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## **MIKO INTERNATIONAL HOLDINGS LIMITED**

**米格國際控股有限公司**

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

**(Stock Code: 1247)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Miko International Holdings Limited (the “**Company**”) announced the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022, as follows:

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

*For the six months ended 30 June 2023 (Expressed in Renminbi)*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Turnover</b>	4	<b>59,226</b>	46,047
Cost of sales		<u><b>(50,390)</b></u>	<u>(35,505)</u>
<b>Gross profit</b>		<b>8,836</b>	10,542
Other revenue	5	<b>1,080</b>	611
Share of results from an associate		–	(1,441)
(Allowance) for/reversal of expected credit loss on trade receivables, net		<b>(112)</b>	555
Selling and distribution expenses		<b>(6,981)</b>	(11,425)
Administrative and other operating expenses		<b>(5,734)</b>	(10,402)
Gain on deregistration of an associate		<u><b>3,194</b></u>	<u>–</u>
<b>Profit/(loss) from operations</b>		<b>283</b>	(11,560)
Finance costs	6(a)	<u><b>(1,665)</b></u>	<u>(2,223)</u>
<b>Loss before taxation</b>	6	<b>(1,382)</b>	(13,783)
Income tax expenses	7	<u>–</u>	<u>–</u>
<b>Loss for the period attributable to shareholders of the Company</b>		<b>(1,382)</b>	(13,783)
<b>Other comprehensive income for the period</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u><b>173</b></u>	<u>852</u>
<b>Total comprehensive loss for the period attributable to shareholders of the Company</b>		<u><b>(1,209)</b></u>	<u>(12,931)</u>
<b>Loss per share (RMB cents)</b>			
– Basic and diluted	8	<u><b>(0.97)</b></u>	<u>(11.06)</u>

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

*As of 30 June 2023 (Expressed in Renminbi)*

	<i>Notes</i>	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	<b>At 31 December 2022 RMB'000 (Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		38,918	42,237
Right-of-use assets		2,193	2,237
Investment in an associate		–	42,799
		<b>41,111</b>	87,273
<b>Current assets</b>			
Inventories		18,849	22,889
Trade receivables	9	56,007	85,375
Prepayments, deposits and other receivables		23,077	5,864
Cash and cash equivalents		101,195	36,739
		<b>199,128</b>	150,867
<b>Current liabilities</b>			
Trade and other payables	10	66,514	64,006
Convertible bonds		–	14,964
Bank loans		17,000	17,000
		<b>83,514</b>	95,970
<b>Net current assets</b>		<b>115,614</b>	54,897
<b>Total assets less current liabilities</b>		<b>156,725</b>	142,170
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,300	1,300
<b>Net assets</b>		<b>155,425</b>	140,870
<b>Equity</b>			
Share capital	11(a)	27,280	11,516
Reserves		128,145	129,354
<b>Total equity</b>		<b>155,425</b>	140,870

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 2023, 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 OF CONSOLIDATED FINANCIAL STATEMENTS

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 28 August 2023.

The Unaudited Interim Results have been prepared in accordance with the same accounting policies adopted in the 2022 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 2022 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

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

The financial information relating to the financial year ended 31 December 2022 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 2022 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2023.

### 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 the International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the 2022 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 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

##### Segment revenue and results

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

	Wholesalers		Retail outlets		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>59,226</u>	<u>46,047</u>	<u>-</u>	<u>-</u>	<u>59,226</u>	<u>46,047</u>
Segment results	<u>(2,691)</u>	<u>(9,726)</u>	<u>-</u>	<u>(1)</u>	<u>(2,691)</u>	<u>(9,727)</u>
(Allowance) for/reversal of expected credit loss on trade receivables, net	(112)	555	-	-	(112)	555
Other revenue					1,080	611
Share of results from an associate					-	(1,441)
Central administration costs					(1,188)	(1,558)
Gain on deregistration of an associate					3,194	-
Finance costs					<u>(1,665)</u>	<u>(2,223)</u>
Loss before taxation					<u><u>(1,382)</u></u>	<u><u>(13,783)</u></u>

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies to the consolidated financial statements. Segment results represent the loss recorded by each segment without allocation of other revenue, share of results from an associate, finance costs, gain on deregistration of an associate 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 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Segment assets	<u>185,108</u>	<u>187,754</u>	<u>-</u>	<u>-</u>	<u>185,108</u>	<u>187,754</u>
Unallocated assets					<u>55,131</u>	<u>50,386</u>
Total assets					<u><u>240,239</u></u>	<u><u>238,140</u></u>
Segment liabilities	<u>34,609</u>	<u>79,419</u>	<u>-</u>	<u>-</u>	<u>34,609</u>	<u>79,419</u>
Unallocated liabilities					<u>50,205</u>	<u>17,851</u>
Total liabilities					<u><u>84,814</u></u>	<u><u>97,270</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

## Geographical information

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

### Information about major customers

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	8,195	9,611
Customer B	7,981	12,063
Customer C	N/A*	8,675
Customer D	N/A	4,641
Customer E	7,755	N/A*
Customer F	6,341	N/A*
Customer G	9,191	N/A*
	<u>          </u>	<u>          </u>

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

### 5. OTHER REVENUE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	280	28
Rental income	580	583
Others	220	—
	<u>          </u>	<u>          </u>
	<u>1,080</u>	<u>611</u>



## 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>(a) Finance costs:</b>		
Interest on bank loans	264	910
Imputed interest on convertible bonds	1,401	1,313
	<u>1,665</u>	<u>2,223</u>
<b>(b) Staff costs (including directors' remuneration):</b>		
Contributions to defined contribution retirement plans	429	451
Salaries, wages and other benefits	9,470	9,165
	<u>9,899</u>	<u>9,616</u>
<b>(c) Other items:</b>		
Amortisation of intangible assets	–	22
Depreciation of property, plant and equipment	3,319	5,960
Depreciation of right-of-use assets	44	44
Allowance for/(reversal of) expected credit loss on trade receivables, net	112	(555)
Design and development expenses	942	3,434
Cost of inventories sold <sup>#</sup>	50,390	35,505
	<u>50,390</u>	<u>35,505</u>

<sup>#</sup> Cost of inventories for the six months ended 30 June 2023 includes RMB5,465,000 (six months ended 30 June 2022: RMB5,856,000) relating to staff costs, which amount is also included in note 6(b) above.

## 7. TAXATION

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
– PRC corporate income tax	–	–
<b>Deferred tax</b>		
– Origination of temporary differences	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands or BVI;
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax for the six months ended 30 June 2022 and 2023; and
- (iii) The applicable income tax rate for all of the Group’s subsidiaries in Mainland China is 25%.

## 8. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to shareholders of the Company of RMB1,382,000 (six months ended 30 June 2022: loss of RMB13,783,000) and the weighted average of 142,789,000 ordinary shares (six months ended 30 June 2022: 124,604,000 ordinary shares).

### (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 therefore, diluted loss per share is the same as the basic loss per share.

The effect of the Company’s convertible bonds was anti-dilutive for six months ended 30 June 2023, and therefore, diluted loss per share is the same as the basic loss per share.

## 9. TRADE RECEIVABLES

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

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Within 90 days	29,324	44,974
90-120 days	8,539	19,011
After 120 days but within 180 days	11,409	21,390
After 180 days but within 1 year	6,735	–
	<u>56,007</u>	<u>85,375</u>

## 10. TRADE AND OTHER PAYABLES

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

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Within 3 months	5,229	3,837

Other payables include carrying amount of an amount due to a director of approximately RMB47,653,000, which was unsecured, non-interest bearing and repayable on demand as at 30 June 2023.

## 11. CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

#### *Authorised and issued share capital*

	2023			2022		
	<i>No. of share</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>No. of share</i>	<i>HK\$'000</i>	<i>RMB'000</i>
<b>Authorised:</b>						
At 1 January/30 June/31 December (ordinary share of HK\$0.1 each)	<u>1,000,000,000</u>	<u>100,000</u>	<u>79,380</u>	<u>1,000,000,000</u>	<u>100,000</u>	<u>79,380</u>
<b>Issued and fully paid:</b>						
At 1 January	141,696,000	14,170	11,516	118,080,000	11,808	9,474
Conversion of convertible bonds (note i)	16,480,000	1,648	15,764	-	-	-
Issue of share upon placing (note ii)	-	-	-	23,616,000	2,361	2,042
At 30 June/31 December	<u>158,176,000</u>	<u>15,818</u>	<u>27,280</u>	<u>141,696,000</u>	<u>14,169</u>	<u>11,516</u>

*note:*

- (i) The Company received a conversion notice from Goldrun Limited as bondholder in respect of the exercise of the Conversion Rights attached to the Convertible Bonds with the principal amount of approximately RMB15,763,000 (i.e. HK\$18,128,000) at the initial conversion price of HK\$1.10 per ordinary share, as a result the Company allotted and issued 16,480,000 Conversion Shares to Goldrun Limited on 19 June 2023 (the “**Conversion**”). Following the Conversion, 16,480,000 Conversion Shares have been issued which rank pari passu in all respects among themselves and with all other existing ordinary shares in issue and they represent approximately 10.4% of the total issued ordinary shares of the Company as enlarged by the allotment and issue of the 16,480,000 Conversion Shares upon the Conversion.
- (ii) 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.

**(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 2023 and 2022, nor has any dividend been proposed since the end of the reporting period. The rates of dividend and the number of shares ranking for dividend are not presented, as such information is not considered meaningful for the purpose of the unaudited interim results.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

For the six months ended 30 June 2023 (“**1H 2023**”), revenue and net loss of our Group amounted to approximately RMB59.2 million and RMB1.4 million respectively, as compared to the revenue and net loss of approximately RMB46.0 million and RMB13.8 million respectively for the six months ended 30 June 2022 (“**1H 2022**”).

The extraordinary outbreak of the COVID-19 pandemic and the globally severely hit the world economy including Mainland China from the year of 2020 to 2022. The economies of the world returned to the normal stage starting from the late of 2022 and the early of 2023 when the COVID-19 pandemic control restrictions were lifted.

The economy recovery was slow affected by numerous factors including but not limited to inflation and high unemployment rate from prolonged COVID-19 pandemic control policy from year of 2020 to 2022.

This was still a challenging year even overall sales performance increased by 28.6% for the six months ended 30 June 2023 as compared with the same period in 2022 but the gross margin reflected a decrease in margin owing to the impact from consumer market condition and pricing strategy of products sold in the first six month of 2023.

Considering the unprecedented challenges and market uncertainty, the Group took immediate actions to preserve cash and strengthen its liquidity during the period. The Group has been managing operating expenses, marketing and promotion cost and finance cost sharply in the recent years in such 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 outlook of the industry and business in the year of 2023 and onwards is at 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 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 2023, representing no material changes as compared to that of approximately 1.2 million units for 1H 2022. The average wholesale selling price for 1H 2023 recorded a decrease level as compared to that for 1H 2022, partially reflecting our change in product mix in 1H 2023.

Sales to distributors continued to account for the source of our Group's revenue. Sales to distributors were approximately RMB59.2 million for 1H 2023, as compared to that of approximately RMB46.0 million for 1H 2022.

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

	<b>1H 2023</b>		<b>1H 2022</b>		<b>% change</b>
	<i><b>RMB'000</b></i>	<b>%</b>	<i><b>RMB'000</b></i>	<b>%</b>	
Apparel	<u><b>59,226</b></u>	<u><b>100.0</b></u>	<u><b>46,047</b></u>	<u><b>100.0</b></u>	28.6
	<b>1H 2023</b>		<b>1H 2022</b>		<b>% change</b>
	<i><b>RMB'000</b></i>	<b>%</b>	<i><b>RMB'000</b></i>	<b>%</b>	
Sales to distributors	<u><b>59,226</b></u>	<u><b>100.0</b></u>	<u><b>46,047</b></u>	<u><b>100.0</b></u>	28.6

### **Cost of Sales**

Our cost of sales recorded an increase from approximately RMB35.5 million for 1H 2022 to approximately RMB50.4 million for 1H 2023, 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 65% for 1H 2023, which was comparable to that of approximately 60% for 1H 2022.

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

As a result of the foregoing, our gross profit decreased from approximately RMB10.5 million for 1H 2022 to approximately RMB8.8 million for 1H 2023. Gross profit margin was approximately 14.9% for 1H 2023, representing a decrease of approximately 8.0 percentage points as compared to that of 22.9% for 1H 2022.

### **Other Revenue**

Other revenue of our Group mainly included the interest income and rental income of approximately RMB1.0 million during 1H 2023 (1H 2022: RMB0.6 million).

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

In 1H 2023, no share of result from an associate of the Group was recorded (1H 2022: share of loss RMB1.4 million).

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

Allowance for expected credit loss of approximately RMB0.1 million in respect of trade receivables was made (1H 2022: reversal of Allowance for expected credit loss of approximately (RMB0.6 million)) 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 RMB7.0 million for 1H 2023, representing a decrease of approximately RMB4.4 million or about 38.6%, as compared to that of approximately RMB11.4 million for 1H 2022. The decrease in selling and distribution expenses was mainly due to reduction in the advertisement and marketing related expenses in view of current business environment in 1H 2023. As a percentage of revenue, selling and distribution expenses was 11.8% for 1H 2023 (1H 2022: 24.8%).



### **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 RMB5.7 million for 1H 2023, representing a decrease of approximately RMB4.7 million or about 45.2% as compared to that of approximately RMB10.4 million for 1H 2022. 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 22.6% for 1H 2022 to 9.7% for 1H 2023.

### **Gain on Deregistration of an Associate**

Gain on deregistration of an associate amounting approximately RMB 3.2 million is recorded in 1H 2023.

### **Finance Costs**

Finance costs comprised of interest on bank loans and imputed interest on convertible bonds. Finance costs decreased by approximately RMB0.5 million, from approximately RMB2.2 million for 1H 2022 to approximately RMB1.7 million for 1H 2023.

### **Taxation**

No income tax expense was recorded for 1H 2023 and 1H 2022. Currently, our principal subsidiaries in Mainland China are subject to an enterprise income tax rate of 25%.

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

As a result of the foregoing, loss for the period after taxation approximately RMB1.4 million was recorded as compared to the loss for 1H 2022 approximately RMB13.8 million.

## **WORKING CAPITAL MANAGEMENT**

Our Group recorded net current assets of approximately RMB115.6 million with a current ratio of 2.4 times as of 30 June 2023, compared to that of approximately RMB54.9 million and 1.6 times as of 31 December 2022. The table below sets forth the turnover days of trade receivables, inventories and trade payables at the end of the period indicated.

	<b>Turnover days</b>	
	<b>As of 30 June 2023</b>	<b>As of 30 June 2022</b>
Trade receivables	<b>217</b>	228
Inventories	<b>75</b>	220
Trade payables	<b>16</b>	27

## 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 RMB101.2 million as of 30 June 2023 (31 December 2022: approximately RMB36.7 million). Bank borrowings of our Group was approximately RMB17.0 million as of 30 June 2023, as compared to that of approximately RMB17.0 million as of 31 December 2022. Gearing ratio was only 10.9% and 12.1%, respectively, as of 30 June 2023 and 31 December 2022.

Our Group recorded an increase in net cash generated from operating activities of approximately RMB68.9 million, from net cash used in operating activities approximately RMB52.2 million for 1H 2022 to net cash generated from operating activities approximately RMB16.7 million for 1H 2023.

Net cash used in investing activities of approximately RMB0.08 million was made for 1H 2023, which mainly represented the payment for the purchase of property, plant and equipment. Net cash generated from financing activities was approximately RMB47.3 million for 1H 2023, as compared to net cash generated from financing activities of approximately RMB13.5 million for 1H 2022 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 RMB64.5 million for 1H 2023 (1H 2022: net increase approximately RMB35.6 million).

### *Notes to financial ratios:*

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

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

The Company received a conversion notice from Goldrun Limited as bondholder in respect of the exercise of the Conversion Rights attached to the Convertible Bonds with the principal amount of RMB15,763,478 (i.e. HK\$18,128,000) at the initial conversion price of HK\$1.10 per ordinary share, as a result the Company allotted and issued 16,480,000 Conversion Shares to Goldrun Limited on 19 June 2023 (the “**Conversion**”). Following the Conversion, 16,480,000 Conversion Shares have been issued which rank pari passu in all respects among themselves and with all other existing ordinary shares in issue and they represent approximately 10.4% of the total issued ordinary shares of the Company as enlarged by the allotment and issue of the 16,480,000 Conversion Shares upon the Conversion.

## **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 capital commitments and contingent liabilities as of 30 June 2023.

## **PLEDGE OF ASSETS**

Certain properties and lease prepayments with net book value of approximately RMB8.3 million as at 30 June 2023 (31 December 2022: approximately RMB39.1 million) were pledged for certain bank loans.

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

Our Group made no other significant investments, material acquisitions or disposal for the six months ended 30 June 2023.

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

For the six months ended 30 June 2023, 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 2023, we employed around 290 full-time employees. The total staff costs for 1H 2023 was approximately RMB9.9 million (1H 2022: approximately RMB9.6 million).

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

Neither our Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities during 1H 2023.

## **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 2023, 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 (“**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). During 1H 2023, 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 2023.

#### **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. Chen Jun and Mr. Guo Zheng, 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 2023, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

#### **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for 1H 2023 (1H 2022: Nil).

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **PUBLICATION OF RESULTS**

This unaudited interim results announcement has been published on our website at [www.redkids.com](http://www.redkids.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report of our Company for 1H 2023 containing all the information required by Appendix 16 to the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) will be dispatched to the shareholders of our Company and published on our website at [www.redkids.com](http://www.redkids.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in due course on or before 30 September 2023.

## **APPRECIATION**

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

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

Hong Kong  
28 August 2023

*As at the date of this announcement, the executive Directors are Mr. Ding Peiji, Mr. Ding Peiyuan, Ms. Liu Min and Mr. Chan Yi Hsiung; and the independent non-executive Directors are Mr. Ng Shing Kin, Mr. Chen Jun and Mr. Guo Zheng.*