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 RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	2013	2012	%
	RMB'000	*RMB'000*	*change*
Turnover	**661,416**	519,987	+ 27.2
Gross profit	**260,086**	195,814	+ 32.8
Profit for the year	**129,613**	115,438	+ 12.3
Earnings per share *(RMB cents)*			
— Basis	**20**	18	
— Diluted	**20**	18	
Gross profit margin	**39.3%**	37.7%	
Net profit margin	**19.6%**	22.2%	

The Board has recommended the payment of a special dividend of HK5 cents (equivalent to RMB4 cents) per ordinary share of the Company for the year ended 31 December 2013.

ANNUAL RESULTS

The board (the "Board") of directors ("Directors") of Miko International Holdings Limited (the "Company") is pleased to announce the consolidated results of our Company and its subsidiaries (the "Group") for the financial year ended 31 December 2013 (the "FY2013"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 *RMB'000*	2012 *RMB'000*
Turnover	*2*	**661,416**	519,987
Cost of sales		**(401,330)**	(324,173)
Gross profit		**260,086**	195,814
Other revenue	*3*	**2,051**	218
Other net (loss)/income	*3*	**(1,368)**	1
Selling and distribution expenses		**(47,002)**	(49,542)
Administrative and other operating expenses		**(32,260)**	(13,233)
Profit from operations		**181,507**	133,258
Finance costs		**(4,326)**	(2,477)
Profit before taxation	*4*	**177,181**	130,781
Income tax	*5*	**(47,568)**	(15,343)
Profit for the year		**129,613**	115,438
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial information of operations outside mainland China		**4,030**	(7)
Total comprehensive income for the year		**133,643**	115,431
Earnings per share *(RMB cents)*			
— basic	*6(a)*	**20**	18
— diluted	*6(b)*	**20**	18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**39,021**	40,776
Intangible assets		**535**	54
Lease prepayments		**3,029**	3,117
Deposits for purchase of a property		**51,750**	—
Deferred tax assets		**2,105**	2,968
		96,440	46,915
Current assets			
Inventories	*7*	**38,761**	27,873
Trade and other receivables	*8*	**257,458**	283,301
Pledged bank deposits		**—**	3,880
Cash and cash equivalents		**260,079**	8,894
		556,298	323,948
Current liabilities			
Bank loans	*9*	**76,890**	38,800
Trade and other payables	*10*	**188,573**	89,483
Current tax payable		**15,953**	6,336
		281,416	134,619
Net current assets		**274,882**	189,329
Total assets less current liabilities		**371,322**	236,244
NET ASSETS		**371,322**	236,244
EQUITY			
Share capital	*11*	**8**	520
Reserves		**371,314**	235,724
TOTAL EQUITY		**371,322**	236,244

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the consolidated financial statements

The Company was incorporated in the Cayman Islands on 15 March 2013 as part of the group reorganisation undertaken by the Group (hereafter referred to as the "Reorganisation").

The issue of shares of the Company in exchange for the controlling interest in Red Kids Group (Hong Kong) Limited ("Red Kids Hong Kong") and the connected share swap between the Company, Obvious Cheer Investment Development Limited ("Obvious Cheer") and Red Kids Hong Kong resulted in the Company becoming the holding company of Red Kids Hong Kong on 16 April 2013, which has been accounted for in accordance with the principle similar to a reverse acquisition as set out in IFRS 3, *Business Combinations*. The consolidated financial statements have been prepared as a continuation of Red Kids Hong Kong and the consolidated assets and liabilities of Red Kids Hong Kong are recognised and measured at their historical carrying values prior to 16 April 2013.

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. RMB is the functional currency for the Company's subsidiaries established in mainland China. The functional currency of the Company and the Company's subsidiaries outside mainland China are Hong Kong Dollars ("HK$").

The preparation of these consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) **New accounting standards**

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following new standards and amendments to IFRSs are relevant to the Group's current financial statements.

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 13, *Fair value measurement*
- Amendments to IFRS 7, *Financial instruments: Disclosures — offsetting financial assets and financial liabilities*

These new standards and amendments to IFRSs have no material impact on the Group's consolidated financial statements as they were consistent with policies already adopted by the Group. The Group has not adopted any new standard or amendment to IFRSs that is not yet effective for the current accounting period.

2 TURNOVER

The principal activities of the Group are design, manufacture and sales of children's apparel products. Turnover represents the sales value of goods sold less returns, discounts and value added taxes.

The Group's revenue by geographical location is determined by the destination to which the goods are delivered.

	2013	2012
	RMB'000	*RMB'000*
PRC	**660,781**	517,246
Overseas	**635**	2,741
	661,416	519,987

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

	2013	2012
	RMB'000	*RMB'000*
Customer A	**122,950**	87,827
Customer B	**70,545**	N/A

Revenue from customer B contributed less than 10% of the turnover of the Group for the year ended 31 December 2012.

3 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2013	2012
	RMB'000	*RMB'000*
Other revenue		
Interest income	**834**	212
Government grants	**615**	6
Others	**602**	—
	2,051	218
Other net (loss)/income		
Net foreign exchange (loss)/gain	**(1,368)**	1

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2013	2012
		RMB'000	*RMB'000*
(a)	Finance costs:		
	Interest on bank loans	**4,326**	2,477
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**304**	254
	Salaries, wages and other benefits	**30,605**	34,644
		30,909	34,898
(c)	Other items:		
	Amortisation		
	— lease prepayments	**88**	88
	— intangible assets	**14**	14
	Depreciation	**3,044**	3,335
	Auditors' remuneration	**1,228**	15
	Operating lease charges in respect of properties	**995**	75
	Research and development	**5,828**	2,787
	Cost of inventories #	**401,330**	324,173

Cost of inventories for the year ended 31 December 2013 includes RMB18,977,000 (2012: RMB24,915,000) relating to staff costs and depreciation, which amount is included in the respective total amounts disclosed separately in notes 4(b) and (c) above for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2013	2012
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**46,705**	16,699
Deferred tax		
Origination and reversal of temporary differences	**863**	(1,356)
	47,568	15,343

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**177,181**	130,781
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	**46,445**	32,696
Tax effect of PRC preferential tax treatment (iii)	**—**	(16,349)
Tax effect of non-deductible expenses	**1,123**	29
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**—**	(1,033)
Actual tax expense	**47,568**	15,343

(i) Pursuant to the rules and regulations of the Cayman Islands and 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 in 2012 and 2013.

(iii) Red Kids (China) Co., Ltd. (紅孩兒(中國)有限公司) ("Red Kids China"), being a production-type foreign investment enterprise, was entitled to a 50% reduction in the income tax rate in 2012.

(iv) The applicable income tax rate for all of the Group's subsidiaries in mainland China is 25% in 2013.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year of RMB129,613,000 (2012: RMB115,438,000) and the 640,000,000 (2012: 640,000,000) shares in issue and issuable, comprising 1,000,000 ordinary shares as at 31 December 2013 and 639,000,000 ordinary shares issued pursuant to the capitalisation issue as detailed in the prospectus dated 31 December 2013 issued by the Company as if the shares were outstanding throughout both 2012 and 2013.

(b) Dilutive earnings per share

The calculation of diluted earnings per share is based on the profit for the year of RMB129,613,000 (2012: RMB115,438,000) and the weighted average number of ordinary shares of 640,019,000 shares (2012: 640,000,000), which is calculated after taking into account of the effect of deemed issue of shares under the Company's share option scheme. There were no dilutive potential ordinary shares issued in the year ended 31 December 2012.

7 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2013	2012
	RMB'000	*RMB'000*
Raw materials	**4,413**	4,476
Work in progress	**4,757**	9,796
Finished goods	**29,591**	13,601
	38,761	27,873

8 TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**230,931**	196,367
— related parties	**4,958**	5,415
Trade receivables	**235,889**	201,782
Prepayments to suppliers	**18,255**	42,033
Amounts due from related parties	**—**	1,000
Amounts due from the ultimate controlling party	**—**	36,429
Other deposits, prepayments and receivables	**3,314**	2,057
	257,458	283,301

Normally, the Group does not obtain collateral from customers. Credit evaluations are performed by the senior management on all customers with credit sales. In general, the credit period granted to customers is 90 days.

As of the end of the reporting period, the ageing analysis of trade receivables of the Group based on invoice dates is as below:

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**235,729**	200,083
After 3 months but within 6 months	**160**	1,698
After 6 months but within 1 year	**—**	1
	235,889	201,782

As at 31 December 2013, trade receivables not past due amounted to RMB235,729,000 and amount past due amounted to RMB160,000. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Impairment losses in respect of trade receivables are recorded using allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. For the years ended 31 December 2013 and 2012, the Group did not record any impairment losses in respect of trade receivables.

At 31 December 2012, other than trade receivables from related parties that are subject to normal commercial terms, other amounts due from related parties and the ultimate controlling party were settled during the year.

9 BANK LOANS

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

	2013	2012
	RMB'000	*RMB'000*
Bank loans		
— secured	**28,000**	—
— unsecured	**48,890**	38,800
	76,890	38,800

10 TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Bills payable	**—**	6,146
Trade payables	**16,036**	4,953
Trade and bills payables	**16,036**	11,099
Receipts in advance	**104**	577
Amount due to a related party	**144,855**	56,383
Other payables and accruals	**27,578**	21,424
	188,573	89,483

Bills payable as at 31 December 2012 were secured by the Group's pledged bank deposits.

All of the trade and other payables are expected to be settled within one year.

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

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**16,036**	11,099

11 SHARE CAPITAL

Movements in the Company's authorised and issued share capital are as follows:

	Par value	Number of shares	Nominal value of ordinary shares
	HK$		*HK$*
Authorised			
At 15 March 2013	0.01	38,000,000	380,000
Increase in share capital	0.01	9,962,000,000	99,620,000
At 31 December 2013	0.01	10,000,000,000	100,000,000

	Par value	Number of shares	Nominal value of ordinary shares
	HK$		*HK$*
Issued and fully paid:			
At 15 March 2013	0.01	100	1
Issue of shares upon Reorganisation	0.01	999,900	9,999
At 31 December 2013	0.01	1,000,000	10,000
Capitalisation issue	0.01	639,000,000	6,390,000
Prior to issue of shares on initial public offering	0.01	640,000,000	6,400,000

On 15 March 2013, the Company was incorporated with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

On 15 March 2013, the Company (i) allotted and issued one share to the initial subscriber, Codan Trust Company (Cayman) Limited at par value which was subsequently transferred to Think Wise Holdings Investment Limited ("Think Wise") on the same day; (ii) allotted and issued 99 Shares at par value to Think Wise.

On 16 April 2013, the Company allotted and issued 9,050 shares to Think Wise at par value, in consideration of Think Wise's transfer of all the issued share capital in Red Kids Hong Kong to Obvious Cheers.

On 17 April 2013, the Company allotted and issued 350 shares, 350 shares and 150 shares to Sun Hung Kai Structured Finance Limited ("SHKSF"), Vantage Assets Investments Limited ("Vantage Assets") and Benhui Capital Ltd. ("Benhui"), respectively, in consideration of Mr. Ding Peiji's acquisition of 8.5% interest in the issued share capital of Think Wise held by SHKSF, Vantage Assets and Benhui in aggregate.

On 17 June 2013, the Company allotted and issued 990,000 shares to existing shareholders at par value.

On 27 December 2013, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each.

On 15 January 2014, 639,000,000 ordinary shares of HK$0.01 each were issued at par value to the shareholders of the Company by way of capitalisation of HK$6,390,000 (equivalent to RMB5,027,000) from the Company's share premium account. Consequently, the total number of shares outstanding after the capitalisation was 640,000,000. The calculation of earnings per share (both basic and dilutive) is adjusted retrospectively based on the new number of shares after the above capitalisation issue.

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.

12 DIVIDENDS

After the end of the reporting period, the directors proposed a special dividend in respect of the current year of HK$41,200,000 (equivalent to approximately RMB32,622,000), representing HK5 cents per ordinary share (2012: nil).

The special dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

CHAIRMAN'S STATEMENT

In FY2013, the world economy staged a trend of recovery, though in a very slow pace. Numerous uncertainties about the prospect of the global economy still existed as a result of the lingering impacts of the previous global financial crisis. In this context, as the second largest economy of the world, China can hardly remain intact. The gross domestic product realized a growth of 7.7% for the entire year, being the 3rd consecutive year with a deceleration in growth rate and the lowest growth rate for the last fourteen years. The total retail sales of consumer goods of China amounted to RMB23.4 trillion, representing a year-on-year growth of 13.1%, representing a decrease in growth rate of 1.2 percentage points from year 2012.

The apparel industry was exposed to both challenges and opportunities in FY2013. On one hand, amid the backdrop of a market-oriented economy, numerous industry participants and a highly diversified industry resulted in a keen competitive market. Price competition and destocking were seen as a result of excessive capacity. Sustained product homogeneity, insufficient differentiation, rising costs and lack of design capability are going to be the challenges exposed to the apparel industry. On the other hand, it is highly welcome that the apparel industry of China continued to maintain its growth momentum given the growth in the national economy and the ever increasing of the level of per capita consumption.

As a sub-sector of the apparel industry, the children's apparel industry achieved a particularly significant year-on-year growth in its annual sales volume. The children's apparel industry is still in its growing stage. Thanks to the "selective two-child" policy launched by the Central Government of China at the end of 2013, the children's apparel market will be endowed with tremendous expansion and there will be an extensive prospect for the future development. Operating in the children's apparel industry of China with such a great potential, our Group will build on our existing competition edges, further strengthen our Group's position as one of the leading companies in the children's apparel market through initiatives such as upgrading our Group's products, increasing product varieties, optimizing industry chain structure and expanding sales network.

15 January of this year is a memorable day to our Group as the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Accessing to the capital market implied that we have stepped into a brand-new stage of development and has different sources of capital for our business expansion in future.

With the unremitting efforts of all our colleagues, our Group achieved stable business growth and recorded a sustained and favorable result in FY2013. Turnover of our Group amounted to approximately RMB661.4 million for FY2013, representing an increase of 27.2% over the same period last year of RMB520.0 million. In FY 2013, our Group realized an annual profit of RMB129.6 million, representing an increase of 12.3% over the same period last year of RMB115.4 million, and it surpassed the annual profit of no less than RMB124.2 million as indicated in the Prospectus.

As a leading participant in the middle-to-high ended children's apparel market in China, our "redkids" brand maintained robust growth in both turnover and sales volume in recent years. For sales channels and distribution network, as at 31 December 2013, the distributors and sub-distributors of our Group operated a total of more than 600 retail outlets for trading our brand products throughout most provinces and municipalities of China. "Redkids" enjoyed an extremely strong brand recognition and exposure in the third-and-fourth tier cities. Therefore, as strategic growth concerned, our Group continues to focus on deploying its presence in the less competitive markets of the third-and-fourth tier cities. In addition, our Group opened its first self-operated retail outlet in August 2013 as a model store to enhance our brand recognition and optimize our terminal operation capability.

In recent years, the styles of children's apparel have flourished. In order to satisfy the ever-changing demands and preference of consumers in the children's apparel market and command the development trend of children's apparel, we increased our investment in the research and development to RMB5.8 million in FY2013, which was more than twice of that in the same period last year. With our strong design and product development capability, our Group has launched a wide variety of high-quality, functional and comfortable children's apparel products, totaling 630 SKUs, representing an increase of 78 SKUs than that of the financial year ended 31 December 2012 ("FY2012").

Two distinct in-trend themes, namely Sky-trip and Poncho South American, was launched in 2014 Spring/Summer sales fair held in August 2013. The total quantity of purchase orders received from 2014 Spring/Summer sales fair recorded a double digital growth as compared to that of last year.

Our Group have implemented a channel diversified development strategy since 2010, which combines the offline hypostatic stores with online e-commerce platforms. In FY2013, our authorized online distributor achieved a robust growth in the turnover of online sales. Our Group is currently negotiating and discussing with a number of ERP system providers for the ERP system that meets our requirements, in order to continuously expand our retail network and strengthen our comprehensive management capability as to the aspects such as purchase and sales, financial management and inventory.

In FY2013, our Group was awarded the "Top Ten Brands for Children's Apparel in China" (中國十大童裝名牌) by the Children's Apparel Research and Design Center (童裝研究設計中心) of the China National Garment Association (中國服裝協會), and was recognized as an "Excellent Enterprise for Trustworthy Quality in China" (全國質量誠信優秀企業) by the China Quality Inspection Association (中國質量檢驗協會). We were so much grateful and encouraged by the recognition from industry authorities.

Looking forward to 2014, leveraging on our established competitive edge, we will continue to strengthen our position as a leading middle-to-high ended children's apparel brand. To cater for the needs of the children's apparel market, our Group will continue to enhance our design and research and development capabilities, to increase our product categories and quantity, to introduce more quality, diversified and safe-enhanced children's health apparel. We plan to gradually expand the coverage of our self-operated retail outlets to enhance our brand recognition and to continue the expansion of our distribution network and online sales. In addition, we will also further promote our "redkids" brand as well as improve our marketing and promotion strategies, together with the implementation of the ERP management information system, so as to manage our value chain and distribution network more effectively. We are highly optimistic about the long-term development of the industry. With the help of the above initiatives, we are confident that we will make further achievement in order to reward for the supports from our shareholders, colleagues and partners.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our "redkids" brand is one of the leading mid-to-high end children's apparel brands in China. Our "redkids" brand has strong recognition and appearance in third- and fourth-tier cities, which have achieved substantial economic growth in recent years. We believe less competition and low level of market presence for mid-to-high end children's apparel brand in third- and fourth-tier cities as compared to first- and second-tier cities allow us to continue to enhance the recognition of our "redkids" brand and to grasp market share.

Sales Channel and Distribution Network

We sell substantially all our products on a wholesale basis to our distributors and a designated on-line distributor, who in turn sell our products to end customers, their sub-distributors or through on-line sales platforms. On the other hand, we plan to gradually increase the proportion of our self-operated retail outlets. We have established our first self-operated retail outlet in August 2013 and target to establish no more than 50 self-operated retail outlets by the end of 2014.

Our distributors and their sub-distributors are only authorized to sell our products at their retail outlets. There were 601 retail outlets, covering 24 provinces and municipalities in China as of 31 December 2013. These 601 retail outlets comprised 284 shopping mall outlets and concessions, and 317 street shops. The following table sets forth a breakdown of our branded retail outlets by distribution channel and city type.

	As at 31 December	
	2013	2012
Shopping mall outlets and concessions	**284**	268
Street shops	**317**	326
	601	594

	As at 31 December	
	2013	2012
First-tier cities *Note 1*	**94**	67
Second-tier cities *Note 1*	**74**	109
Third-tier cities *Note 1*	**48**	167
Fourth-tier cities *Note 1*	**385**	251
	601	594

Sales made to our designated on-line distributor, which in turn resells our products to end customers through online sales platforms such as Taobao（淘寶）, VIPShop（唯品會）and V+, recorded an impressive growth during the past few years. Going forward, we will continue to collaborate with our on-line distributor and different online sales platforms to promote our "redkids" brand. We also plan to showcase certain on-line products at our self-operated stores for potential customers to experience those products physically.

Note 1: Please refer to the prospectus of the Company dated 31 December 2013 for the definitions of these city types

During FY2013, sales to our largest and five largest customers accounted for approximately 18.6% and 49.5%, respectively, of total turnover for the same period (FY2012: 16.9% and 46.3%, respectively).

Management of our distributors

Maintaining our brand image and recognition is critical to our success. Accordingly, we regularly organize mandatory training sessions on product knowledge and retail outlet operations to our distributors and their sales personnel to ensure they understand our brand culture and maintain our brand image in their daily operation. We have retail management team to supervise all retail outlets. From time to time, our retail management team conducts site visits to retail outlets to provide training and assistance to our distributors.

In view of continuing our retail network expansion, we recognize the importance of ERP system to enhance our overall management in sales, inventory, financial management, production and logistics. We are now in the discussion with several ERP system vendors, who have capability to design functional ERP system that fits our need. We plan to install the ERP system at our self-operated retail outlets first and gradually require our distributors and sub-distributors to install it.

Product Design and Development

We offer a wide range of children's apparel under "redkids" brand primarily for children from 3 to 12 years of age. We offer high-quality, functional and comfortable products to meet different consumer preferences, and to distinguish ourselves from our competitors. Our design and development team possesses the requisite expertise and experience to identify and respond quickly to children's apparel trends in China. During FY2013, we incurred research and development expenses of RMB5.8 million and introduced 630 SKU (FY2012: RMB2.8 million and 552 SKU, respectively).

Sales Fairs

We generally organize two sales fairs, namely, Spring/Summer ("S/S") sales fair and Fall/Winter ("F/W") sales fair, each year, and the sales orders collected from these two sales fairs account for substantial of our turnover of each year.

2014 F/W sales fair will be held in late March this year.

Production and outsourcing

We manufactured a portion of our products at our production facilities in Quanzhou, Fujian Province with gross floor area of over 20,000 square meters, and outsourced the remaining to original equipment manufacturers ("OEMs"). Currently, we do not intend to expand our production facilities partially because of the shortage and increasing cost of labour force in China. In addition, we believe our allocation of more resources on brand management and sales and marketing would contribute more value to our business. We will continue to increase the proportion of outsourcing of our products to qualified OEMs. We have set different evaluation and assessment criterias, such as experience, reputation, production capability, etc, for OEMs selection. We outsource to OEMs the manufacturing of products which we do not have the requisite technologies and machineries to produce, and also those products which we consider more cost-efficient for OEMs to manufacture. We apply our manufacturing experience and refer to publicly available prices of raw materials applicable to the fabrics used in our products to assess and examine the reasonableness of our OEM's quotes.

The proportion of products that were manufactured by our own production facilities and by outsourcing was approximately 26.0% and 74.0%, respectively in FY2013, as compared to that of approximately 50.0% and 50.0%, respectively, in FY2012. During FY2013, purchases from our largest and five largest OEMs and raw materials suppliers accounted for approximately 12.6% and 47.7%, respectively, of our total cost of sales (FY2012: 10.4% and 43.1%, respectively).

FINANCIAL REVIEW

Turnover

Our turnover increased by approximately 27.2%, from RMB520.0 million for FY2012 to RMB661.4 million for FY2013. Due to the enhancement of brand recognition and market acceptance of our products, we recorded an increase from approximately 8.9 million for FY2012 to approximately 10.6 million for FY2013 in volume of products we sold to our distributors and on-line distributor, and the average wholesale selling price of our products also increased from RMB58.3 to RMB62.4 for the same periods. The table below sets forth sales volume and average wholesale selling price for the year indicated:

	FY2013	FY2012	% change
Sales volume *(million units)*	**10.6**	8.9	+ 19.1
Average wholesale selling price *(RMB)*	**62.4**	58.3	+ 7.0

Sales of apparel products accounted for substantial of our turnover. Sales of footwear and accessories products in FY2012 represented the remaining products from the terminated footwear and accessories production lines in 2011. We had neither production nor sales of footwear and accessories products in FY2013. The table below sets forth our revenue by product/service category for the year indicated:

	FY2013		FY2012		% change
	RMB'000	*%*	*RMB'000*	*%*	
Apparel	**660,781**	**99.9**	515,898	99.2	+ 28.1
Accessories	—	—	378	0.1	N/A
Footwear	—	—	969	0.2	N/A
OEM services	**635**	**0.1**	2,742	0.5	–76.8
	661,416	**100.0**	519,987	100.0	+ 27.2

Sales to distributors contributed the most of our turnover for both FY2013 and FY2012. On the other hand, through our distinct designs tailored for the online consumer group and our marketing efforts in collaboration with our on-line distributor and different on-line sales platforms, our on-line customer base expanded rapidly and we were able to record a significant increase in sales to on-line distributor in FY2013.

The table below sets forth our turnover by sales channel for the year indicated:

	FY2013 *RMB'000*	%	FY2012 *RMB'000*	%	% change
Sales to distributors	**537,576**	**81.3**	429,418	82.6	+ 25.2
Sales to on-line distributor	**122,950**	**18.6**	87,827	16.9	+ 40.0
Sales from self-operated store	**255**	**0.01**	—	—	N/A
OEM services	**635**	**0.09**	2,742	0.5	–76.8
	661,416	**100.0**	519,987	100.0	+ 27.2

Cost of Sales

Our cost of sales increased by approximately 23.8%, from RMB324.2 million for FY2012 to RMB401.3 million for FY2013. The increase was generally in line with the increase in turnover. During FY2013, we further increased the proportion of outsourcing by engaging qualified OEMs to produce our products. During FY2013, purchase from OEMs was around RMB295.9 million, representing approximately 73.7% of total cost of sales, as compared to RMB162.5 million, representing approximately 50.1% of total cost of sales for FY2012.

Gross Profit and Gross Profit Margin

Our gross profit was RMB260.1 million and RMB195.8 million, respectively, for FY2013 and FY2012, and gross profit margin for the same year was 39.3% and 37.7%, respectively. Due to our enhanced brand recognition and cost control, we were able to achieve a higher gross profit margin in FY2013.

Other Revenue and Other Net (Loss)/Income

Other revenue primarily consist of interest income from bank deposits, apparel sample creation fee and government grants in relation to tax refund. The increase in other revenue was mainly driven by the increase in apparel sample creation fee of RMB0.6 million and government grant of RMB0.6 million.

Other net loss for FY2013 represented the net foreign exchange loss.

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. There was no marketing rebate for sales made to on-line distributor, which contributed a higher percentage of total turnover in FY2013. As such, selling and distribution expenses for FY2013 recorded a slightly decrease of 5.1%, from RMB49.5 million for FY2012 to RMB47.0 million even though there was an increase in total turnover. As a percentage of turnover, selling and distribution expenses were 7.1% for FY2013 (FY2012: 9.5%).

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consist of research and development, salaries and benefits for administrative personnel, professional expenses in relation to legal and financial advisory services, taxes and levies, and listing expenses. Administrative and other operating expenses were RMB32.3 million for FY2013, representing an increase of RMB19.1 million as compared to RMB13.2 million for FY2012. As a percentage of turnover, such expenses also increased from 2.5% to 4.9%. The sharp increase in administrative and other operating expenses mainly reflected the increase in listing expenses of approximately RMB12.5 million relating to legal, financial advisory and other professional services in relation to the listing of the Company on the Main Board of the Stock Exchange in January 2014, and research and development expenses of RMB3.0 million.

Finance Costs

Finance costs increased by RMB1.8 million, from RMB2.5 million for FY2012 to RMB4.3 million for FY2013. The increase was primarily due to the increase in short-term bank borrowings for working capital purposes.

Income Tax

Income tax increased from RMB15.3 million for FY2012 to RMB47.6 million for FY2013. The effective tax rate was 11.7% and 26.8%, respectively, for FY2012 and FY2013. The increase in both income tax expenses and effective tax rate was primarily due to the expiration of the preferential enterprise income tax rate of 12.5% for our principal subsidiary in China in FY2013.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB115.4 million for FY2012 to RMB129.6 million for FY2013. Net profit margin was 19.6% for FY2013, as compared to 22.2% for FY2012.

Working Capital Management

As of 31 December 2013 and 2012, we recorded net current assets of RMB274.9 million and RMB189.3 million, respectively. Current ratio were 2.0 times and 2.4 times, respectively, as of 31 December 2013 and 2012.

Inventories

Our inventories increased by RMB10.9 million or 39.1%, from RMB27.9 million as of 31 December 2012 to RMB38.8 million as of 31 December 2013, primarily as a result of an increase in our 2014 Spring and Summer collections products which were scheduled to be delivered to distributors in January 2014. Notwithstanding the increase in the balance of inventories as of 31 December 2013, the average inventory turnover decreased from 62 days for FY2012 to 30 days for FY2013.

Trade Receivables

Trade receivables represented the receivables for goods sold to our distributors and on-line distributor, and receivables from the shopping mall where our self-operated store is located. Trade receivables increased from RMB201.8 million as of 31 December 2012 to RMB235.9 million as of 31 December 2013. The increase was generally in line with the increase in our turnover for FY2013.

Trade receivables turnover was 121 days for FY2013, as compared to 111 days for FY2012. The aging of our trade receivables as of 31 December 2013 was still healthy even though there was an increase in trade receivables turnover days for FY2013. Approximately 99.9% or RMB235.7 million of our trade receivables were due within 3 months, which was the credit period we gave to our distributors and on-line distributor. We continue to conduct comprehensive review of our distributors' repayment histories, resources and financial capabilities to ensure that they are able to repay the debt within the credit period.

Trade and Bills Payables

Trade and bills payables increased from RMB11.1 million as of 31 December 2012 to RMB16.0 million as of 31 December 2013. Trade and bills payables turnover was 12 days for FY2013, which was comparable to 11 days for FY2012.

Liquidity and Financial Resources

Our primary uses of cash are to fund our working capital requirements, purchase of property, and to repay bank borrowings. Our fund is generally generated from our operations and short-term bank borrowings. In the year 2014 and going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from operation, bank borrowings, and net proceeds from the listing of the Company's shares on the Main Board of the Stock Exchange in January 2014.

The following table sets forth our cash flows for FY2013 and FY2012.

	FY2013 ***RMB'000***	FY2012 *RMB'000*
Net cash generated from operating activities	**179,190**	15,137
Net cash (used in)/generated from investing activities	**(52,701)**	145
Net cash generated from/(used in) financing activities	**124,703**	(10,392)
Net increase in cash and cash equivalents	**251,192**	4,890
Cash and cash equivalents at 1 January	**8,894**	4,004
Effect of foreign exchange rate changes	**(7)**	—
Cash and cash equivalents at 31 December	**260,079**	8,894

As of 31 December 2013, our cash and cash equivalents, and pledged bank deposits totalled RMB260.0 million (2012: RMB12.8 million). As of 31 December 2013, we had short-term bank borrowings of RMB76.9 million (2012: RMB38.8 million), which were denominated in Renminbi and repayable within 12 months.

We were in net cash position as of 31 December 2013, and our gearing ratio was only 20.7% as of 31 December 2013 (2012: 16.4%).

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 and bills payables turnover days equal to the average of the opening and closing balances of trade and bills 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) Gearing ratio equals to total of bank and other borrowings divided by total equity as of the end of the year

Treasury Policy and Market Risks

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 adequate and effectiveness.

Our interest rate risk arises primarily from bank borrowings. Our foreign currency risk arises primarily from our non-RMB monetary assets if there is an appreciation of RMB. We will continue to closely monitor our loan and monetary assets portfolio and will consider if there is a need to hedge against significant interest rate and foreign currency exposures when necessary. Presently, we have not entered into any interest rate or foreign currency contracts.

Capital commitments

As of 31 December 2013, capital expenditure contracted but not provided for was approximately RMB67.3 million (2012: Nil). The capital commitments primarily relate to the purchase of a property in Shanghai for our research and development.

Contingent Liabilities

The guarantees provided by Red Kids China, a subsidiary of our Group, in respect of certain bank loans made to third parties and related parties as at 31 December 2012 were all released during FY 2013.

Pledge of Assets

As of 31 December 2013, pledged bank deposits, certain properties and lease prepayments totalled RMB11.5 million (2012: RMB12.4 million) were pledged for the banking facilities.

Employees and remuneration policies

The emolument policy of the Group is aimed at attracting, retaining and motivating talent 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 31 December 2013, we employed around 620 full-time employees. The total staff costs for FY2013 was approximately RMB30.9 million (FY2012: RMB34.9 million).

Subsequent Events

(i) Capitalisation Issue

The Company capitalised an amount of HK$6,390,000 from the amount standing to the credit of reserve accounts of the Company and that the said sum was applied in paying up in full 639,000,000 shares of the Company, the said shares were allotted and issued, credited as fully paid to holders of shares appearing on the register of members of the Company at the close of business on 27 December 2013 in proportion to their then respective shareholdings.

(ii) Global Offering

On 15 January 2014, the shares of the Company became listed on the Main Board of the Stock Exchange, pursuant to which 160,000,000 new shares of HK$2.28 each were issued by the Company.

(iii) Full exercise of over-allotment option

Pursuant to full exercise of the over-allotment option granted by the Company in the Global Offering on 17 January 2014, a total of 24,000,000 new shares of HK$2.28 each were allotted and issued by the Company on 22 January 2014.

(iv) The amount due to a related party as at 31 December 2013 was fully waived by the related party in January 2014.

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

The Shares of the Company were listed on the Stock Exchange on 15 January 2014. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. The Board comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. As the shares of the Company were not yet listed on the Stock Exchange until 15 January 2014, the Code Provisions were not applicable to the Company in the period under review. Throughout the period since the Listing Date and up to the date of this announcement, the Company has complied with the Code Provisions, except for code provision A.2.1, which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall 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. We consider that vesting the role of both chairman and chief executive officer in the same person in Mr. Ding has the benefit of ensuing consistent leadership within our Group and enables 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 current Board composition and structure taking into account the background and experience of our Directors and the number of independent non-executive Directors on the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have 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 for Directors in dealing in the Company's securities. As the shares of the Company were not listed on the Main Board of the Stock Exchange until 15 January 2014, the Model Code was not applicable to the Company in the period under review. 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 since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

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 and internal controls. The Audit Committee, comprising Mr. Leung Wai Yip (Chairman), Mr. Mei Wenjue, and Mr. Zhu Wenxin, has reviewed our consolidated financial statements for FY2013 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with our management and our Company's external auditors.

DIVIDEND

The Company was successfully listed on the Stock Exchange on 15 January 2014.

The Board has proposed the payment of a special dividend of HK5 cents (equivalent to approximately RMB4 cents) per ordinary share for the year ended 31 December 2013 to the shareholders whose names appear on the register of members of the Company at the close of business on 29 May 2014. The special dividend, which is expected to be paid on or before 10 June 2014, is subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on 23 May 2014 (the "AGM").

Our Board intends to recommend an annual dividend of approximately 30% of our Group's net profit of the year at the relevant shareholders meetings in the foreseeable future, subject to the status of future development, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by our Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from Tuesday, 20 May 2014 to Friday, 23 May 2014, both days inclusive, for the purpose of determining entitlement to attend the AGM, during which period no transfer of shares of our Company will be registered. In order to qualify for attending and voting at the AGM, shareholders of our Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 19 May 2014; and

(ii) from Friday, 30 May 2014 to Tuesday, 3 June 2014, both days inclusive, for the purpose of determining entitlement to the proposed special dividend of the Company, during which period no transfer of shares of our Company will be registered. In order to qualify for the proposed special dividend, shareholders of our Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 29 May 2014.

Notice of the AGM will be published on our website at www.redkids.com and on the website of the Stock Exchange at www.hkexnews.hk, and dispatched to the shareholders of our Company in due course.

PUBLICATION OF RESULTS

This announcement of results has been published on our website at www.redkids.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of our Company for FY2013 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.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders of our Company, customers, suppliers, banks, professional parties and employees of our Group for their continuous support.

By order of the Board
Miko International Holdings Limited
Ding Peiji
Chairman

Quanzhou, China, 25 March 2014

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

Executive Directors	Mr. Ding Peiji, Mr. Ding Peiyuan, Ms. Ding Lizhen, Mr. Gu Jishi
Independent non-executive Directors	Mr. Leung Wai Yip, Mr. Mei Wenjue, Mr. Zhu Wenxin