

MIKO INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01247

2015

INTERIM REPORT





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www.redkids.com



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Ding Peiji (*Chairman and Chief Executive Officer*)
Mr. Ding Peiyuan
Ms. Ding Lizhen
Mr. Gu Jishi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Yip
Mr. Mei Wenjue
Mr. Zhu Wenxin

AUDIT COMMITTEE

Mr. Leung Wai Yip (*Chairman*)
Mr. Mei Wenjue
Mr. Zhu Wenxin

REMUNERATION COMMITTEE

Mr. Mei Wenjue (*Chairman*)
Mr. Zhu Wenxin
Mr. Ding Peiyuan

NOMINATION COMMITTEE

Mr. Zhu Wenxin (*Chairman*)
Mr. Leung Wai Yip
Mr. Gu Jishi

JOINT COMPANY SECRETARIES

Ms. Lu Yanping
Mr. Ng Cheuk Him (resigned on 8 September 2015)

AUTHORIZED REPRESENTATIVES

Mr. Ding Peiji
Mr. Ng Cheuk Him (resigned on 8 September 2015)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands



Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1601, Ho King Commercial Centre
2-16 Fa Yuen Street
Mong Kok, Kowloon
Hong Kong

HEADQUARTERS AND PLACE OF BUSINESS IN THE PRC

No. 168, Chong Rong Street
Economic Technology Development Zone
Quanzhou City
Fujian Province
PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Fl., Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

KPMG, Certified Public Accountants

LEGAL ADVISER AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

COMPLIANCE ADVISER

RHB OSK Capital Hong Kong Limited

COMPANY'S WEBSITE

www.redkids.com





Chairman's Statement



Chairman's Statement

On behalf of the board (the "Board") of the directors (the "Directors") of Miko International Holdings Limited (the "Company"), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015.

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.



Chairman's Statement

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

Chairman's Statement

	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.

Chairman's Statement

Looking into the second half of 2015, consumer confidence and sentiment will still be affected by economic uncertainties and growth in the mainland consumer market will turn slower. Under the circumstances, we believe a pickup in the industry will still lack adequate momentum, which could affect the overall profit of our Group. 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.

Ding Peiji

Chairman

25 August 2015



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Management Discussion and Analysis



Management Discussion and Analysis

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 backpacks 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 approximately RMB315.2 million for the six months ended 30 June 2014 ("1H 2014") to approximately 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 approximately RMB222.6 million for 1H 2015, representing approximately 76.7% of our Group's revenue, as compared to that of approximately 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 approximately RMB66.6 million for 1H 2015, representing approximately 22.9% of our Group's revenue and an increase of approximately 26.7% as compared to that of approximately 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

Management Discussion and Analysis



	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 approximately RMB193.2 million for 1H 2014 to approximately 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 approximately RMB122.0 million for 1H 2014 to approximately 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 approximately 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 approximately RMB2.6 million for 1H 2015 (1H 2014: RMB1.2 million).

Management Discussion and Analysis

Selling and Distribution Expenses

Selling and distribution expenses amounted to approximately 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 approximately 8.0% for 1H 2015 (1H 2014: 9.1%).

Administrative and Other Operating Expenses

Administrative and other operating expenses amounted to approximately RMB13.9 million for 1H 2015, representing a decrease of RMB15.2 million or about 52.2% as compared to that of approximately RMB29.1 million for 1H 2014. The significant decrease in the administrative and other operating expenses mainly reflected the one-off listing expenses of approximately 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 approximately RMB2.2 million for 1H 2014 to approximately 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 approximately 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 approximately RMB43.6 million for 1H 2014 to approximately RMB53.3 million for 1H 2015.

Working Capital Management

Our Group recorded net current assets of approximately RMB782.1 million with a current ratio of 8.4 times as of 30 June 2015, compared to that of approximately 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 amounted to approximately RMB588.1 million as of 30 June 2015 (31 December 2014: RMB485.1 million). Bank borrowings of our Group amounted to approximately RMB57.4 million as of 30 June 2015, as compared to that of approximately 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.

Management Discussion and Analysis

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

Net cash used in investing activities amounted to approximately RMB30.3 million for 1H 2015, as compared to that of approximately RMB96.2 million for 1H 2014. Net cash generated from financing activities amounted to approximately RMB16.3 million for 1H 2015, as compared to that of approximately RMB240.0 million for 1H 2014. Our Group recorded gross proceeds from global offering of approximately 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 approximately RMB153.6 million for 1H 2015 (1H 2014: 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.

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. As our Group's operations are mainly conducted in China and the majority of our Group's assets and liabilities, and sales and purchases are transacted in Renminbi, the Directors are of the view that our Group is not subject to significant foreign exchange rate risks.

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.

Management Discussion and Analysis

Pledge of Assets

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

Significant Investments and Material Acquisitions and Disposals of Subsidiaries

During the six months ended 30 June 2015, the Group did not have any significant investments or material acquisition or disposal of subsidiaries.

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 (Note 2)	Net proceeds RMB'million	Utilized amount RMB'million	Unutilized amount (Note 3) 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 report, 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 11 to the financial statements in this report for details.
- (2) There has been a change in the use of a portion of the net proceeds from the global offering originally allocated for establishing not more than 50 self-operated retail stores by the end of 2014 to marketing and promotional activities. For further details, please refer to the separate announcement of the Company dated 18 March 2015.
- (3) The unutilized net proceeds have been placed in short-term deposits with licensed banking institutions in Hong Kong and China.

Corporate Governance and Other Information

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 (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.

Corporate Governance and Other Information

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 amounted to approximately RMB22.0 million (1H 2014: RMB21.9 million).

INTERIM DIVIDEND

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

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.

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.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2015, the interests or short positions of the Directors and the chief executive in the Company's shares (the "Shares"), underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

Long positions in the Company

Name of Director	Nature of interest	Capacity	Number of Shares	Approximate percentage of shareholding ⁽⁶⁾
Mr. Ding ⁽¹⁾	L ⁽⁴⁾	Interest in a controlled corporation	244,076,694	29.62%
Ms. Ding Lizhen ⁽²⁾	L ⁽⁴⁾	Interest in a controlled corporation	42,240,000	5.13%
		Beneficial owner	800,000 ⁽⁵⁾	0.10%
Mr. Ding Peiyuan ⁽³⁾	L ⁽⁴⁾	Interest in a controlled corporation	42,240,000	5.13%
		Beneficial owner	800,000 ⁽⁵⁾	0.10%
Mr. Gu Jishi	L ⁽⁴⁾	Beneficial owner	800,000 ⁽⁵⁾	0.10%

Note:

- (1) Think Wise Holdings Investment Limited ("Think Wise") is wholly-owned and controlled by Mr. Ding. Accordingly, Mr. Ding is deemed to be interested in all the Shares in which Think Wise is interested pursuant to the SFO.
- (2) Snowy Wise Limited ("Snowy Wise") is wholly-owned and controlled by Ms. Ding Lizhen, an executive Director. Accordingly, Ms. Ding Lizhen is deemed to be interested in all the Shares in which Snowy Wise is interested pursuant to the SFO.
- (3) Rightful Style Limited ("Rightful Style") is wholly-owned and controlled by Mr. Ding Peiyuan, an executive Director. Accordingly, Mr. Ding Peiyuan is deemed to be interested in all the Shares in which Rightful Style is interested pursuant to the SFO.
- (4) The letter "L" denotes long position.
- (5) Each of Ms. Ding Lizhen, Mr. Ding Peiyuan and Mr. Gu Jishi, an executive Director, has been granted an option to subscribe for 800,000 Shares under the Pre-IPO Share Option Scheme.

Corporate Governance and Other Information

- (6) The calculation is based on the total number of 824,000,000 ordinary Shares in issue as at 30 June 2015, without taking into account of any Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme.

Saved as disclosed above, as at 30 June 2015, none of the Directors and the chief executives of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Nature of interest	Capacity	Number of Shares	Approximate percentage of shareholding ⁽⁶⁾
Think Wise ⁽¹⁾	L ⁽⁴⁾	Beneficial owner	244,076,694	29.62%
Mr. Ding ⁽¹⁾	L ⁽⁴⁾	Interest in a controlled corporation	244,076,694	29.62%
Snowy Wise ⁽²⁾	L ⁽⁴⁾	Beneficial owner	42,240,000	5.13%
Ms. Ding Lizhen ⁽²⁾	L ⁽⁴⁾	Interest in a controlled corporation	42,240,000	5.13%
		Beneficial owner	800,000 ⁽⁵⁾	0.10%
Rightful Style ⁽³⁾	L ⁽⁴⁾	Beneficial owner	42,240,000	5.13%
Mr. Ding Peiyuan ⁽³⁾	L ⁽⁴⁾	Interest in a controlled corporation	42,240,000	5.13%
		Beneficial owner	800,000 ⁽⁵⁾	0.10%

Note:

- (1) Think Wise is wholly-owned and controlled by Mr. Ding. Accordingly, Mr. Ding is deemed to be interested in all the Shares in which Think Wise is interested pursuant to the SFO.

Corporate Governance and Other Information

- (2) Snowy Wise is wholly-owned and controlled by Ms. Ding Lizhen, an executive Director. Accordingly, Ms. Ding Lizhen is deemed to be interested in all the Shares in which Snowy Wise is interested pursuant to the SFO.
- (3) Rightful Style is wholly-owned and controlled by Mr. Ding Peiyuan, an executive Director. Accordingly, Mr. Ding Peiyuan is deemed to be interested in all the Shares in which Rightful Style is interested pursuant to the SFO.
- (4) The letter “L” denotes long position.
- (5) Each of Ms. Ding Lizhen and Mr. Ding Peiyuan, an executive Director, has been granted an option to subscribe for 800,000 Shares under the Pre-IPO Share Option Scheme.
- (6) The calculation is based on the total number of 824,000,000 ordinary Shares in issue as at 30 June 2015 without taking into account of any Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme.

Save as disclosed above, as at 30 June 2015, the Directors were not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at 30 June 2015 or at any time during the period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

There had been no contract of significance between the Company or any of its subsidiaries and the controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries during the period.

EQUITY-SETTLED SHARE BASED PAYMENTS

The Company adopted a pre-initial public offering share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”) on 27 December 2013 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

Corporate Governance and Other Information

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 27 December 2013 for the purpose of giving our employees an opportunity to have a personal stake in our Company, motivating our employees to optimize their performance and efficiency, and also retaining our employees whose contributions are important to the long-term growth and profitability of our Group. Options to subscribe for an aggregate of 7,000,000 Shares were conditionally granted to 21 participants on 27 December 2013 (the "Pre-IPO Share Options"), representing approximately 0.8% of the Company's issued share capital as at the date of this report. The exercise price per Share is HK\$1.82, being 80% of the global offering price. No further options could be granted under the Pre-IPO Share Option Scheme on or after 15 January 2014, the date on which the Shares were listed on the Stock Exchange (the "Listing Date"). Each Pre-IPO Share Option has an eight-year exercise period and can only be exercised in the following manner:

Period within which option can be exercised	Maximum percentage of entitlement
Any time after the first anniversary of the Listing Date	30% of the Pre-IPO Share Options granted
Any time after the second anniversary of the Listing Date	30% of the Pre-IPO Share Options granted
Any time after the third anniversary of the Listing Date	40% of the Pre-IPO Share Options granted

The table below sets forth the movement of the Pre-IPO Share Options during the period.

Name	Number of Pre-IPO Share Options				As at 30 June 2015
	As at 1 January 2015	Granted during the period	Exercised during the period	Forfeited during the period	
Directors					
Mr. Ding Peiyuan	800,000	—	—	—	800,000
Ms. Ding Lizhen	800,000	—	—	—	800,000
Mr. Gu Jishi	800,000	—	—	—	800,000
Others					
In aggregate	3,950,000	—	—	100,000	3,850,000
Total	6,350,000	—	—	100,000	6,250,000

- (1) The calculation is based on the total number of 824,000,000 ordinary Shares of the Company in issue as at 30 June 2015, without taking into account of any Shares to be issued upon exercise of the Pre-IPO Share Options or options to be granted under the Share Option Scheme.

Corporate Governance and Other Information

Share Option Scheme

The Company adopted the Share Option Scheme on 27 December 2013 for the purpose of rewarding certain eligible persons for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on the Listing Date.

Eligible participants of the Scheme include any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors or proposed director (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; any direct or indirect shareholder of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date, i.e. 80,000,000 shares of the Company representing approximately 9.71% of the issued share capital of the Company as at the date of this report. Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the shares in issue as at the date of the approval by the shareholders of the Company in general meeting; and/or
- (ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Corporate Governance and Other Information

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise period of the share options granted is determinable by the Directors, which period may commence on the date of the offer of the share options, and end on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

As at 30 June 2015, and up to date of this report, no option had been granted under the Share Option Scheme.

As at the date of this report, the remaining life of the Share Option Scheme is approximately eight years and four months.

Independent Auditor's Review Report



**Review report to the board of directors of
Miko International Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 42 which comprises the consolidated statement of financial position of Miko International Holdings Limited ("the Company") as of 30 June 2015 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2015-unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	3	290,000	315,162
Cost of sales	6(c)	(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	8(a)	6	5
— Diluted	8(b)	6	5

The notes on pages 32 to 42 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 18(c).

Consolidated Statement of Financial Position

at 30 June 2015-unaudited

(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	9	53,953	56,022
Construction in progress		203	—
Intangible assets		458	490
Lease prepayments	9(d)	2,899	2,941
Deposits for purchase of a property	10	73,000	92,000
Deposits for purchase of an intangible asset		9,706	3,300
Deposits for acquisition of distribution channels	11	42,709	—
Deferred tax assets		2,239	2,843
		185,167	157,596
Current assets			
Inventories	12	36,254	41,783
Trade and other receivables	13	207,839	333,226
Pledged bank deposits	14	55,066	2,000
Fixed deposits at banks with original maturity over three months		2,200	52,680
Cash and cash equivalents	15	585,944	432,384
		887,303	862,073
Current liabilities			
Bank loans	16	57,432	37,700
Trade and other payables	17	41,281	38,865
Current taxation		6,539	16,643
		105,252	93,208
Net current assets		782,051	768,865

Consolidated Statement of Financial Position

at 30 June 2015-unaudited
(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
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	18(a)	6,483	6,483
Reserves		959,435	918,678
Total equity		965,918	925,161

Approved and authorised for issue by the board of directors on 25 August 2015.

Ding Peiji
Director

Ding Peiyuan
Director

The notes on pages 32 to 42 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015-unaudited

(Expressed in Renminbi)

	Note	Share capital RMB'000 18(a)	Share premium RMB'000 18(b)	Share-based payment reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2014		8	—	1,947	—	9,538	37,052	322,777	371,322
Changes in equity for the six months ended 30 June 2014:									
Profit for the period		—	—	—	—	—	—	43,623	43,623
Other comprehensive income		—	—	—	—	(923)	—	—	(923)
Total comprehensive income		—	—	—	—	(923)	—	43,623	42,700
Capital contribution		—	—	—	145,549	—	—	—	145,549
Capitalisation issue		5,027	(5,027)	—	—	—	—	—	—
Share issued by global offering		1,448	310,721	—	—	—	—	—	312,169
Equity-settled share-based transaction		—	—	1,640	—	—	—	—	1,640
Dividend declared and paid	18(c)	—	(32,791)	—	—	—	—	—	(32,791)
Appropriation to statutory reserve		—	—	—	—	—	5,972	(5,972)	—
Balance at 30 June 2014		6,483	272,903	3,587	145,549	8,615	43,024	360,428	840,589
Changes in equity for the six months ended 31 December 2014:									
Profit for the period		—	—	—	—	—	—	94,291	94,291
Other comprehensive income		—	—	—	—	1,552	—	—	1,552
Total comprehensive income		—	—	—	—	1,552	—	94,291	95,843
Equity-settled share-based transaction		—	—	1,796	—	—	—	—	1,796
Dividend declared and paid	18(c)	—	(13,067)	—	—	—	—	—	(13,067)
Appropriation to statutory reserve		—	—	—	—	—	10,372	(10,372)	—
Balance at 31 December 2014		6,483	259,836	5,383	145,549	10,167	53,396	444,347	925,161

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015-unaudited

(Expressed in Renminbi)

Note	Share-based							
	Share capital RMB'000 18(a)	Share premium RMB'000 18(b)	payment reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2015	6,483	259,836	5,383	145,549	10,167	53,396	444,347	925,161
Changes in equity for the six months ended 30 June 2015:								
Profit for the period	—	—	—	—	—	—	53,348	53,348
Other comprehensive income	—	—	—	—	11	—	—	11
Total comprehensive income	—	—	—	—	11	—	53,348	53,359
Equity-settled share-based transaction	—	—	409	—	—	—	—	409
Dividend declared and paid	—	(13,011)	—	—	—	—	—	(13,011)
Appropriation to statutory reserve	—	—	—	—	—	5,903	(5,903)	—
Balance at 30 June 2015	6,483	246,825	5,792	145,549	10,178	59,299	491,792	965,918

The notes on pages 32 to 42 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2015-unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations		196,755	87,830
Income tax paid		(29,107)	(27,086)
Net cash generated from operating activities		167,648	60,744
Investing activities			
Payment for the purchase of property, plant and equipment		(1,234)	(49,742)
Refund of deposits for purchase of property, plant and equipment		20,000	—
Payment for the purchase of intangible assets		(6,406)	—
Payment for the acquisition of distribution channels		(42,709)	—
Placement of fixed deposits at banks with original maturity over three months		(2,200)	(47,680)
Withdrawn of fixed deposits at banks with original maturity over three months		52,680	—
Placement of pledged bank deposits		(55,066)	—
Withdrawn of pledged bank deposits		2,000	—
Interest received	5	2,594	1,214
Net cash used in investing activities		(30,341)	(96,208)
Financing activities			
Gross proceeds from global offering		—	330,080
Payment of expenses related to global offering		—	(15,890)
Proceeds from bank loans		57,432	37,700
Repayments of bank loans		(37,700)	(76,890)
Advance from related parties		11,040	—
Dividends paid	18(c)	(13,011)	(32,791)
Interest paid	6(a)	(1,503)	(2,201)
Net cash generated from financing activities		16,258	240,008
Net increase in cash and cash equivalents		153,565	204,544
Cash and cash equivalents at 1 January	15	432,384	260,079
Effect of foreign exchanges rate changes		(5)	339
Cash and cash equivalents at 30 June	15	585,944	464,962

The notes on pages 32 to 42 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This 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.

This 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”). KPMG’s independent review report to the Board of Directors is included on Page 25.

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 (the "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 RMB'000	2014 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER NET INCOME

	Six months ended 30 June	
	2015 RMB'000	2014 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 RMB'000	2014 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

	Six months ended 30 June	
	2015 RMB'000	2014 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT

- (a) During the six months ended 30 June 2015, the Group acquired items of plant and machinery with cost of RMB233,000 (six months ended 30 June 2014: RMB9,487,000). No impairment loss was recognised during the six months ended 30 June 2015 and 2014.
- (b) Buildings with net book value of RMB8,324,000 as at 30 June 2015 (31 December 2014: RMB8,748,000) were pledged as collateral for the Group's bank loans.
- (c) At 30 June 2015, the application of the ownership certificates for buildings with net book value of RMB30,217,000 were in progress (31 December 2014: RMB40,249,000).
- (d) Lease prepayments with net book value of RMB1,815,000 as at 30 June 2015 (31 December 2014: RMB1,843,000) were pledged as collateral for the Group's bank loans.

10 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.

11 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.

12 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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

13 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

14 PLEDGED BANK DEPOSITS

Bank deposits of RMB5,066,000 (31 December 2014:nil) have been pledged as security for the Group's bank loans (note 16).

Bank deposits of RMB50,000,000 (31 December 2014: nil) have been pledged as collateral for the Group's undrawn banking facilities of RMB50,000,000 (31 December 2014: nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 CASH AND CASH EQUIVALENTS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Cash at bank and on hand	585,944	432,384

16 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:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Bank loans		
— secured	32,732	17,000
— guaranteed	24,700	9,700
— unsecured	—	11,000
	57,432	37,700

Assets of the Group pledged to secure the bank loans comprise:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Pledged bank deposits (note 14)	5,066	—
Buildings held for own use (note 9(b))	8,324	8,748
Lease prepayments (note 9(d))	1,815	1,843
	15,205	10,591

Bank loans of RMB24,700,000 as at 30 June 2015 (31 December 2014: RMB9,700,000) were guaranteed by Mr. Ding Peiji (the Chairman of the Company) and a third party.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

17 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 (note 21(b))	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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

18 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)**(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 RMB'000	2014 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

19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	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

21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions during the six months ended 30 June 2015 and 2014.

(a) Sales of products

Minghao (Xiamen) Children Products Co., Ltd. ("Minghao Xiamen"), 80% owned by Mr. Ding Peijie who is the brother of the Chairman of the Group, is a distributor of the Group. Sales of products to Minghao Xiamen during the six months ended 30 June 2015 amounted to RMB8,225,000 (six months ended 30 June 2014: RMB10,342,000). At 30 June 2015, the trade receivable from Minghao Xiamen is RMB4,930,000 (31 December 2014: RMB8,542,000).

(b) Amount due to a related party

During the six months ended 30 June 2015, the Group obtained interest-free loan of RMB11,040,000 (six months ended 30 June 2014: nil) from a shareholder of the Company. The shareholder is a company beneficially owned by Mr. Ding Weizhu, who is the father of the Chairman of the Group. The amount due to a related party (note 17) is unsecured and is repayable on demand.

(c) Guarantee provided by a related party

Bank loans of RMB24,700,000 as at 30 June 2015 (31 December 2014: RMB9,700,000) were guaranteed by the Chairman of the Group (note 16).