past contributions, and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on the Listing Date.

Eligible participants of the Scheme include any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors or proposed director (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; any direct or indirect shareholder of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date, i.e. 80,000,000 shares of the Company as at the date of this report. Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the shares in issue as at the date of the approval by the shareholders of the Company in general meeting; and/or
- (ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise period of the share options granted is determined by the Directors, which period may commence on the date of the offer of the share options, and end on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

Details of movement in the share options as at 30 June 2022 which have been granted under the Share Option Scheme are as follows:

Name	Outstanding as at 1 January 2022	Granted during the period ended 30 June 2022	Exercised during the period ended 30 June 2022	Cancelled during the period ended 30 June 2022	Outstanding during the period ended 30 June 2022	Exercise Price	Date of grant	Exercisable period
<b>Directors</b>								
Mr. Ding Peiji	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Ms. Ding Lizhen	900,000	-	-	-	900,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Mr. Ding Peiyuan	960,000	-	-	-	960,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Mr. Hung Cho Sing	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Mr. Chan Wai Wong	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Mr. Wu Shiming	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Employees	2,580,000	-	-	-	2,580,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Others <sup>(1)</sup>	3,200,000	-	-	-	3,200,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
<b>Total</b>	<b>8,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,000,000</b>			

Note:

(1) Comprise of customers and consultants of the Company.

## 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.

## EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, there is no significant event after the reporting period that is required to be disclosed by the Group.

On behalf of the Board

**Miko International Holdings Limited**

**Ding Peiji**

*Chairman*

Hong Kong, 26 August 2022



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

For the six months ended 30 June 2022 (Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Turnover</b>	4	<b>46,047</b>	59,741
Cost of sales		<b>(35,505)</b>	(53,523)
<b>Gross profit</b>		<b>10,542</b>	6,218
Other revenue	6	<b>611</b>	437
Share of results from an associate		<b>(1,441)</b>	(37)
Reversal of allowance/(Allowance) for expected credit loss on trade receivables, net		<b>555</b>	(93)
Selling and distribution expenses		<b>(11,425)</b>	(8,590)
Administrative and other operating expenses		<b>(10,402)</b>	(18,785)
Gain on derecognition of convertible bonds		<b>–</b>	1,006
<b>Loss from operations</b>		<b>(11,560)</b>	(19,844)
Finance costs	7(a)	<b>(2,223)</b>	(2,350)
<b>Loss before taxation</b>	7	<b>(13,783)</b>	(22,194)
Income tax expenses	8	<b>–</b>	–
<b>Loss for the period attributable to shareholders of the Company</b>		<b>(13,783)</b>	(22,194)
<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		<b>852</b>	(1,270)
<b>Total comprehensive loss for the period attributable to shareholders of the Company</b>		<b>(12,931)</b>	(23,464)
<b>Loss per share (RMB cents)</b>			
– Basic and diluted	9	<b>(11.06)</b>	(20.7)

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 June 2022 (Expressed in Renminbi)

	Notes	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	45,874	48,721
Intangible assets	11	265	287
Right-of-use assets		2,281	2,325
Deposits paid for property, plant and equipment		–	4,070
Investment in an associate	12	37,711	39,152
		<b>86,131</b>	94,555
<b>Current assets</b>			
Inventories		35,831	31,106
Trade receivables	13	49,272	65,883
Prepayments, deposits and other receivables	14	9,954	5,257
Cash and cash equivalents		55,458	19,738
		<b>150,515</b>	121,984
<b>Current liabilities</b>			
Trade and other payables	15	63,804	20,197
Bank loans	16	20,200	43,300
Convertible bonds		14,195	–
		<b>98,199</b>	63,497
<b>Net current assets</b>			
		<b>52,316</b>	58,487
<b>Total assets less current liabilities</b>			
		<b>138,447</b>	153,042
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,300	1,300
Convertible bonds		–	13,507
		<b>1,300</b>	14,807
<b>Net assets</b>			
		<b>137,147</b>	138,235
<b>Equity</b>			
Share capital	17(a)	11,516	9,474
Reserves		125,631	128,761
<b>Total equity</b>			
		<b>137,147</b>	138,235

Approved and authorized for issue by the board of directors on 26 August 2022.

Director  
Ding Peiji

Director  
Ding Lizhen

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

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 (Expressed in Renminbi)

	Share capital RMB'000 17(a)	Share premium RMB'000 17(b)	Share-Based payment reserve RMB'000	Capital reserve RMB'000	Convertible bond reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>Balance at 1 January 2021 (Audited)</b>	7,833	272,205	9,900	145,549	4,141	11,771	58,134	(354,649)	154,884
<b>Changes in equity for the six months ended 30 June 2021:</b>									
Loss for the period	-	-	-	-	-	-	-	(22,194)	(22,194)
Other comprehensive loss	-	-	-	-	-	(1,270)	-	-	(1,270)
Total comprehensive loss	-	-	-	-	-	(1,270)	-	(22,194)	(23,464)
Derecognition of convertible bonds	-	-	-	-	(4,141)	-	-	4,141	-
Recognition of new convertible bonds	-	-	-	-	1,754	-	-	-	1,754
Transaction cost attributable to placing of ordinary shares	-	(207)	-	-	-	-	-	-	(207)
Issue of ordinary shares	1,658	6,300	-	-	-	-	-	-	7,958
<b>Balance at 30 June 2021 (Unaudited)</b>	9,491	278,298	9,900	145,549	1,754	10,501	58,134	(372,702)	140,925
<b>Balance at 1 January 2022 (Audited)</b>	9,474	278,362	9,033	145,549	1,754	12,313	58,134	(376,384)	138,235
<b>Changes in equity for the six months ended 30 June 2022:</b>									
Loss for the period	-	-	-	-	-	-	-	(13,784)	(13,784)
Other comprehensive loss	-	-	-	-	-	852	-	-	852
Total comprehensive loss	-	-	-	-	-	852	-	(13,784)	(12,932)
Transaction cost attributable to placing of ordinary shares	-	(118)	-	-	-	-	-	-	(118)
Issue of ordinary shares	2,042	9,920	-	-	-	-	-	-	11,962
<b>Balance at 30 June 2022 (Unaudited)</b>	11,516	288,164	9,033	145,549	1,754	13,165	58,134	(390,168)	137,147

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

# UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2022 (Expressed in Renminbi)

	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Operating activities</b>			
Cash generated from/(used in) operations		52,181	(1,219)
Income tax paid		–	–
<b>Net cash generated from/(used in) operating activities</b>		<b>52,181</b>	<b>(1,219)</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(3,113)	–
Disposal of property, plant and equipment		–	50
Interest received	6	23	67
<b>Net cash (used) in/generated from investing activities</b>		<b>(3,090)</b>	<b>117</b>
<b>Financing activities</b>			
Proceeds from bank loans		25,400	29,500
Repayment of bank loans		(48,500)	(29,900)
Net proceeds from issue of new placing share		11,844	7,751
Interest paid		(2,247)	(2,350)
<b>Net cash (used) in/generated from financing activities</b>		<b>(13,503)</b>	<b>5,001</b>
<b>Net increase in cash and cash equivalents</b>		<b>35,588</b>	<b>3,899</b>
<b>Cash and cash equivalents at 1 January</b>		<b>19,738</b>	<b>39,169</b>
<b>Effect of foreign exchange rate changes</b>		<b>132</b>	<b>14</b>
<b>Cash and cash equivalents at 30 June</b>		<b>55,458</b>	<b>43,082</b>

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 2022, 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 26 August 2022.

The Unaudited Interim Results have been prepared in accordance with the same accounting policies adopted in the 2021 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 2021 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**").



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (Continued)

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 2021 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 2021 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2022.

## 3. CHANGES IN ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the 2021 Annual Report.

### ***Application of amendments to IFRSs***

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

## 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. TURNOVER AND SEGMENT INFORMATION (Continued)

### Segment revenue and results

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

	Wholesalers Six months ended 30 June		Retail outlets Six months ended 30 June		Total Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Reportable segment revenue	46,047	53,110	–	6,631	46,047	59,741
Segment results	(9,726)	(25,805)	(1)	5,868	(9,727)	(19,937)
Reversal of allowance/ (Allowance) for expected credit loss on trade receivables, net	555	(75)	–	(18)	555	(93)
Other revenue					611	437
Share of results from an associate					(1,441)	(37)
Central administration costs					(1,558)	(1,220)
Gain on derecognition of convertible bonds					–	1,006
Finance costs					(2,223)	(2,350)
Loss before taxation					(13,783)	(22,194)

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. TURNOVER AND SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

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 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Segment assets	189,507	177,230	10	2	189,517	177,232
Unallocated assets					47,129	39,307
Total assets					236,646	216,539
Segment liabilities	51,605	60,538	85	85	51,690	60,623
Unallocated liabilities					47,809	17,681
Total liabilities					99,499	78,304

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. TURNOVER AND SEGMENT INFORMATION (Continued)

### 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Customer A	9,611	11,885
Customer B	12,063	11,142
Customer C	8,675	8,493
Customer D	—*	7,774
Customer E	4,641	—*

\* The corresponding revenue does not contribute over 10% of the Group's revenue for the respective period.

## 5. SEASONALITY OF OPERATION

The Group usually sells spring and summer children apparel products in the first half of the year and sells autumn and winter children apparel products in the second half of the year. The selling price of autumn and winter children apparel products is usually higher than that of the spring and summer children apparel products. As a result, the Group typically reports lower revenues and results for the first half of the year.

## 6. OTHER REVENUE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income	28	67
Rental income	583	370
	611	437

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>(a) Finance costs:</b>		
Interest on bank loans	910	1,040
Imputed interest on convertible bonds	1,313	1,310
	2,223	2,350
<b>(b) Staff costs (including directors' remuneration):</b>		
Contributions to defined contribution retirement plans	451	645
Salaries, wages and other benefits	9,165	9,683
	9,616	10,328
<b>(c) Other items:</b>		
Amortisation of intangible assets	22	358
Depreciation of property, plant and equipment	5,960	6,837
Depreciation of right-of-use assets	44	44
Loss on disposal on property, plant and equipment	–	14
(Reversal of allowance)/Allowance for expected credit loss on trade receivables, net	(555)	93
Design and development expenses	3,434	5,576
Cost of inventories sold <sup>#</sup>	35,505	53,523

<sup>#</sup> Cost of inventories for the six months ended 30 June 2022 includes RMB5,856,000 (six months ended 30 June 2021: RMB4,388,000) relating to staff costs, which amount is also included in note 7(b) above.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 8. TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Current tax</b>		
– PRC corporate income tax	–	–
<b>Deferred tax</b>		
– Origination of temporary differences	–	–
	–	–

- (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 2021 and 2022; and
- (iii) The applicable income tax rate for all of the Group’s subsidiaries in Mainland China is 25%.

## 9. 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 RMB13,783,000 (six months ended 30 June 2021: loss of RMB22,194,000) and the weighted average of 124,604,000 ordinary shares (six months ended 30 June 2021: 107,424,530 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 2022 and 2021, and therefore, diluted loss per share is the same as the basic loss per share.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 10. PROPERTY, PLANT AND EQUIPMENT

- (a) During the six months ended 30 June 2022, the Group acquired items of plant and machinery with cost of RMB2,702,000 was acquired by the Group (six months ended 30 June 2021: Nil). No impairment loss was recognised during the six months ended 30 June 2022 and 2021.
- (b) Buildings with net book value of RMB36,841,000 as at 30 June 2022 (31 December 2021: RMB26,150,000) were pledged as collateral for the Group's bank loans.
- (c) Right-of-use assets with carrying amount of RMB2,281,000 as at 30 June 2022 (31 December 2021: RMB2,325,000) were pledged as collateral for the Group's bank loans.

## 11. INTANGIBLE ASSETS

The amortisation for the period is approximately RMB22,000 (six months ended 30 June 2021: RMB358,000) which is included in selling and distribution expenses and administrative and other operating expenses in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.

## 12. INVESTMENT IN AN ASSOCIATE

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Acquisition of interests in an associate	<b>45,000</b>	45,000
Share of post-acquisition profits, net of dividend received	<b>(4,960)</b>	(3,519)
Impairment losses	<b>(2,329)</b>	(2,329)
	<hr/>	<hr/>
At end of the period/year	<b>37,711</b>	39,152

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 12. INVESTMENT IN AN ASSOCIATE (Continued)

Details of the Group's investment in an associate, which is accounted for using the equity method in the financial statements, are as follows:

Name	Place of incorporation/ operation	Form of business structure	Percentage of effective equity interest held				Particulars of issued paid-up capital	Principal activities
			As at 30 June 2022 (Unaudited)		As at 31 December 2021 (Audited)			
			direct	indirect	direct	indirect		
廈門兆年商業保理有限公司	The People's Republic of China	Limited liability	-	45%	-	45%	RMB100,000,000	Engage in commercial factoring business and provide credit facility, tender agency, liquidation and settlement services

## 13. 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 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Within 90 days	34,276	46,248
90-120 days	1,663	5,735
After 120 days but within 180 days	8,533	7,305
After 180 days but within 1 year	4,800	6,595
	<b>49,272</b>	65,883

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Prepayments to suppliers	9,660	4,337
Other prepayments and receivables	294	920
	<b>9,954</b>	5,257

## 15. 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:

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Within 3 months	6,464	4,158
After 3 months but within 6 months	29	-
After 6 months but within 1 year	-	-
After 1 year	-	-
	<b>6,493</b>	4,158

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 16. BANK LOANS

As of the end of the reporting period, the bank loans of the Group were repayable within one year or on demand as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Bank loans – secured	<b>20,200</b>	43,300

Assets of the Group pledged to secure the bank loans comprise of:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Buildings held for own use (note 10(b))	<b>36,841</b>	26,150
Lease prepayments (note 10(c))	<b>2,281</b>	2,325
	<b>39,122</b>	28,475

Bank loans of RMB20,200,000 as at 30 June 2022 (31 December 2021: RMB43,300,000) were guaranteed by the director of the Company and a third party which are included in secured bank loans.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 16. BANK LOANS (Continued)

The bank loans comprise of:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Fixed-rate bank loans	<b>20,200</b>	43,300

The effective interest rates per annum at the respective reporting dates, are as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Fixed-rate bank loans	<b>4.78%</b>	4.78-5.52%

At the end of the reporting period, bank loans were denominated in the following currencies:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
RMB	<b>20,200</b>	43,300

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 17. CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

#### *Authorised and issued share capital*

	2022			2021		
	No. of share	HK\$'000	RMB'000	No. of share	HK\$'000	RMB'000
<b>Authorised:</b>						
At 1 January (ordinary share of HK\$0.01 each)	1,000,000,000	100,000	79,380	10,000,000,000	100,000	79,380
Share consolidation (note i)	-	-	-	(9,000,000,000)	-	-
At 30 June/31 December (ordinary share of HK\$0.1 each)	1,000,000,000	100,000	79,380	1,000,000,000	100,000	79,380
<b>Issued and fully paid:</b>						
At 1 January	118,080,000	11,808	9,474	984,000,000	9,840	7,833
Share consolidation (note i)	-	-	-	(885,600,000)	-	-
Issue of share upon placing (note ii & iii)	23,616,000	2,361	2,042	19,680,000	1,968	1,641
At 30 June/31 December	141,696,000	14,169	11,516	118,080,000	11,808	9,474

note:

- (i) Upon the share consolidation became effective on 16 March 2021, the authorised share capital of the Company decrease from 10,000,000,000 at HK0.01 each to 1,000,000,000 at HK\$0.1 each and the issued share capital of the Company decreased from 984,000,000 ordinary shares (the "Existing Shares") to 98,400,000 consolidated shares on the basis that every ten Existing Shares in the share capital of the Company to be consolidated into one consolidated share by the deduction of 885,600,000 shares. Details of the share consolidation were set out in the Company's announcements dated 1 February 2021.
- (ii) On 9 April 2021, the Company placed 19,680,000 placing shares at the placing price of HK\$0.48 per placing share. The net proceeds of RMB7,798,000, after deducting the transaction costs of RMB79,000, are intended to be used for general working capital of the Group. Details of the placing of share were set out in the Company's announcements dated 9 April 2021 and 23 February 2021.
- (iii) On 12 May 2022, the Company placed 23,616,000 placing shares at the placing price of HK\$0.58 per placing share. The net proceeds of RMB11,844,000 after deducting the transaction costs of RMB118,000, are intended to be used for general working capital of the Group. Details of the placing of share were set out in the Company's announcements dated 22 April 2022 and 12 May 2022.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 17. CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (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 2022 and 2021, 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.

## 18. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT A VALUE OTHER THAN FAIR VALUE

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2022 and 31 December 2021.

## 19. CAPITAL COMMITMENTS CONTRACTED FOR BUT NOT PROVIDED FOR IN THE UNAUDITED INTERIM FINANCIAL REPORT

No capital commitments was contracted or provided for as at 30 June 2022 (31 December 2021: Nil).

## 20. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited financial statements, the Group entered into the following material related party transactions during the six months ended 30 June 2022 and 2021.

### Guarantee provided by a related party

Secured bank loans of RMB20,200,000 as at 30 June 2022 (31 December 2021: RMB43,300,000) were guaranteed by Mr. Ding Peiji (Note 16).