

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2023**

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 2023 (the “**FY2023**”) together with the comparative figures for the year ended 31 December 2022 (the “**FY2022**”), which have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) and reviewed by the audit committee of the Company as below.

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

*For the year ended 31 December 2023 (Expressed in Renminbi)*

	<i>Note</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Turnover</b>	3	<b>150,614</b>	142,415
Cost of sales		<u>(125,080)</u>	<u>(115,212)</u>
<b>Gross profit</b>		<b>25,534</b>	27,203
Other revenue	4	<b>3,210</b>	1,314
Written down on inventories		<b>(3,177)</b>	(2,633)
(Allowance for)/reversal of allowance for expected credit losses on trade and other receivables, net		<b>(5,609)</b>	976
Selling and distribution expenses		<b>(18,287)</b>	(17,085)
Administrative and other operating expenses		<b>(15,552)</b>	(19,769)
Gain on deregistration of an associate		<b>3,194</b>	–
Share of results from an associate		<u>–</u>	<u>3,647</u>
<b>Loss from operations</b>		<b>(10,687)</b>	(6,347)
Finance costs	5(a)	<u>(1,984)</u>	<u>(3,974)</u>
<b>Loss before taxation</b>	5	<b>(12,671)</b>	(10,321)
Income tax expenses	6	<u>(45)</u>	–
<b>Loss for the year attributable to shareholders of the Company</b>		<b>(12,716)</b>	(10,321)
<b>Other comprehensive income for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(82)</u>	<u>1,112</u>
<b>Total comprehensive loss for the year attributable to shareholders of the Company</b>		<u><b>(12,798)</b></u>	<u><b>(9,209)</b></u>
<b>Loss per share (RMB cents)</b>			
– Basic and diluted	7	<u><b>(8.45)</b></u>	<u><b>(7.75)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023 (Expressed in Renminbi)

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>41,273</b>	42,237
Right-of-use assets		<b>2,149</b>	2,237
Investment in an associate		–	42,799
Deposits paid for property, plant and equipment		<b>1,168</b>	–
		<b>44,590</b>	87,273
<b>Current assets</b>			
Inventories		<b>31,067</b>	22,889
Trade receivables	8	<b>93,866</b>	85,375
Prepayments, deposits and other receivables		<b>9,309</b>	5,864
Cash and cash equivalents		<b>39,721</b>	36,739
		<b>173,963</b>	150,867

	<i>Note</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables	9	<b>56,417</b>	64,006
Convertible bonds		–	14,964
Bank loans		<b>17,000</b>	17,000
		<u><b>73,417</b></u>	<u>95,970</u>
<b>Net current assets</b>		<u><b>100,546</b></u>	<u>54,897</u>
<b>Total assets less current liabilities</b>		<u><b>145,136</b></u>	<u>142,170</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>1,300</b>	1,300
<b>Net assets</b>		<u><b>143,836</b></u>	<u>140,870</u>
<b>Equity</b>			
Share capital		<b>13,026</b>	11,516
Reserves		<b>130,810</b>	129,354
<b>Total equity</b>		<u><b>143,836</b></u>	<u>140,870</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 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 year, the Group were principally engaged in the business of design, manufacture and sales of children and other apparel products. There were no significant changes in the nature of the Group's principal activities during the year.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION

### Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual IFRSs, 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.

### Application of amendments to IFRSs

#### *New and amendments to IFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following new and amendments to IFRSs issued by 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 consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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.

***Amendments to IFRSs in issue but not yet effective***

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual period beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025

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 and other apparel products. Turnover represents the sales value of goods sold less returns, discounts and value added taxes.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. Retail outlets of children's apparel products did not meet the quantitative thresholds for the reportable segment in both current and prior year. Prior year segment disclosures have been represented to conform with the current year's presentation.

The executive directors regard the Group's business as one single operating segment that qualifies as reportable segment under IFRS 8 Operating Segments and review the financial information accordingly for the purposes of allocating resources and assessing performance of the operating segment.

The Group currently operates one operating segment which is revenue from manufacture and wholesales of children and other apparel products. Accordingly, the Group does not have separately reportable segments.

#### **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 2023 and 2022 is as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Customer A	<b>16,624</b>	N/A*
Customer B	<b>25,246</b>	N/A*
Customer C	N/A*	24,341
Customer D	<b>19,607</b>	29,198
Customer E	N/A*	27,758
Customer F	<b>16,369</b>	16,843

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

**Disaggregation of revenue from contracts with customers:**

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Sales of goods	<b>150,614</b>	142,415

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Timing of revenue recognition		
At a point in time	<b>150,614</b>	142,415

*Transaction allocated to the remaining performance obligation for contracts with customers*

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining obligations under the contracts as all contract works have an original expected duration of one year or less.

**4 OTHER REVENUE**

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Interest income	<b>1,544</b>	153
Rental income	<b>1,140</b>	1,161
Others	<b>526</b>	–
	<b>3,210</b>	1,314

## 5 LOSS BEFORE TAXATION

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>(a) Finance costs:</b>		
Interest on bank loans	583	1,255
Imputed interest on convertible bonds	<u>1,401</u>	<u>2,719</u>
	<u><b>1,984</b></u>	<u>3,974</u>
<b>(b) Staff costs:</b>		
Contributions to defined contribution retirement plans	2,693	2,699
Salaries, wages and other benefits	<u>23,792</u>	<u>23,331</u>
	<u><b>26,485</b></u>	<u>26,030</u>
<b>(c) Other items:</b>		
Amortisation of intangible assets	–	287
Depreciation of property, plant and equipment	6,713	10,831
Amortisation of right-of-use assets	88	88
Auditors' remuneration		
– Audit services	813	773
Written down on inventories	3,177	2,633
Allowance for/(reversal of allowance for) expected credit losses on trade and other receivables, net	5,609	(976)
Design and development expenses	1,792	4,552
Cost of inventories sold <sup>#</sup>	125,080	115,212
Gain on deregistration of an associate	(3,194)	–
Loss on disposal of property, plant and equipment	<u>76</u>	<u>392</u>

<sup>#</sup> Cost of inventories for the year ended 31 December 2023 includes approximately RMB11,083,000 (2022: approximately RMB11,775,000) 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Current tax</b>		
– PRC corporate income tax	45	–
<b>Deferred tax</b>		
– Origination of temporary differences	–	–
	<u>45</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 RMB12,716,000 (2022: loss of approximately RMB10,321,000) and the weighted average of 150,545,000 ordinary shares (2022: 133,220,000 ordinary shares).

### (b) Diluted loss per share

The effect of the Company's share options was anti-dilutive for the year ended 31 December 2023, and therefore, diluted loss per share is the same as the basic 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 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 (2022: 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:

	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Within 90 days	<b>55,065</b>	44,974
90-120 days	<b>13,571</b>	19,011
After 120 days but within 180 days	<b>18,203</b>	21,390
After 180 days but within 1 year	<b>7,027</b>	–
	<b>93,866</b>	85,375

## 9 TRADE AND OTHER PAYABLES

Included in the trade and other payables, as of the end of the reporting year the trade payables were approximately RMB32,992,000 (2022: approximately RMB3,837,000).

In general, the credit period granted by suppliers is 30 days (2022: 30 days).

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

	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Within 3 months	<b>32,992</b>	3,837

## 10 DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

## **BUSINESS REVIEW AND OUTLOOK**

For the full year of 2023, revenue and net loss before taxation of the Group amounted to approximately RMB150.6 million and RMB12.7 million respectively, as compared to revenue and net loss before taxation of approximately RMB142.4 million and RMB10.3 million respectively for the full year of 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.

This was still a challenging year even overall sales performance increased by 5.8% for the full year 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 year of 2023.

Considering the unprecedented challenges and market uncertainty, 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 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 have a very 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 2024 and onwards is at positive view in Mainland China from the release of prolonged COVID-19 pandemic atmosphere. The Chinese government made certain effective measures and changes to stimulate the overall economic environment that would stimulate the consumer demand 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.

## 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 apparel industry experienced a declining retail climate that was seriously affected by the outbreak of COVID-19 pandemic in Mainland China for the year of 2022 and 2023. 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 2023 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 5.8%, from approximately RMB142.4 million for FY2022 to approximately RMB150.6 million for FY2023.

Sales to distributors continued to account for the Group's revenue during FY2023, approximately RMB150.6 million as compared to that of approximately RMB142.4 million for FY2022.

Sales from the apparel products segment continued to account for the Group's revenue during FY2023, approximately RMB150.6 million for FY2023, as compared to that of approximately RMB142.4 million for FY2022.

For the footwear and accessories segment, no sales was recorded for this category as compared to approximately RMB3.0 million for FY2022.

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

	<b>FY2023</b>	<b>FY2022</b>	<b>% change</b>
Sales volume ( <i>million units</i> )	<b>2.6</b>	2.6	–
Average wholesale price ( <i>RMB</i> )	<b>58</b>	55	5.5

**Cost of Sales**

The cost of sales increased by approximately RMB9.9 million or approximately 8.6%, from approximately RMB115.2 million for FY2022 to approximately RMB125.1 million for FY2023. The increase was generally in line with the changes in products mix sales during the year. During FY2023, 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 72% for FY2023 as compared to that of approximately 70% for FY2022.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, the gross profit decreased by approximately RMB1.7 million or approximately 6.3%, from approximately RMB27.2 million for FY2022 to approximately RMB25.5 million for FY2023. Gross profit margin decreased by 2.1 percent points, from 19.1% for FY2022 to 17.0% for FY2023.

## **Other Revenue**

Other revenue primarily consisted of interest income from bank deposits of approximately RMB1.5 million (FY2022: approximately RMB0.2 million) and rental income and others of approximately RMB1.6 million (FY2022: approximately RMB1.2 million).

## **(Allowance for)/reversal of allowance for Expected Credit Losses on Trade and Other Receivables, Net**

Allowance for expected credit losses on trade and other receivables of approximately RMB5.6 million (FY2022: reversal of allowance approximately RMB1.0 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. Selling and distribution expenses recorded an increase of approximately 7.0%, from approximately RMB17.1 million for FY2022 to approximately RMB18.3 million for FY2023. The increase was resulted from a more advertisement and marketing expenses under the current business environment.

As a percentage of turnover, selling and distribution expenses were 12.0% and 12.1% for FY2022 and FY2023 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 RMB15.6 million for FY2023, representing a decrease of approximately RMB4.2 million or a decrease of approximately 21.3% as compared to approximately RMB19.8 million for FY2022.

As a percentage of turnover, administrative and other operating expenses were 13.9% and 10.3% for FY2022 and FY2023 respectively.

## **Gain on deregistration of an associate**

Gain on deregistration of an associate amounting approximately RMB3.2 million was recognised in FY2023.

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

In FY2023, no share of profit from an associate of the Group was recognised (FY2022: profit of approximately RMB3.6 million).

### **Finance Costs**

Finance costs decreased by approximately RMB2.0 million, from approximately RMB4.0 million for FY2022 to approximately RMB2.0 million for FY2023.

### **Income Tax Expenses**

Income tax expenses of approximately RMB0.05 million was recognised for FY2023 (FY2022: Nil). Currently, the principal subsidiaries of the Group in Mainland China are subject to an enterprise income tax rate of 25%.

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

As a result of the foregoing, loss before taxation for FY2023 of approximately RMB12.7 million was recorded as compared to approximately RMB10.3 million for FY2022.

### **Working Capital Management**

The Group possesses sufficient cash to meet liquidity requirements and for strategic alliances and acquisitions, if any. As of 31 December 2023, the cash and cash equivalents, and bank deposits totaled approximately RMB39.7 million (31 December 2022: approximately RMB36.7 million), representing 22.8% (31 December 2022: 24.4%) of the total amount of the current assets.

Current ratio and quick ratio were 2.4 times and 1.9 times, respectively, as at 31 December 2023, as compared to 1.6 times and 1.3 times, respectively, as at 31 December 2022.

### **Inventories**

The inventories increased by approximately RMB8.2 million, from approximately RMB22.9 million as of 31 December 2022 to approximately RMB31.1 million as at 31 December 2023. Inventories mainly comprised raw materials of approximately RMB1.7 million (31 December 2022: approximately RMB1.1 million), work in progress of approximately RMB0.1 million (31 December 2022: approximately RMB0.1 million) and finished goods of approximately RMB29.3 million (31 December 2022: approximately RMB21.7 million). The inventory turnover was 79 days for FY2023 (FY2022: 86 days).

Written down on inventories of approximately RMB3.2 million (2022: approximately RMB2.6 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 RMB8.5 million, from approximately RMB85.4 million as of 31 December 2022 to approximately RMB93.9 million as of 31 December 2023.

Trade receivables turnover was 217 days for FY2023 (FY2022: 194 days).

Allowance for expected credit losses on trade and other receivable, net of approximately RMB5.6 million (FY2022: reversal of allowance approximately RMB1.0 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 continues to conduct comprehensive review of the distributors' repayment histories, resources and financial capabilities to ensure that they are able to repay the debt within the credit period.

### **Trade Payables**

Trade payables increased from approximately RMB3.8 million as of 31 December 2022 to approximately RMB33.0 million as of 31 December 2023. Trade payables turnover was 54 days for FY2023 (FY2022: 13 days).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The following table sets forth the cash flows for FY2023 and FY2022:

	<b>FY2023</b> <b>RMB'000</b>	FY2022 <i>RMB'000</i>
Net cash used in operating activities	<b>(4,647)</b>	(10,961)
Net cash (used in)/generated from investing activities	<b>(2,493)</b>	45,477
Net cash generated from/(used in) financing activities	<b>10,161</b>	(17,692)
Net increase in cash and cash equivalents	<b>3,021</b>	16,824
Cash and cash equivalents at 1 January	<b>36,739</b>	19,738
Effect of foreign exchange rate changes	<b>(39)</b>	177
Cash and cash equivalents at 31 December	<b>39,721</b>	36,739

The Group was in net cash position as of 31 December 2023, and the gearing ratio was 11.8% as of 31 December 2023 (31 December 2022: 12.1%).

## **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 is not subject to significant foreign exchange rate risks.

## **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.

## **CAPITAL COMMITMENTS**

As of 31 December 2023, the Group has no capital commitments (31 December 2022: Nil).

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as of 31 December 2023 and 2022.

## **PLEDGE OF ASSETS**

As of 31 December 2023, pledged bank deposits, certain properties and right-of-use assets totalled approximately RMB10.3 million (31 December 2022: approximately RMB11.0 million) were pledged for certain bank loans.

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

The Group made no significant investments, material acquisitions or disposal of subsidiaries during the year ended 31 December 2023.

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

For FY2023, 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 2023, the Company employed around 290 full-time employees. The total staff costs for FY2023 was approximately RMB26.5 million (FY2022: approximately RMB26.0 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 FY2023.

## **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 FY2023, 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 FY2023, 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 FY2023, 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 FY2023.

## **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 FY2023 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 2023 as set out in the preliminary announcement have been agreed by the Group’s auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

## **PUBLICATION OF ANNUAL RESULTS**

This announcement of audited annual results is published on the website of the Company ([www.redkids.com](http://www.redkids.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2023 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  
26 March 2024

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

*Executive Directors:* Mr. Ding Peiji, Mr. Ding Peiyuan, Ms. Liu Min  
and Mr. Chan Yi Hsiung

*Independent non-executive  
Directors:* Mr. Ng Shing Kin, Mr. Chen Jun and Mr. Guo Zheng