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 2015

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2015	2014	
	RMB'000	*RMB'000*	*Change*
Revenue	**290,000**	315,162	–8.0%
Gross profit	**104,440**	121,988	–14.4%
Profit from operations	**74,458**	65,788	+13.2%
Profit for the period attributable to shareholders of the Company	**53,348**	43,623	+22.3%
Basic and diluted earnings per share *(RMB cents)*	**6**	5	
Gross profit margin	**36.0%**	38.7%	
Operating profit margin	**25.7%**	20.9%	
Net profit margin	**18.4%**	13.8%	

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Miko International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2015 together with the comparative figures for the corresponding period of last year.

Consolidated statement of profit or loss and other comprehensive income — unaudited

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	3	**290,000**	315,162
Cost of sales		**(185,560)**	(193,174)
Gross profit		**104,440**	121,988
Other net income	5	**7,040**	1,660
Selling and distribution expenses		**(23,140)**	(28,776)
Administrative and other operating expenses		**(13,882)**	(29,084)
Profit from operations		**74,458**	65,788
Finance costs	6(a)	**(1,503)**	(2,201)
Profit before taxation	6	**72,955**	63,587
Income tax	7	**(19,607)**	(19,964)
Profit for the period attributable to shareholders of the Company		**53,348**	43,623
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside mainland China		**11**	(923)
Total comprehensive income for the period attributable to shareholders of the Company		**53,359**	42,700
Earnings per share *(RMB cents)*			
Basic and diluted	8	**6**	5

Consolidated statement of financial position — unaudited

	Note	At 30 June 2015 *RMB'000* (unaudited)	At 31 December 2014 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**53,953**	56,022
Construction in progress		**203**	—
Intangible assets		**458**	490
Lease prepayments		**2,899**	2,941
Deposits for purchase of a property	9	**73,000**	92,000
Deposits for purchase of an intangible asset		**9,706**	3,300
Deposits for acquisition of distribution channels	10	**42,709**	—
Deferred tax assets		**2,239**	2,843
		185,167	157,596
Current assets			
Inventories	11	**36,254**	41,783
Trade and other receivables	12	**207,839**	333,226
Pledged bank deposits		**55,066**	2,000
Fixed deposits at banks with original maturity over three months		**2,200**	52,680
Cash and cash equivalents		**585,944**	432,384
		887,303	862,073
Current liabilities			
Bank loans		**57,432**	37,700
Trade and other payables	13	**41,281**	38,865
Current taxation		**6,539**	16,643
		105,252	93,208
Net current assets		**782,051**	768,865
Total assets less current liabilities		**967,218**	926,461
Non-current liabilities			
Deferred tax liabilities		**1,300**	1,300
Net assets		**965,918**	925,161
Equity			
Share capital	14(a)	**6,483**	6,483
Reserves		**959,435**	918,678
Total equity		**965,918**	925,161

NOTES

1. BASIS OF PREPARATION

The interim financial report has 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"). It was authorised for issue on 25 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report 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 interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Miko International Holdings Limited (the "Company") and its subsidiaries (together the "Group") since the 2014 annual financial statements. The 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 interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report 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 2014 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 18 March 2015.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group.

- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

The principal activities of the Group are design, manufacture and sales of children's apparel products in the People's Republic of China ("PRC"). Revenue represents the sales value of goods sold less returns, discounts and value added taxes. The Group operates in a single business in the PRC. Accordingly, no segmental analysis is presented.

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

	Six months ended 30 June 2015	2014
	RMB'000	*RMB'000*
Customer A	**66,561**	52,549
Customer B	**29,511**	38,292

4. SEASONALITY OF OPERATION

The Group usually sells spring and summer products in the first half of the year and sells autumn and winter products in the second half of the year. The selling price of autumn and winter products is usually higher than that of the spring and summer products. As a result, the Group typically reports lower revenues and results for the first half of the year.

5. OTHER NET INCOME

	Six months ended 30 June 2015	2014
	RMB'000	*RMB'000*
Interest income	**2,594**	1,214
Government grants	**3,820**	336
Net foreign exchange gain	**14**	110
Change in fair value of a foreign exchange forward contract	**565**	—
Others	**47**	—
	7,040	1,660

Government grants are unconditional and mainly include subsidies received from local authorities for the expenses incurred in the issuance of the Company's shares by global offering.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June 2015	2014
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank loans	**1,503**	2,201
(b) Staff costs:		
Contributions to defined contribution retirement plans	**1,503**	269
Salaries, wages and other benefits	**20,118**	19,989
Equity-settled share-based payment expenses	**409**	1,640
	22,030	21,898
(c) Other items:		
Amortisation		
— lease prepayments	**44**	44
— intangible assets	**32**	18
Depreciation	**1,730**	1,486
Operating lease charges in respect of properties	**923**	1,119
Research and development expenses	**3,241**	2,511
Cost of inventories sold#	**185,560**	193,174

Cost of inventories for the six months ended 30 June 2015 includes RMB11,449,000 (six months ended 30 June 2014: RMB11,350,000) relating to staff costs and depreciation, which amount is included in the respective total amounts disclosed separately in notes 6(b) and (c) above for each of these types of expenses.

7. INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**19,003**	21,743
Deferred tax		
Origination and reversal of temporary differences	**604**	(1,779)
	19,607	19,964

(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 2014 and 2015.

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

(iv) According to the PRC Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. A rate of 10% is applicable to the calculation of the PRC dividend withholding tax of the Group. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of the Company of RMB53,348,000 (six months ended 30 June 2014: RMB43,623,000) and the weighted average of 824,000,000 ordinary shares (six months ended 30 June 2014: 808,840,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The effect of the Company's share options was anti-dilutive for the six months ended 30 June 2015 and 2014, and therefore, diluted earnings per share are the same as the basic earnings per share.

9. DEPOSITS FOR PURCHASE OF A PROPERTY

The Group has made prepayments of RMB92,000,000 for acquisition of a property held for own use in the PRC as at 31 December 2014. During the six months ended 30 June 2015, the construction of the property has fallen behind the original schedule and the Group negotiated with the seller to acquire a nearby property instead. Additional prepayment of RMB1,000,000 was made for the new acquisition and original prepayments of RMB20,000,000 was refunded to the Group.

10. DEPOSITS FOR ACQUISITION OF DISTRIBUTION CHANNELS

On 23 June 2015, the Group entered into acquisition agreements with two distributors respectively to acquire their distribution channels at a total consideration of RMB106,772,000. The Group has paid deposits of RMB42,709,000 for the acquisitions as at 30 June 2015.

11. INVENTORIES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Raw materials	**4,913**	5,705
Work in progress	**4,306**	4,957
Finished goods	**27,035**	31,121
	36,254	41,783

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Trade receivables		
— third parties	**163,457**	283,201
— related parties	**4,930**	8,542
Trade receivables	**168,387**	291,743
Prepayments to suppliers	**38,825**	40,802
Other deposits, prepayments and receivables	**627**	681
	207,839	333,226

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.

Trade receivables from related parties are subject to normal commercial terms.

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

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 3 months	**167,627**	291,743
After 3 months but within 6 months	**760**	—
	168,387	291,743

13. TRADE AND OTHER PAYABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade payables	**15,045**	16,733
Receipts in advance	**507**	952
Amount due to a related party	**11,040**	—
Other payables and accruals	**14,689**	20,587
Derivative financial liabilities		
— foreign exchange forward contract	**—**	593
	41,281	38,865

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	**13,733**	16,236
After 3 months but within 6 months	**815**	497
After 6 months but within 1 year	**497**	—
	15,045	16,733

14. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Authorised and issued share capital

	At 30 June 2015			At 31 December 2014		
	No. of shares	***HK$'000***	***RMB'000***	*No. of shares*	*HK$'000*	*RMB'000*
Authorised:						
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**	**79,380**	10,000,000,000	100,000	79,380
Ordinary shares, issued and fully paid:						
At 1 January	**824,000,000**	**8,240**	**6,483**	1,000,000	10	8
Capitalisation issue	**—**	**—**	**—**	639,000,000	6,390	5,027
Shares issued by global offering	**—**	**—**	**—**	184,000,000	1,840	1,448
At 30 June/31 December	**824,000,000**	**8,240**	**6,483**	824,000,000	8,240	6,483

(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

(i) Dividends payable to shareholders attributable to the interim period:

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB13,067,000 (HK2 cents per share)).

(ii) Dividends payable to shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK2 cents per ordinary share (six months ended 30 June 2014: nil)	**13,011**	—
Special dividend in respect of the previous financial year, approved and paid during the following interim period (six months ended 30 June 2014: HK5 cents per ordinary share)	**—**	32,791
	13,011	32,791

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW AND OUTLOOK

For the six months ended 30 June 2015, revenue and net profit of our Group amounted to approximately RMB290.0 million and RMB53.3 million, respectively, as compared to that of RMB315.2 million and RMB43.6 million, respectively, for the six months ended 30 June 2014.

In the first half of 2015, organic and restorative growth was seen in most of the apparel industries after channel adjustment. Given the continuous improvement in earnings growth in each segment, we remain optimistic about the prospects of the domestic apparel market. Our confidence is further strengthened as we believe the urbanisation policy in China will continue to advance and the middle class in China will continue to expand. Our Group will continue to adopt measures to bring in product differentiation, enhance our store image and implement direct sales in regional markets. Our Group will strive to further increase our brand influence and leadership in market share in the sector while satisfying the needs of consumers.

In the first half of 2015, we, as always, put emphasis on product innovation and differentiation. We established a contractual relationship with a Spanish design institution of children's apparel and worked closely with the team to consummate our products according to the trend in the children's apparel market and the brand features of the Group. Moreover, the product line for children of 80–100cm tall rolled out in early 2015 enriched and extended the target age group of our "redkids" brand, which facilitated the further consolidation of our leadership in the mid-to-high-end children's apparel market in China and enabled our retailers to attain sustainable profitability.

We are proactively launching effective marketing campaigns. The Internet-oriented dissemination and promotion strategy will be able to improve our brand value, ensure our significant presence in the third and fourth-tier markets, and effectively influence the purchasing behaviour of consumers of the new generation. We interact with our VIP customers through new We Media channels such as Weibo and WeChat to bring "redkids" closer to our consumer base and increase the loyalty of our consumer base to our "redkids" brand.

In the first half of 2015, revenue from our offline business decreased slightly year-on-year mainly due to the channel optimisation specifically for some regional markets. In the second half of the year, we will complete the acquisition of distributors in Jiangsu and part of Fujian regions and turn the operations in those areas to a self-operation model. In the long run, we believe our self-operated stores will enhance our brand image and provide guidance and assistance to distributors in respect of brand promotion and retail management by demonstrating our store standards, and thus, will improve the profitability of our Group.

The following table sets forth a breakdown of our branded retail outlets by distribution channel and city type.

	As at 30 June 2015	As at 31 December 2014
Shopping mall outlets and concessions	**292**	282
Street shops	**343**	344
	635	626

	As at 30 June 2015	As at 31 December 2014
First-tier cities [Note 1]	**63**	84
Second-tier cities [Note 1]	**104**	72
Third-tier cities [Note 1]	**79**	69
Fourth-tier cities [Note 1]	**389**	401
	635	626

Note 1:

First-tier cities:	Beijing, Shanghai, Guangzhou and Shenzhen
Second-tier cities:	the capitals of provinces in the PRC excluding Guangzhou, municipalities excluding Shanghai and Beijing, and the capitals of the autonomous regions in the PRC
Third-tier cities:	Prefecture-level cities in the PRC, excluding any first- and second- tier cities
Fourth-tier cities:	Country-level and other townships-level cities

In the past few years, we have authorised an independent online distributor to sell our Group's products on popular online platforms in China such as TMALL.com and JD.com. In the first half of 2015, thanks to the continuous online sales growth in the apparel sector in China as well as the extension and continuous optimisation of our Group's product offerings for different age groups, competitive advantages of our brand in online channels were assured and continuous results growth was attained.

To achieve our Group's goal of continuous results growth, we have put a great deal of effort in improving our retail network distribution and overall operation and stayed focused in the third and fourth-tier markets in China. In the first half of 2015, we continued to optimise and enhance our store image. In addition to attracting consumers to enter our stores and shop with the fashionable and beautiful appearance of our specialty stores, we set up an experience area for children in our specialty stores to create a cosier shopping environment and enhance the shopping experience of our brand in an effort to effectively increase the frequency of repeated purchase. We maintained a close relationship with distributors and assisted them in improving store performance by deploying corresponding resources of our Group and providing training to distributors in respect of goods control, display technique and retail knowledge.

Looking forward, despite slowing growth in the domestic consumer market and keen competition in the market of children's goods, we remain steadfast in our determination to seize the opportunities arising from favourable factors such as the ongoing urbanisation in China and full implementation of the two-child policy to realise benign and continuous growth of our Group's business. We will, as always, focus on product innovation, marketing innovation, experience enhancement and work even closer with our distributors and suppliers to create a win-win situation.

FINANCIAL REVIEW

Revenue

Our Group's products are primarily marketed through wholesaling to distributors who operate "redkids" branded retail stores in various provinces and municipalities in China. As of 30 June 2015, there were 635 "redkids" branded retail stores operated by our distributors in China.

In order to further diversify and expand our product portfolios, and to increase our coverage of children's apparel market in China, our Group had launched two new product lines, Footwear and Accessories, such as backpack and socks, in addition to the existing children and infant apparels during the first half of 2015.

The retail industry in China experienced a declining retail climate and uncertainty of consumer sentiment during the first half of 2015. Our Group's revenue was unavoidably affected by these unfavourable market conditions despite a progressive relaxation of the one-child policy. Coupled with a temporary slow-down of orders received from our distributors due to our Group's enhancement and innovation plan implemented in early 2015 for the "redkids" branded retail stores, our Group's revenue recorded a slight decrease of about 8.0%, from RMB315.2 million for the six months ended 30 June 2014 ("1H 2014") to RMB290.0 million for the six months ended 30 June 2015 ("1H 2015").

Sales to distributors continued to account for the majority of our Group's revenue during 1H 2015. Sales to distributors was RMB222.6 million for 1H 2015, representing approximately 76.7% of our Group's revenue, as compared to that of RMB261.8 million and 83.1% for 1H 2014.

On the other hand, our Group stands to benefit from the change in the lifestyle and shopping habits of consumers in the era of Internet, and continue to capture the tremendous demand of children's apparels from online shopping. Sales to our designated online distributor, who resells our products through different online sales platforms in China, was RMB66.6 million for 1H 2015, representing approximately 22.9% of our Group's revenue and an increase of approximately 26.9% as compared to that of RMB52.5 million for 1H 2014. This e-commerce business is set to be a growth driver for our Group's business expansion in the coming few years.

For the apparel products segment, sales volume was approximately 6.0 million units for 1H 2015, representing about 7.7% decrease as compared to that of approximately 6.5 million units for 1H 2014. The average wholesale selling price for 1H 2015 recorded a low single digit decrease as compared to that for 1H2014, partially reflected our change in product mix in 1H 2015.

The tables below set forth our revenue by (i) product/service segment and (ii) sales channel segment for the period indicated:

	1H 2015		1H 2014		% change
	RMB'000	%	*RMB'000*	%	
Apparel	**268,383**	**92.5**	314,741	99.9	–14.7
Footwear and Accessories	**20,861**	**7.2**	—	—	N/A
OEM services	**756**	**0.3**	421	0.1	+79.6
	290,000	**100.0**	315,162	100.0	–8.0

	1H 2015		1H 2014		% change
	RMB'000	%	*RMB'000*	%	
Sales to distributors	**222,645**	**76.7**	261,806	83.1	–15.0
Sales to online distributor	**66,561**	**22.9**	52,549	16.7	+26.7
Sales from self-operated store	**38**	**0.1**	386	0.1	–90.2
OEM services	**756**	**0.3**	421	0.1	+79.6
	290,000	**100.0**	315,162	100.0	–8.0

Cost of Sales

Our cost of sales recorded a decrease from RMB193.2 million for 1H 2014 to RMB185.6 million for 1H 2015, which was broadly in line with the decrease in sales volume. Raw materials and manufacturing overhead costs remained stable during 1H 2015. We devoted our focus on brand and retail stores 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 73.5% for 1H 2015, which was comparable to that of approximately 68.1% for 1H 2014.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased from RMB122.0 million for 1H 2014 to RMB104.4 million for 1H 2015. Gross profit margin was 36.0% for 1H 2015, representing a drop of 2.7 percentage points as compared to that of 38.7% for 1H 2014.

Our Group considers that the gross profit margin of 36.0% for 1H 2015 was still within our budgeted and normalized gross profit margin range from 35.0% to 40.0%.

Other net income

During 1H 2015, our Group received government grants of RMB3.3 million in relation to our Group's successful listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and RMB0.5 million in relation to tax incentive. Interest income was RMB2.6 million for 1H 2015 (1H 2014: RMB1.2 million.)

Selling and Distribution Expenses

Selling and distribution expenses was RMB23.1 million for 1H 2015, representing a decrease of RMB5.7 million or about 19.8%, as compared to that of RMB28.8 million for 1H 2014. The drop in selling and distribution expenses was mainly due to the decrease in marketing reimbursement to our distributors in responses to their slow-down new stores opening in China during 1H 2015. As a percentage of revenue, selling and distribution expenses was 8.0% for 1H 2015 (1H 2014: 9.1%).

Administrative and Other Operating Expenses

Administrative and other operating expenses was RMB13.9 million for 1H 2015, representing a decrease of RMB15.2 million or about 52.2% as compared to that of RMB29.1 million for 1H 2014. The significant decrease in the administrative and other operating expenses mainly reflected the one-off listing expenses of RMB12.6 million recorded in 1H 2014.

As a percentage of revenue, it also decreased from 9.2% for 1H 2014 to 4.8% for 1H 2015.

Finance Costs

Finance costs mainly represented interest on bank borrowings. Finance costs decreased from RMB2.2 million for 1H 2014 to RMB1.5 million for 1H 2015 as a result of the decrease in bank borrowings during 1H 2015.

Income Tax Expenses

Income tax expenses was RMB19.6 million for 1H 2015, as compared to that of RMB20.0 million for 1H 2014. The effective tax rate was 26.9% and 31.4%, respectively, for 1H 2015 and 1H 2014.

Profit for the Period

As a result of the foregoing, profit for the period increased by 22.2%, from RMB43.6 million for 1H 2014 to RMB53.3 million for 1H 2015.

Working Capital Management

Our Group recorded net current assets of RMB782.1 million with a current ratio of 8.4 times as of 30 June 2015, compared to that of RMB768.9 million and 9.2 times as of 31 December 2014. The table below sets forth the turnover days of trade receivables, inventories and trade payables at the end of the period indicated.

	Turnover days	
	For 30 June 2015	For 30 June 2014
Trade receivables	**144**	119
Inventories	**38**	35
Trade payables	**16**	13

Liquidity and Financial 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, and fixed deposits totaled RMB588.1 million as of 30 June 2015 (31 December 2014: RMB485.1 million). Bank borrowings of our Group was RMB57.4 million as of 30 June 2015, as compared to that of RMB37.7 million as of 31 December 2014. Gearing ratio was only 5.9% and 4.1%, respectively, as of 30 June 2015 and 31 December 2014.

Our Group recorded a notable increase in net cash generated from operating activities of RMB106.9 million, from RMB60.7 million for 1H 2014 to RMB167.6 million for 1H 2015. The significant increase mainly represented the decrease in trade receivables.

Net cash used in investing activities was RMB30.3 million for 1H 2015, as compared to that of RMB96.2 million for 1H 2014. Net cash generated from financing activities was RMB16.3 million for 1H 2015, as compared to that of RMB240.0 million for 1H 2014. Our Group recorded gross proceeds from global offering of RMB330.1 million in early 2014, which resulted in a significant amount of net cash generated from financing activities for 1H 2014.

As a result of the foregoing, there was a net increase in cash and cash equivalents of RMB153.6 million for 1H 2015 (1H2014: RMB204.5 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 total of bank and other borrowings divided by total equity as of the end of the period.

Capital Commitments and Contingent Liabilities

Capital commitments not provided for as at the end of the period indicated:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Contracted for	**84,591**	24,469
Authorised but not contracted for	**36,180**	—
	120,771	24,469

Our Group had no material contingent liabilities as of 30 June 2015.

Pledge of Assets

Buildings and lease prepayments with net book value of RMB10.1 million as at 30 June 2015 (31 December 2014: RMB10.6 million) were pledged as collateral for our Group's bank loans. Bank deposits of RMB5.1 million (31 December 2014: nil) have been pledged as security for our Group's bank loans, and bank deposits of RMB50.0 million (31 December 2014: nil) have been pledged as collateral for our Group's undrawn banking facilities of RMB50.0 million (31 December 2014: nil).

USE OF PROCEEDS

As of 30 June 2015, our Group had utilized the net proceeds from the global offering and over-allotment of new shares of the Company as set out below:

	Percentage to the net proceeds	**Net proceeds**	**Utilized amount**	**Unutilized amount**
				(Note 2)
		RMB'million	*RMB'million*	*RMB'million*
Establish self-operated retail stores *(Note 1)*	21.2%	60.5	42.7	17.8
Enhance design and research and development capabilities in our design center in Shanghai	26.9%	76.7	0.1	76.6
Recruit at least 30 additional design and research and development staff	4.2%	12.0	1.1	10.9
Joint programs with established universities in the PRC and international corporations	6.5%	18.5	—	18.5
Establish an ERP system	20.3%	57.9	9.7	48.2
Marketing and promotional activities	15.9%	45.2	22.2	23.0
Working capital and general corporate purposes	5.0%	14.2	14.2	—
	100.0%	285.0	90.0	195.0

Notes:

(1) Up to the date of this announcement, our Group has entered into acquisition agreements with two of our distributors to acquire their existing distribution channels and 66 retail outlets. These acquisitions are expected to be completed by the end of December 2015. Please refer to note 10 to the financial statements in this announcement for details.

(2) The unutilized net proceeds have been placed in short-term deposits with licensed banking institutions in Hong Kong and China.

EMPLOYEES AND REMUNERATION POLICIES

The emolument policy of the Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. The 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 2015, we employed around 730 full-time employees. The total staff costs for 1H 2015 was approximately RMB22.0 million (1H 2014: RMB21.9 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 1H 2015.

CORPORATE GOVERNANCE

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 (the "Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During 1H 2015, the Company has complied with the Code Provisions, except for code provision A.2.1, which provides that, among other things, the roles 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 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 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. 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 2015.

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 unaudited consolidated financial statements for 1H 2015, which is also reviewed by KPMG, external auditors of the Company, and the accounting principles and practices adopted, and discussed auditing, internal controls and financial reporting matters with our management and KPMG.

INTERIM DIVIDEND

The Board has not recommended the payment of an interim dividend for 1H 2015 (1H 2014: HK2 cents per ordinary share).

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 has maintained the public float as required under the Listing Rules throughout 1H 2015.

PUBLICATION OF RESULTS

This 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 2015 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

Hong Kong, 25 August 2015

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

Executive Directors: Mr. Ding Peiji, Mr. Ding Peiyuan, Ms. Ding Lizhen and Mr. Gu Jishi

Independent non-executive Directors: Mr. Leung Wai Yip, Mr. Mei Wenjue and Mr. Zhu Wenxin