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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 2022 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

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 2022 (the “**FY2022**”) together with the comparative figures for the year ended 31 December 2021 (the “**FY2021**”), 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 2022 (Expressed in Renminbi)

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Turnover	3	142,415	136,685
Cost of sales		<u>(115,212)</u>	<u>(105,211)</u>
Gross profit		27,203	31,474
Other revenue	4	1,314	1,038
Written down on inventories		(2,633)	(1,395)
Reversal of allowance/(allowance) for expected credit losses on trade and other receivables, net		976	(2,352)
Gain on derecognition of convertible bonds		–	2,760
Selling and distribution expenses		(17,085)	(25,319)
Administrative and other operating expenses		(19,769)	(19,834)
Impairment loss on investment in an associate		–	(2,329)
Share of results from an associate		3,647	(4,378)
Loss from operations		(6,347)	(20,335)
Finance costs	5(a)	(3,974)	(4,654)
Loss before taxation	5	(10,321)	(24,989)
Income tax expenses	6	–	–
Loss for the year attributable to shareholders of the Company		(10,321)	(24,989)
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		1,112	542
Total comprehensive loss for the year attributable to shareholders of the Company		(9,209)	(24,447)
Loss per share (RMB cents)			
– Basic and diluted	7	(7.75)	(22.2)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 (Expressed in Renminbi)

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		42,237	48,721
Intangible assets		–	287
Right-of-use assets		2,237	2,325
Deposits paid for property, plant and equipment		–	4,070
Investment in an associate		42,799	39,152
		<hr/>	<hr/>
		87,273	94,555
		<hr/>	<hr/>
Current assets			
Inventories		22,889	31,106
Trade receivables	8	85,375	65,883
Prepayments, deposits and other receivables		5,864	5,257
Cash and cash equivalents		36,739	19,738
		<hr/>	<hr/>
		150,867	121,984
		<hr/>	<hr/>

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current liabilities			
Trade and other payables	9	64,006	20,197
Convertible bonds		14,964	–
Bank loans		17,000	43,300
		<u>95,970</u>	<u>63,497</u>
Net current assets		<u>54,897</u>	<u>58,487</u>
Total assets less current liabilities		<u>142,170</u>	<u>153,042</u>
Non-current liabilities			
Deferred tax liabilities		1,300	1,300
Convertible bonds		–	13,507
		<u>1,300</u>	<u>14,807</u>
Net assets		<u>140,870</u>	<u>138,235</u>
Equity			
Share capital		11,516	9,474
Reserves		129,354	128,761
Total equity		<u>140,870</u>	<u>138,235</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 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 year, 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

The 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"). The 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 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
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 IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024

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	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue	142,415	130,054	-	6,631	142,415	136,685
Segment results	(6,013)	(17,386)	-	5,868	(6,013)	(11,518)
Written down on inventories	(2,633)	(1,395)	-	-	(2,633)	(1,395)
Reversal of allowance/(Allowance) for expected credit loss on trade and other receivables, net	976	(2,298)	-	(54)	976	(2,352)
Other revenue					1,314	1,038
Share of results from an associate					3,647	(4,378)
Impairment loss on investment in an associate					-	(2,329)
Central administration costs					(3,638)	(2,161)
Gain on derecognition of convertible bonds					-	2,760
Finance costs					(3,974)	(4,654)
Loss before taxation					(10,321)	(24,989)

All of the segment revenue reported above are generated from external customers. Revenue from contracts with customers are recognised at a point in time.

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

The segment was presented based on the sales channel of children's apparel products.

Segment assets and liabilities:

	Wholesalers		Retail outlets		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	<u>187,754</u>	<u>177,230</u>	<u>-</u>	<u>2</u>	<u>187,754</u>	<u>177,232</u>
Unallocated assets					<u>50,386</u>	<u>39,307</u>
Total assets					<u><u>238,140</u></u>	<u><u>216,539</u></u>
Segment liabilities	<u>79,419</u>	<u>60,538</u>	<u>-</u>	<u>85</u>	<u>79,419</u>	<u>60,623</u>
Unallocated liabilities					<u>17,851</u>	<u>17,681</u>
Total liabilities					<u><u>97,270</u></u>	<u><u>78,304</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, 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.

Other segment information:

	Wholesalers		Retail outlets		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure*	4,739	2,032	-	-	4,739	2,032
Depreciation of property, plant and equipment	10,831	7,969	-	212	10,831	8,181
Depreciation of right-of-use assets	88	88	-	-	88	88
Written off of property, plant and equipment	-	245	-	435	-	680
Amortisation of intangible assets	287	537	-	-	287	537
Written down on inventories	2,633	1,395	-	-	2,633	1,395
(Reversal of allowance)/allowance for expected credit loss on trade and other receivables, net	<u>(976)</u>	<u>2,298</u>	<u>-</u>	<u>54</u>	<u>(976)</u>	<u>2,352</u>

* 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:

Revenue from customers which individually contributed over 10% of the Group's revenue for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	N/A*	28,687
Customer B	N/A*	24,859
Customer C	24,341	21,096
Customer D	29,198	N/A*
Customer E	27,758	N/A*
Customer F	16,843	N/A*
	=====	=====

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

4 OTHER REVENUE

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	153	128
Rental income	1,161	910
	=====	=====
	1,314	1,038

5 LOSS BEFORE TAXATION

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Finance costs:		
Interest on bank loans	1,255	2,072
Interest on convertible bonds	2,719	2,582
	<u>3,974</u>	<u>4,654</u>
(b) Staff costs:		
Contributions to defined contribution retirement plans	2,699	2,538
Salaries, wages and other benefits	23,331	26,607
	<u>26,030</u>	<u>29,145</u>
(c) Other items:		
Amortisation of intangible assets	287	537
Depreciation of property, plant and equipment	10,831	8,181
Depreciation of right-of-use assets	88	88
Auditors' remuneration		
– Audit services	773	747
Written off of property, plant and equipment	–	680
Written down on inventories	2,633	1,395
(Reversal of allowance)/allowance for expected credit loss on trade and other receivables, net	(976)	2,352
Design and development expenses	4,552	7,210
Cost of inventories sold [#]	115,212	105,211
Gain on derecognition of convertible bonds	–	(2,760)
	<u>115,212</u>	<u>105,211</u>

[#] Cost of inventories for the year ended 31 December 2022 includes RMB11,775,000 (2021: RMB12,095,000) 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– PRC corporate income tax	–	–
Deferred tax		
– 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 RMB10,321,000 (2021: loss of approximately RMB24,989,000) and the weighted average of 133,220,000 ordinary shares (2021: 112,796,000 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 2022 and 2021, and therefore, diluted loss per share is the same as the basic loss per share.

8 TRADE RECEIVABLES

In general, the credit period granted to customers is 30 to 120 days (2021: 30 to 120 days).

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 expected credit losses, is as below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	44,974	46,248
90-120 days	19,011	5,735
After 120 days but within 180 days	21,390	7,305
After 180 days but within 1 year	—	6,595
	<u>85,375</u>	<u>65,883</u>

9 TRADE AND OTHER PAYABLES

Included in the trade and other payables, as of the end of the reporting year the trade payables were RMB3,837,000 (2021: RMB4,158,000).

In general, the credit period granted by suppliers is 30 days (2021: 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	<u>3,837</u>	<u>4,158</u>

10 DIVIDENDS

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

BUSINESS REVIEW AND OUTLOOK

For the full year of 2022, revenue and net loss before taxation of the Group amounted to approximately RMB142.4 million and RMB10.3 million respectively, as compared to revenue and net loss before taxation of approximately RMB136.7 million and RMB25.0 million respectively for the full year of 2021.

The extraordinary outbreak of the COVID-19 pandemic and the globally severely hit the world economy including Mainland China in the year of 2021 and 2022. The economies of the world returned to the normal stage starting from the late of 2022 and early of 2023 with the impact of inflation.

This was a challenging year and overall sales performance increased slightly by 4.2% for the year of 2022 as compared with the 2021 but the gross margin reflected a decrease in margin owing to the pricing strategy of products sold in the year 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 during the year. The Group has been managing operating expenses, marketing and promotion cost and finance 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 and profitability in the upcoming years. 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 year of 2023 is at highly positive view in Mainland China from the release of prolonged COVID-19 pandemic atmosphere. The Chinese government made certain measures and changes to stimulate the overall economic environment that would boost up the consumer market growth in Mainland China in the year of 2023.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

The retail industry experienced a declining retail climate that was seriously affected by the outbreak of COVID-19 pandemic in Mainland China for the year of 2021 and 2022. 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 2022 increased slightly from the online sales even though the weak consumption market affected by the outbreak of the COVID-19 pandemic in Mainland China since 2020. Coupled with a relatively stable in orders received from the distributors, the Group's revenue recorded an increase of about 4.2%, from approximately RMB136.7 million for FY2021 to approximately RMB142.4 million for FY2022.

Sales to distributors continued to account for the majority of the Group's revenue during FY2022. Sales to distributors were approximately RMB142.4 million for FY2022, representing 100% of the Group's revenue, as compared to that of approximately RMB130.1 million or 95.1% for FY2021.

No sales from self-operated stores was recorded for FY2022, as compared to that of approximately RMB6.6 million or 4.9% for FY2021.

Sales from the apparel products segment continued to account for the majority of the Group's revenue during FY2022. Sales were approximately RMB142.4 million for FY2022, representing 100% of the Group's revenue, as compared to that of approximately RMB133.7 million or 97.8% for FY2021.

For the footwear and accessories segment, no sales was recorded for this category as compared to approximately RMB3.0 million for FY2021.

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

	FY2022	FY2021	% change
Sales volume (<i>million units</i>)	2.6	3.8	(31.6)
Average wholesale price (<i>RMB</i>)	55	36	52.8

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

	FY2022		FY2021		% change
	RMB'000	%	RMB'000	%	
Apparel	142,415	100.0	133,676	97.8	6.5
Footwear and Accessories	—	—	3,009	2.2	(100.0)
	<u>142,415</u>	<u>100.0</u>	<u>136,685</u>	<u>100.0</u>	<u>4.2</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:

	FY2022		FY2021		% change
	RMB'000	%	RMB'000	%	
Sales to distributors	142,415	100.0	130,053	95.1	9.5
Sales from self-operated stores	—	—	6,632	4.9	(100.0)
	<u>142,415</u>	<u>100.0</u>	<u>136,685</u>	<u>100.0</u>	<u>4.2</u>

Cost of Sales

The cost of sales increased by approximately RMB10.0 million or approximately 9.5%, from approximately RMB105.2 million for FY2021 to approximately RMB115.2 million for FY2022. The increase was generally in line with the changes in products mix sales during the year. During FY2022, 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 70% for FY2022 as compared to that of approximately 68% for FY2021.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit decreased by approximately RMB4.3 million or approximately 13.7%, from approximately RMB31.5 million for FY2021 to approximately RMB27.2 million for FY2022. Gross profit margin decreased by 3.9 percent points, from 23.0% for FY2021 to 19.1% for FY2022.

Other Revenue

Other revenue primarily consisted of interest income from bank deposits of approximately RMB0.2 million (FY2021: approximately RMB0.1 million) and rental income of approximately RMB1.2 million (FY2021: approximately RMB0.9 million).

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

In FY2022, share of profit from an associate of the Group was approximately RMB3.6 million (FY2021: loss of approximately RMB4.4 million).

Impairment loss on investment in an associate was approximately RMB2.3 million in FY2021 and no such impairment loss is required after the assessment in FY2022.

Reversal of allowance/(allowance) for Expected Credit Loss on Trade and Other Receivables, Net

Reversal of allowance for expected credit loss on trade and other receivables of approximately RMB1.0 million (FY2021: allowance approximately RMB2.4 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 32.4%, from approximately RMB25.3 million for FY2021 to approximately RMB17.1 million for FY2022. The decrease was resulted from a more stringent control on advertisement and marketing expenses under the current tough business environment.

As a percentage of turnover, selling and distribution expenses were 18.5% and 12.0% for FY2021 and FY2022 respectively.

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 were approximately RMB19.7 million for FY2022, representing a decrease of approximately RMB0.1 million or a decrease of approximately 0.5% as compared to approximately RMB19.8 million for FY2021.

As a percentage of turnover, administrative and other operating expenses were 14.5% and 13.9% for FY2021 and FY2022 respectively.

Finance Costs

Finance costs decreased by approximately RMB0.7 million, from approximately RMB4.7 million for FY2021 to approximately RMB4.0 million for FY2022.

Income Tax Expenses

No income tax expenses was recognised for FY2022 and FY2021. 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 FY2022 of approximately RMB10.3 million was recorded as compared to approximately RMB25.0 million for FY2021.

Working Capital Management

The Group possesses sufficient cash to meet liquidity requirements and for strategic alliances and acquisitions, if any. As of 31 December 2022, the cash and cash equivalents, and bank deposits totaled approximately RMB36.7 million (31 December 2021: approximately RMB19.7 million), representing more than 24.4% (31 December 2021: 16.1%) of the total amount of the current assets.

Current ratio and quick ratio were 1.6 times and 1.3 times, respectively, as at 31 December 2022, as compared to 1.9 times and 1.4 times, respectively, as at 31 December 2021.

Inventories

The inventories decreased by approximately RMB8.2 million, from approximately RMB31.1 million as of 31 December 2021 to approximately RMB22.9 million as at 31 December 2022. Inventories mainly comprised raw materials of approximately RMB1.1 million (31 December 2021: approximately RMB1.2 million), work in progress of approximately RMB0.1 million (31 December 2021: approximately RMB0.1 million) and finished goods of approximately RMB21.7 million (31 December 2021: approximately RMB29.8 million). The inventory turnover was 86 days for FY2022 (FY2021: 141 days).

Written down on inventories of approximately RMB2.6 million (2021: approximately RMB1.4 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 RMB19.5 million, from approximately RMB65.9 million as of 31 December 2021 to approximately RMB85.4 million as of 31 December 2022.

Trade receivables turnover was 194 days for FY2022 (FY2021: 167 days).

Reversal of allowance for expected credit loss on trade and other receivable, net of approximately RMB1.0 million (2021: allowance approximately RMB2.4 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 decreased from approximately RMB4.2 million as of 31 December 2021 to approximately RMB3.8 million as of 31 December 2022. Trade payables turnover was 13 days for FY2022 (FY2021: 14 days).

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets forth the cash flows for FY2022 and FY2021:

	FY2022 RMB'000	FY2021 <i>RMB'000</i>
Net cash used in operating activities	(10,439)	(12,331)
Net cash generated from/(used in) investing activities	45,477	(5,974)
Net cash used in financing activities	(19,149)	(1,072)
Net increase/(decrease) in cash and cash equivalents	15,889	(19,377)
Cash and cash equivalents at 1 January	19,738	39,169
Effect of foreign exchange rate changes	1,112	(54)
Cash and cash equivalents at 31 December	36,739	19,738

The Group were in net cash position as of 31 December 2022, and the gearing ratio was 12.1% as of 31 December 2022 (31 December 2021: 31.2%).

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

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.

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 31 December 2022, the entire amount of HK\$13.5 million has fully utilised as planned.

The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2022.

Use of proceeds	Planned applications HK\$ million	Percentage of total net proceeds	Actual usage up to 31 December 2022 HK\$ million
Repayment of borrowings	8.0	59.3%	8.0
General operation costs	4.5	33.3%	4.5
Settling professional fees	1.0	7.4%	1.0

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.

Use of proceeds	Planned applications HK\$ million	Percentage of total net proceeds	Actual usage up to 31 December 2021 HK\$ million
Repayment of borrowings	5.0	54.3%	5.0
General working capital	3.4	37.0%	3.4
Settling professional fees	0.8	8.7%	0.8

CAPITAL COMMITMENTS

As of 31 December 2022, the Group has no capital commitments (31 December 2021: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as of 31 December 2022 and 2021.

PLEDGE OF ASSETS

As of 31 December 2022, pledged bank deposits, certain properties and right-of-use assets totalled approximately RMB11.0 million (31 December 2021: approximately RMB28.5 million) were pledged for certain bank loans.

RELATED PARTY TRANSACTION

As of 31 December 2022, a subsidiary of the Group provided a guarantee (the “**Guarantee**”) to a related party in an amount of RMB10 million. The provision of Guarantee also constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

The amount of Guarantee of RMB10 million has been used by such related party during the year ended 31 December 2022 and the Guarantee has been fully discharged on 20 March 2023.

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 2022.

INVESTMENTS HELD IN FOREIGN CURRENCY AND HEDGING

For FY2022, 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 2022, the Company employed around 290 full-time employees. The total staff costs for FY2022 was approximately RMB26.0 million (FY2021: approximately RMB29.1 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 FY2022.

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 FY2022, the Board comprised of four 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 FY2022, 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 FY2022, 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 FY2022.

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 FY2022 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 2022 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.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections.

The Board proposed to take this opportunity to update the memorandum and articles of association of the Company (“**Memorandum and Articles**”) with regard to the updates in the Listing Rules and the applicable laws as well as for housekeeping purposes. The Board proposes to seek the approval of shareholders by way of a special resolution at the 2023 annual general meeting of the Company (the “**Special Resolution**”) for the amendment and adoption of a new set of Memorandum and Articles. Prior to the passing of the Special Resolution, the existing Memorandum and Articles shall remain valid.

After the proposed amendments to the Memorandum and Articles come into effect, the full text of the new set of Memorandum and Articles will be published on the websites of the Company and the Stock Exchange (www.hkexnews.hk).

A circular of the annual general meeting of the Company containing, inter alia, full details of the proposed amendments to the Memorandum and Articles, together with a notice of the annual general meeting of the Company and the related proxy form, will be despatched to the shareholders of the Company in due course.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

PUBLICATION OF ANNUAL RESULTS

This announcement of audited annual results is published on the website of the Company (www.redkids.com) and the website of the Stock Exchange (www.hkexnews.hk). The 2022 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
28 March 2023

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

Executive Directors: Mr. Ding Peiji, Mr. Ding Peiyuan, Ms. Ding Lizhen
and Mr. Chan Yi Hsiung

*Independent non-executive
Directors:* Mr. Hung Cho Sing, Mr. Ng Shing Kin and
Mr. Chen Jun