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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 2022

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 2022, together with the comparative figures for the corresponding period in 2021, as follows:

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

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

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	46,047	59,741
Cost of sales		<u>(35,505)</u>	<u>(53,523)</u>
Gross profit		10,542	6,218
Other revenue	5	611	437
Share of results from an associate		(1,441)	(37)
Reversal of allowance/(Allowance) for expected credit loss on trade receivables, net		555	(93)
Selling and distribution expenses		(11,425)	(8,590)
Administrative and other operating expenses		(10,402)	(18,785)
Gain on derecognition of convertible bonds		<u>–</u>	<u>1,006</u>
Loss from operations		(11,560)	(19,844)
Finance costs	6(a)	<u>(2,223)</u>	<u>(2,350)</u>
Loss before taxation	6	(13,783)	(22,194)
Income tax expenses	7	<u>–</u>	<u>–</u>
Loss for the period attributable to shareholders of the Company		(13,783)	(22,194)
Other comprehensive loss for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>852</u>	<u>(1,270)</u>
Total comprehensive loss for the period attributable to shareholders of the Company		<u>(12,931)</u>	<u>(23,464)</u>
Loss per share (RMB cents)			
– Basic and diluted	8	<u>(11.06)</u>	<u>(20.7)</u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 June 2022 (Expressed in Renminbi)

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

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**”).

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 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 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 IFRS, 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.

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	
	2022	2021	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>46,047</u>	53,110	<u>-</u>	6,631	<u>46,047</u>	59,741
Segment results	<u>(9,726)</u>	<u>(25,805)</u>	<u>(1)</u>	<u>5,868</u>	<u>(9,727)</u>	<u>(19,937)</u>
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					<u>(2,223)</u>	<u>(2,350)</u>
Loss before taxation					<u><u>(13,783)</u></u>	<u><u>(22,194)</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 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	<u>189,507</u>	<u>177,230</u>	<u>10</u>	<u>2</u>	<u>189,517</u>	<u>177,232</u>
Unallocated assets					<u>47,129</u>	<u>39,307</u>
Total assets					<u><u>236,646</u></u>	<u><u>216,539</u></u>
Segment liabilities	<u>51,605</u>	<u>60,538</u>	<u>85</u>	<u>85</u>	<u>51,690</u>	<u>60,623</u>
Unallocated liabilities					<u>47,809</u>	<u>17,681</u>
Total liabilities					<u><u>99,499</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 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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	—
	<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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	28	67
Rental income	583	370
	<u> </u>	<u> </u>
	<u>611</u>	<u>437</u>

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on bank loans	910	1,040
Imputed interest on convertible bonds	1,313	1,310
	<u>2,223</u>	<u>2,350</u>
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	451	645
Salaries, wages and other benefits	9,165	9,683
	<u>9,616</u>	<u>10,328</u>
(c) Other items:		
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 [#]	35,505	53,523
	<u>35,505</u>	<u>53,523</u>

[#] 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 6(b) above.

7. TAXATION

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
– PRC corporate income tax	–	–
Deferred tax		
– 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 2021 and 2022; 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 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.

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 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (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
	<u>49,272</u>	<u>65,883</u>

10. TRADE PAYABLES

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (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	–	–
	<u>6,493</u>	<u>4,158</u>

11. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Authorised and issued share capital

	2022			2021		
	<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>
Authorised:						
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)	-	-
	<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>
At 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>
Issued and fully paid:						
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)	<u>23,616,000</u>	<u>2,361</u>	<u>2,042</u>	<u>19,680,000</u>	<u>1,968</u>	<u>1,641</u>
	<u>141,696,000</u>	<u>14,169</u>	<u>11,516</u>	<u>118,080,000</u>	<u>11,808</u>	<u>9,474</u>
At 30 June/31 December	<u>141,696,000</u>	<u>14,169</u>	<u>11,516</u>	<u>118,080,000</u>	<u>11,808</u>	<u>9,474</u>

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.

(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.

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.

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

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%).

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 approximately RMB13.8 million was recorded as compared to the loss for 1H 2021 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

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.

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 RMB7.8 million. As of 31 December 2021, the entire amount of RMB7.8 million has fully been utilised as planned.

In May 2022, the Company completed the placement of 23,616,000 Shares and raised net proceeds of approximately RMB11.8 million. As of 30 June 2022, the Company has utilised RMB2.0 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.

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).

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.

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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for 1H 2022 (1H 2021: 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 and the website of the Stock Exchange at www.hkexnews.hk. The interim report of our Company for 1H 2022 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 and the website of the Stock Exchange at www.hkexnews.hk in due course on or before 30 September 2022.

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
26 August 2022

As at the date of this announcement, the executive Directors are Mr. Ding Peiji, Mr. Ding Peiyuan, Ms. Ding Lizhen and Mr. Chan Yi Hsiung; and the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Chan Wai Wong and Mr. Ng Shing Kin.