



MIKO INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1247

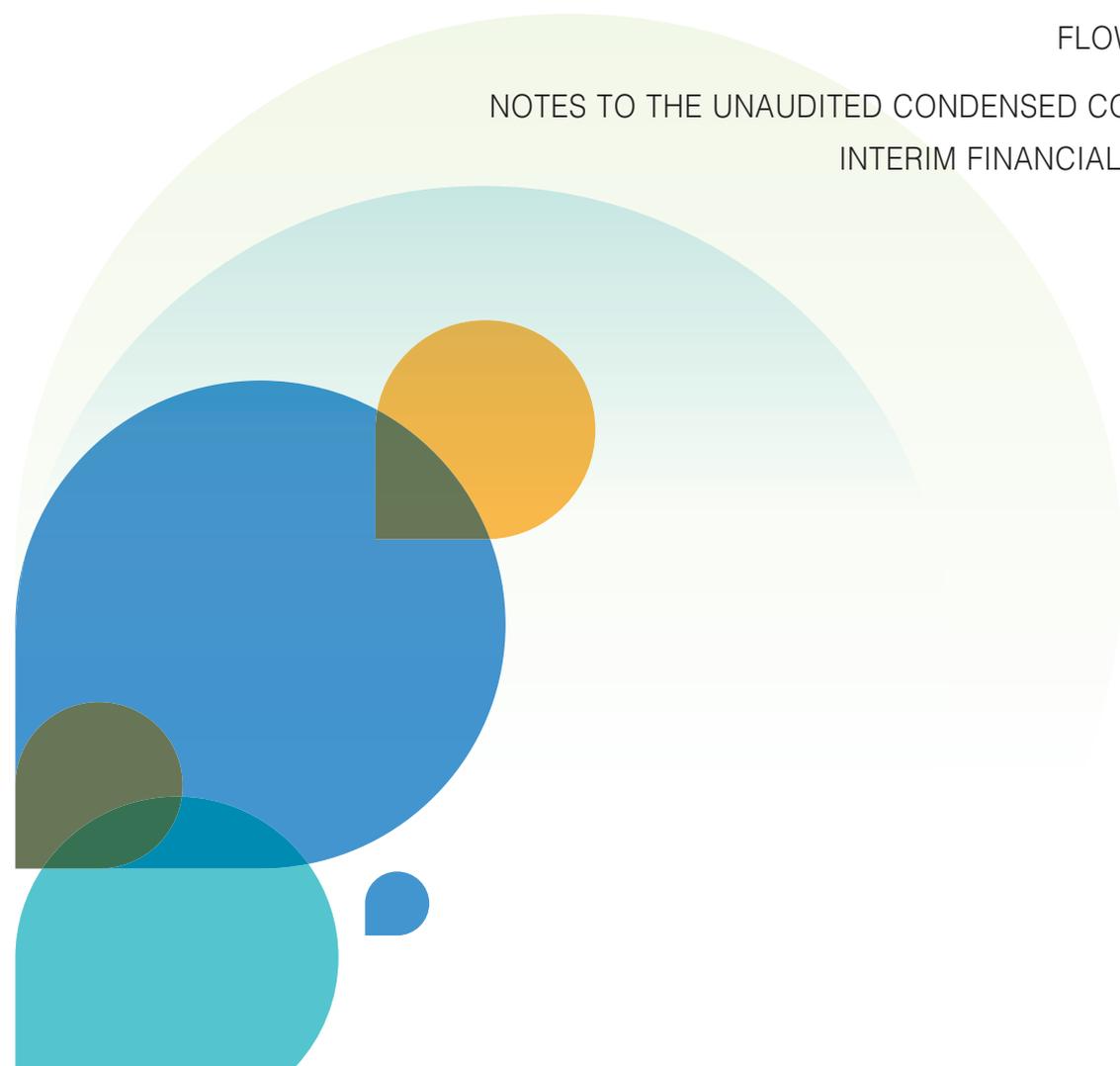
Interim Report
2021





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BOARD AND COMMITTEES

Executive Directors

Mr. Ding Peiji
Mr. Ding Peiyuan
Ms. Ding Lizhen

Independent Non-Executive Directors

Mr. Hung Cho Sing
Mr. Chan Wai Wong
Mr. Wu Shiming

Audit Committee

Mr. Wu Shiming (*Chairman*)
Mr. Hung Cho Sing
Mr. Chan Wai Wong

Remuneration Committee

Mr. Hung Cho Sing (*Chairman*)
Mr. Chan Wai Wong
Mr. Ding Peiyuan

Nomination Committee

Mr. Chan Wai Wong (*Chairman*)
Ms. Ding Lizhen
Mr. Wu Shiming

AUTHORISED REPRESENTATIVES

Mr. Ding Peiji
Mr. Pang Wing Hong

COMPANY SECRETARY

Mr. Pang Wing Hong

REGISTERED OFFICE

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

HEADQUARTERS AND PLACE OF BUSINESS IN THE PRC

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Economic Technology Development Zone
Quanzhou City
Fujian Province 362000
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Mong Kok, Kowloon
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 3204, Unit 2A, Block 3,
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Gardenia Court, Camana Bay,
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
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183 Queen's Road East
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Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Stevenson, Wong & Co
CHIU & Co Solicitors

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MANAGEMENT DISCUSSION AND ANALYSIS





BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2021 (“1H 2021”), revenue and net loss of our Group amounted to approximately RMB59.7 million and RMB22.2 million respectively, as compared to the revenue and net loss of approximately RMB43.0 million and RMB30.8 million respectively for the six months ended 30 June 2020 (“1H 2020”).

The extraordinary outbreak of the COVID-19 pandemic and the globally lockdown of the cities severely hit the world economy in the year of 2020 and the first half of 2021. The major economies of the world still faced a struggling situation.

Overall sales performance increased by 39% for the six months ended 30 June 2021 as compared with the same period in 2020 and this reflected a positive signal of business environment in the first half of 2021. Considering the unprecedented challenges and market uncertainty posed by the global health and economic crisis, the Group took immediate actions to preserve cash and strengthen its liquidity. The Group has been managing operating expenses and reducing its marketing and promotion cost sharply under such tough economy and business environment. In addition, the Group remained focused on further strengthening resilience of the business and ensure the sustainability in the market.

In addition, the Group would pay more focus to the e-commerce business partners as more customers have switched their consumption preferences to on-line platforms.

The outlook of the industry and business in the second half of 2021 is highly uncertain from the possible impact from the another round of COVID-19 pandemic. The Group will continuously maintain clean and comfortable environment and provide all the necessary safety supports to protect the employees, customers and suppliers from COVID-19 pandemic.

In the medium to long-term, the Group remains positive about its business and believes that it will bring satisfactory and sustainable returns to the shareholders. The Group continuously remains open to the opportunities for investment that can have sustainable growth going forward.

FINANCIAL REVIEW

Revenue

Our Group’s products are primarily marketed through wholesaling to the distributors and self-operated stores who operate with “redkids” brand in various provinces and municipalities in Mainland China.

Sales performance for the first half of 2021 was rebounded from the outbreak of the COVID-19 pandemic in Mainland China since 2020 and weak consumption market.

For the apparel products segment, sales volume was approximately 2.4 million units for 1H 2021, representing about a 41.2% increase as compared to that of approximately 1.7 million units for 1H 2020. The average wholesale selling price for 1H 2021 recorded a reduction as compared to that for 1H 2020, partially reflecting our change in product mix in 1H 2021.

For the footwear and accessories segment, sales increased from approximately RMB15,000 for 1H 2020 to approximately RMB1.3 million for 1H 2021. The increase in sales from this segment is mainly due to the adjustment in the products sales category strategy in 1H 2021.

Sales to distributors continued to account for the majority of our Group's revenue during 1H 2021. Sales to distributors were approximately RMB53.1 million for 1H 2021, representing approximately 97.9% of our Group's revenue, as compared to that of approximately RMB41.7 million and 97.1% for 1H 2020.

Sales from self-operated stores were approximately RMB6.6 million for 1H 2021, representing 11.1% of our Group revenue, as compared to that of approximately RMB1.2 million or 2.9% for 1H 2020.

The tables below set forth our revenue by (i) products segment and (ii) sales channels for the period indicated:

	1H 2021		1H 2020		% change
	RMB'000	%	RMB'000	%	
Apparel	58,460	97.9	42,966	100.0	36.0
Footwear and Accessories	1,281	2.1	15	0.0	8,440
	59,741	100.0	42,981	100.0	39.0

	1H 2021		1H 2020		% change
	RMB'000	%	RMB'000	%	
Sales to distributors	53,110	88.9	41,746	97.1	27.2
Sales from self-operated stores	6,631	11.1	1,235	2.9	437.0
	59,741	100.0	42,981	100.0	39.0

Cost of Sales

Our cost of sales recorded an increase from approximately RMB38.0 million for 1H 2020 to approximately RMB53.5 million for 1H 2021, which was broadly in line with the increase in sales volume. We devoted our focus on brand and wholesale management, and engaged other OEM factories to handle most of the manufacturing tasks. As a percentage of cost of sales, purchases from OEM factories accounted for approximately 54.1% for 1H 2021, which was comparable to that of approximately 50.0% for 1H 2020.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from approximately RMB5.0 million for 1H 2020 to approximately RMB6.2 million for 1H 2021. Gross profit margin was approximately 10.4% for 1H 2021, representing a decrease of approximately 1.3 percentage points as compared to that of 11.7% for 1H 2020.

Other Revenue

Other revenue of our Group mainly included the interest income from bank deposits of RMB67,000 during 1H 2021 and rental income of approximately RMB0.4 million during 1H 2021 (1H 2020: approximately RMB0.4 million).

Share of Results from an Associate

In 1H 2021, share of loss from an associate of the Group was approximately RMB37,000 (1H 2020: share of loss approximately RMB0.8 million).

Allowance for Expected Credit Loss on Trade Receivables, net

Allowance for expected credit loss of approximately RMB93,000 in respect of trade receivables was made (1H 2020: approximately RMB1.4 million) due to decisions made by the management of the Company taking into consideration the current credit worthiness, the past collection history, the aged status and the prevailing market conditions. We continue to conduct comprehensive review of our distributors' repayment histories, resources and financial capabilities to ensure that they are able to repay the debts within the credit period.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of marketing rebates, salaries and benefits for sales and marketing personnel, and advertising and exhibition expenses for outdoor advertisements. Selling and distribution expenses was approximately RMB8.6 million for 1H 2021, representing an decrease of approximately RMB11.5 million or about 57.2%, as compared to that of approximately RMB20.1 million for 1H 2020. The decrease in selling and distribution expenses was mainly due to decrease in the advertisement and marketing related expenses in view of current tough business environment recorded in 1H 2021. As a percentage of revenue, selling and distribution expenses was 14.4% for 1H 2021 (1H 2020: 46.7%).

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consisted of R&D expenses, salaries and benefits for administrative personnel, professional expenses in relation to legal and financial advisory services and taxes and levies. Administrative and other operating expenses was approximately RMB18.8 million for 1H 2021, representing an increase of approximately RMB7.6 million or about 67.6% as compared to that of approximately RMB11.2 million for 1H 2020. The increase in the administrative and other operating expenses mainly reflected the increase in R&D expenses. As for the percentage of revenue, it increased from 26.1% for 1H 2020 to 31.4% for 1H 2021.

Finance Costs

Finance costs comprised of interest on bank loans and imputed interest on convertible bonds. There were no significant change between the two periods.

Taxation

No income tax expense was recorded for 1H 2021, as compared to approximately RMB0.4 million for 1H 2020. Currently, our principal subsidiaries in Mainland China are subject to an enterprise income tax rate of 25%.

Loss for the Period after Taxation

As a result of the foregoing, loss for the period after taxation approximately RMB22.2 million was recorded as compared to the loss for 1H 2020 approximately RMB30.8 million.

WORKING CAPITAL MANAGEMENT

Our Group recorded net current assets of approximately RMB57.8 million with a current ratio of 1.9 times as of 30 June 2021, compared to that of approximately RMB51.5 million and 1.6 times as of 31 December 2020. The table below sets forth the turnover days of trade receivables, inventories and trade payables at the end of the period indicated.

	Turnover days	
	As of 30 June 2021	As of 30 June 2020
Trade receivables	178	266
Inventories	61	284
Trade payables	18	19

LIQUIDITY AND CAPITAL RESOURCES

Our Group mainly relies on cash flows from operations to finance working capital requirements and capital expenditures. Our Group's cash and cash equivalents totalled approximately RMB43.1 million as of 30 June 2021 (31 December 2020: approximately RMB39.2 million). Bank borrowings of our Group was approximately RMB43.8 million as of 30 June 2021, as compared to that of approximately RMB44.2 million as of 31 December 2020. Gearing ratio was only 40.2% and 38.2%, respectively, as of 30 June 2020 and 31 December 2020.

Our Group recorded a increased in net cash used in operating activities of approximately RMB13.0 million, from net cash generated from operating activities approximately RMB11.8 million for 1H 2020 to net cash used in operating activities approximately RMB1.2 million for 1H 2021.

Net cash generated from investing activities of approximately RMB117,000 was made for 1H 2021, which mainly represented the proceed from disposal of property, plant and equipment and bank interest received. Net cash generated from financing activities was approximately RMB5.0 million for 1H 2021, as compared to net cash used in financing activities of approximately RMB2.9 million for 1H 2020 which mainly represented proceeds from placing ordinary shares.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately RMB3.8 million for 1H 2021 (1H 2020: net increase approximately RMB8.9 million).

Notes to financial ratios:

- (1) Trade receivables turnover days equal the average of the opening and closing balances of trade receivables of the relevant period divided by revenue of the relevant period and multiplied by 182 days.
- (2) Inventory turnover days equal the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.
- (3) Trade payables turnover days equal the average of the opening and closing balances of trade payables of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.
- (4) Current ratio equals current assets divided by current liabilities as of the end of the period.
- (5) Gearing ratio equals the total of bank and other borrowings divided by total equity as of the end of the period.

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

Placing of Shares under Specific Mandate

On 23 February 2021 (after trading hours), the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 19,680,000 placing shares at the placing price of HK\$0.48 per placing share to not less than six placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons. The placing shares were allotted and issued pursuant to the specific mandate, which had been approved at the extraordinary general meeting of the Company. Details of the placing of new shares were set out in the announcement of the Company dated 23 February 2021 and 12 March 2021.

On 9 April 2021, all conditions set out in the placing agreement have been fulfilled and the completion of the placing took place in accordance with the terms and conditions of the Placing Agreement. An aggregate of 19,680,000 Placing Shares have been placed to not less than six placees who and whose ultimate beneficial owners are not the connected person(s) of the Company and its connected persons at the Placing Price of HK\$0.48 per Placing Share. The net proceeds from the Placing amounted to approximately RMB7,751,000. The Company intends to utilise the net proceeds from the placing for repayment of bank borrowings, general working capital and corporate purpose.

Amendments to the Terms and Conditions of the CB Subscription Agreement and the Convertible Bonds

On 1 February 2021, the Company, Quanzhou Tuoyu Trade Co., Ltd. (the “**Purchaser**”) and Bright Oasis Investment Holdings Limited (the “**Subscriber**”) have entered into a deed of amendment (“**Deed of Amendment**”). According to the Deed of Amendment, the Company, the Purchaser and the Subscriber have agreed that the maturity date of the Convertible Bonds shall be extended from 23 June 2021 to 23 June 2023. For further details, please refer to the announcement of the Company dated 1 February 2021.

Share consolidation and Change in Board Lot Size

The Company proposed a share consolidation of every ten issued existing shares be consolidated into one consolidated share (“**Share Consolidation**”). Before the Share Consolidation was effective on 16 March 2021, 984,000,000 existing shares have been allotted and issued. Upon the Share Consolidation becoming effective and assuming that no existing shares are issued or bought back from the date of announcement until the effective date of the Share Consolidation, not more than 98,400,000 consolidated shares will be in issue. The board lot size for trading on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) is proposed to be changed from 2,000 existing shares to 6,000 consolidated shares conditional upon the Share Consolidation becoming effective. Details of the Share Consolidation and change in board lot size were set out in the announcement of the Company dated 10 February 2021 and the circular of the Company dated 25 February 2021.

FINANCIAL RISK MANAGEMENT

We have a treasury policy that aims to better control our treasury operations and lower borrowing cost. Our treasury policy requires our Group to maintain an adequate level of cash and cash equivalents, and sufficient available banking facilities to finance our daily operations and to address short-term funding needs. We review and evaluate our treasury policy from time to time to ensure its adequacy and effectiveness.

Except for operations of our Company and other investment holding companies outside Mainland China, our Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the management considers our Group's exposure to currency risk insignificant.

Our interest rate risk arises primarily from bank borrowings. As our Group's operations are mainly conducted in Mainland China and the majority of our Group's assets and liabilities, and sales and purchases are transacted in RMB, the Directors are of the view that our Group are not subject to significant foreign exchange rate risks.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Our Group had no capital commitments and material contingent liabilities as of 30 June 2021.

PLEDGE OF ASSETS

Certain properties and lease prepayments with net book value of approximately RMB36.8 million as at 30 June 2021 (31 December 2020: approximately RMB30.1 million) were pledged for certain bank loans.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Our Group made no other significant investments, material acquisitions or disposal for the six months ended 30 June 2021.

INVESTMENTS HELD IN FOREIGN CURRENCY AND HEDGING

For the six months ended 30 June 2021, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the movement in exchange rate.

EMPLOYEES AND REMUNERATION POLICIES

The emolument policy of our Group aims at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Our emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of our business development, so as to achieve our operational targets. As at 30 June 2021, we employed around 310 full-time employees. The total staff costs for 1H 2021 was approximately RMB10.3 million (1H 2020: approximately RMB12.2 million).

CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. During 1H 2021, the Board comprised of three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). During 1H 2021, the Company has complied with the CG Code, except for the deviations as explained below.

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. As Mr. Ding Peiji ("**Mr. Ding**") is both the chief executive officer and the chairman of the Board of the Company, the Company deviates from code provision A.2.1. We consider that vesting the roles of both chairman and chief executive officer in Mr. Ding has the benefit of ensuring consistent leadership within our Group and enabling more effective and efficient overall strategic planning for our Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure and taking into account the background and experience of our Directors.

Code provision C.1.2 provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management provides information and updates to the members of the Board as and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during 1H 2021.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED INTERIM RESULTS

The Company has an Audit Committee (the "**Audit Committee**") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management. The Audit Committee, comprising of Mr. Wu Shiming, chairman of Audit Committee, Mr. Hung Cho Sing and Mr. Chan Wai Wong, has reviewed the accounting principles and practices adopted by the Group and discussed with the management with respect to financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2021, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for 1H 2021 (1H 2020: Nil).

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

Neither our Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities during 1H 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2021, 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 had 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 taken under such provisions of the SFO) or which would be required, pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein or which would 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 Directors	Nature of interest	Capacity	Number of Shares	Approximate percentage of shareholding ⁽⁷⁾
Mr. Ding Peiji ⁽¹⁾	L ⁽⁴⁾	Interest in a controlled corporation	24,817,669	21.02%
		Beneficial owner	373,200	0.32%
		Beneficial owner	90,000 ⁽⁶⁾	0.08%
Ms. Ding Lizhen ⁽²⁾	L ⁽⁴⁾	Interest in a controlled corporation	4,224,000	3.58%
		Beneficial owner	80,000 ⁽⁵⁾	0.07%
		Beneficial owner	900,000 ⁽⁶⁾	0.76%
Mr. Ding Peiyuan ⁽³⁾	L ⁽⁴⁾	Interest in a controlled corporation	4,231,200	3.58%
		Beneficial owner	80,000 ⁽⁵⁾	0.07%
		Beneficial owner	960,000 ⁽⁶⁾	0.81%

Notes:

- (1) Think Wise Holdings Investment Limited ("**Think Wise**") is wholly-owned and controlled by Mr. Ding Peiji. 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 and Mr. Ding Peiyuan, an executive Director, has been granted an option to subscribe for 80,000 Shares under the Pre-IPO Share Option Scheme.
- (6) Each of Mr. Ding Peiji, Ms. Ding Lizhen and Mr. Ding Peiyuan, an executive Director, has been granted an option to subscribe for 90,000, 900,000 and 960,000 Shares respectively under the Share Option Scheme granted on 2 November 2018.
- (7) The calculation is based on the total number of 118,080,000 ordinary Shares of the Company (after the Share Consolidation) in issue as at 30 June 2021, without taking into account 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 2021, none of the Directors or the chief executives of the Company or any of 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 Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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 Part XV of the SFO were as follows:

Name	Nature of interest	Capacity	Number of Shares	Approximate percentage of shareholding ⁽⁸⁾
Think Wise ⁽¹⁾	L ⁽⁴⁾	Beneficial owner	24,817,669	21.02%
Mr. Ding ⁽¹⁾	L ⁽⁴⁾	Interest in a controlled corporation	24,817,669	21.02%
		Beneficial owner	373,200	0.32%
		Beneficial owner	90,000 ⁽⁶⁾	0.08%
Snowy Wise ⁽²⁾	L ⁽⁴⁾	Beneficial owner	4,224,000	3.58%
Ms. Ding Lizhen ⁽²⁾	L ⁽⁴⁾	Interest in a controlled corporation	4,224,000	3.58%
		Beneficial owner	80,000 ⁽⁵⁾	0.07%
		Beneficial owner	900,000 ⁽⁶⁾	0.76%
Rightful Style ⁽³⁾	L ⁽⁴⁾	Beneficial owner	4,231,200	3.58%
Mr. Ding Peiyuan ⁽³⁾	L ⁽⁴⁾	Interest in a controlled corporation	4,231,200	3.58%
		Beneficial owner	80,000 ⁽⁵⁾	0.07%
		Beneficial owner	960,000 ⁽⁶⁾	0.81%
Bright Oasis Investment Holdings Limited ⁽⁷⁾	L ⁽⁴⁾	Beneficial owner	16,480,000	13.96%
Mr. Li XiaoJun ⁽⁷⁾	L ⁽⁴⁾	Interest in a controlled corporation	16,480,000	13.96%

Notes:

- (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.
- (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 80,000 Shares under the Pre-IPO Share Option Scheme.

- (6) Each of Mr. Ding Peiji, Ms. Ding Lizhen and Mr. Ding Peiyuan, an executive Director, has been granted an option to subscribe for 90,000, 900,000 and 960,000 Shares respectively under the Share Option Scheme granted on 2 November 2018.
- (7) Based on the notices of disclosures of interests of Bright Oasis Investment Holdings Limited and Mr. Li XiaoJun each filed with the Stock Exchange dated 20 February 2018, these interests are held by Bright Oasis Investment Holdings Limited, which is wholly owned by Mr. Li XiaoJun.
- (8) The calculation is based on the total number of 118,080,000 ordinary Shares in issue (after Share Consolidation) as at 30 June 2021 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 2021, the Company is 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 Part XV 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 2021 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.

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 (HK\$18.2 after Share Consolidation), 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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2021
	As at 1 January 2021 (Restated)	Granted during the period	Exercised during the period	Forfeited during the period	
Directors					
Mr. Ding Peiyuan	80,000	–	–	–	80,000
Ms. Ding Lizhen	80,000	–	–	–	80,000
Others					
In aggregate	180,000	–	–	(50,000)	130,000
Total	340,000	–	–	(50,000)	290,000

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 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.

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 determined 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Details of movement in the share options as at 30 June 2021 which have been granted under the Share Option Scheme are as follows:

Name	Outstanding as at 1 January 2021 (Restated)	Granted during the period ended 30 June 2021	Exercised during the period ended 30 June 2021	Cancelled during the period ended 30 June 2021	Outstanding during the period ended 30 June 2021	Exercise Price	Date of grant	Exercisable period
Directors								
Mr. Ding Peiji	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Ms. Ding Lizhen	900,000	-	-	-	900,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Mr. Ding Peiyuan	960,000	-	-	-	960,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Mr. Hung Cho Sing	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Mr. Chan Wai Wong	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Mr. Wu Shiming	90,000	-	-	-	90,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Employees	2,580,000	-	-	-	2,580,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Others ⁽¹⁾	3,200,000	-	-	-	3,200,000	1.07	2 November 2018	2 November 2019 – 1 November 2028
Total	8,000,000	-	-	-	8,000,000			

Note:

(1) Comprise of customers and consultants of the Company.

APPRECIATION

The Board would like to express our heartfelt gratitude towards the management team and staff for their commitment and diligence, and would like to thank our shareholders and business associates for their strong support to the Group.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, there is no significant event after the reporting period that is required to be disclosed by the Group.

On behalf of the Board

Miko International Holdings Limited

Ding Peiji

Chairman

Hong Kong, 27 August 2021

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

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For the six months ended 30 June 2021 (Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Turnover	4	59,741	42,981
Cost of sales		(53,523)	(37,963)
Gross profit		6,218	5,018
Other revenue	6	437	369
Share of results from an associate		(37)	(799)
Allowance for expected credit loss on trade receivables, net		(93)	(1,415)
Selling and distribution expenses		(8,590)	(20,052)
Administrative and other operating expenses		(18,785)	(11,211)
Gain on derecognition of convertible bonds		1,006	–
Loss from operations		(19,844)	(28,090)
Finance costs	7(a)	(2,350)	(2,335)
Loss before taxation	7	(22,194)	(30,425)
Income tax expenses	8	–	(375)
Loss for the period attributable to shareholders of the Company		(22,194)	(30,800)
Other comprehensive loss for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(1,270)	(2,177)
Total comprehensive loss for the period attributable to shareholders of the Company		(23,464)	(32,977)
Loss per share (RMB cents)			(Restated)
– Basic and diluted	9	(20.7)	(31.3)

22 UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 June 2021 (Expressed in Renminbi)

	Notes	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	48,649	55,550
Intangible assets	11	466	824
Right-of-use assets		2,369	2,413
Investment in an associate	12	45,822	45,859
		97,306	104,646
Current assets			
Inventories		12,774	23,128
Trade receivables	13	58,314	59,020
Prepayments, deposits and other receivables	14	8,712	12,139
Cash and cash equivalents		43,082	39,169
		122,882	133,456
Current liabilities			
Trade and other payables	15	21,343	22,805
Bank loans	16	43,750	44,150
Convertible bonds		–	14,963
		65,093	81,918
Net current assets			
		57,789	51,538
Total assets less current liabilities			
		155,095	156,184
Non-current liabilities			
Deferred tax liabilities		1,300	1,300
Convertible bonds		12,870	–
		14,170	1,300
Net assets			
		140,925	154,884
Equity			
Share capital	17(a)	9,491	7,833
Reserves		131,434	147,051
Total equity			
		140,925	154,884

Approved and authorized for issue by the board of directors on 27 August 2021

Director
Ding Peiji

Director
Ding Lizhen

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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For the six months ended 30 June 2021 (Expressed in Renminbi)

	Notes	Share capital RMB'000 17(a)	Share premium RMB'000 17(b)	Share-Based payment reserve RMB'000	Capital reserve RMB'000	Convertible bond reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020 (Audited)		7,833	272,205	8,740	145,549	4,141	11,398	58,134	(276,431)	231,569
Changes in equity for the six months ended 30 June 2020:										
Loss for the period		-	-	-	-	-	-	-	(30,800)	(30,800)
Other comprehensive loss		-	-	-	-	-	(2,177)	-	-	(2,177)
Total comprehensive loss		-	-	-	-	-	(2,177)	-	(30,800)	(32,977)
Balance at 30 June 2020 (Unaudited)		7,833	272,205	8,740	145,549	4,141	9,221	58,134	(307,231)	198,592
Balance at 1 January 2021 (Audited)		7,833	272,205	9,900	145,549	4,141	11,771	58,134	(354,649)	154,884
Changes in equity for the six months ended 30 June 2021:										
Loss for the period		-	-	-	-	-	-	-	(22,194)	(22,194)
Other comprehensive loss		-	-	-	-	-	(1,270)	-	-	(1,270)
Total comprehensive loss		-	-	-	-	-	(1,270)	-	(22,194)	(23,464)
Derecognition of convertible bonds		-	-	-	-	(4,141)	-	-	4,141	-
Recognition of new convertible bonds		-	-	-	-	1,754	-	-	-	1,754
Transaction cost attributable to placing of ordinary shares		-	(207)	-	-	-	-	-	-	(207)
Issue of ordinary shares		1,658	6,300	-	-	-	-	-	-	7,958
Balance at 30 June 2021 (Unaudited)		9,491	278,298	9,900	145,549	1,754	10,501	58,134	(372,702)	140,925

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

24 UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2021 (Expressed in Renminbi)

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating activities			
Cash (used in)/generated from operations		(1,219)	11,798
Income tax paid		–	–
Net cash (used in)/generated from operating activities		(1,219)	11,798
Investing activities			
Disposal of property, plant and equipment		50	–
Interest received	6	67	–
Net cash generated from investing activities		117	–
Financing activities			
Proceeds from bank loans		29,500	30,200
Repayment of bank loans		(29,900)	(30,800)
Proceeds from placing ordinary shares		7,958	–
Share issuance costs related to placing		(207)	–
Interest paid		(2,350)	(2,335)
Net cash generated from/(used in) financing activities		5,001	(2,935)
Net increase in cash and cash equivalents		3,899	8,863
Cash and cash equivalents at 1 January		39,169	32,102
Effect of foreign exchange rate changes		14	(2,177)
Cash and cash equivalents at 30 June		43,082	38,788

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 1601, Ho King Commercial Centre, 2-16 Fa Yuen Street, Mong Kok, Kowloon, Hong Kong.

As at 30 June 2021, the directors of the Company consider the immediate and ultimate controlling parties to be Think Wise Holdings Investment Limited and Mr. Ding Peiji respectively.

During the period, the Company and its subsidiaries (collectively the "**Group**") was principally engaged in the business of design, manufacture and sales of children apparel products. There were no significant changes in the nature of the Group's principal activities during the period.

The unaudited condensed consolidated interim financial information is presented in Renminbi ("**RMB**") unless otherwise stated.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "**Unaudited Interim Results**") have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). The Board approved the Unaudited Interim Results for issue on 27 August 2021.

The Unaudited Interim Results have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the adoption of new standards and amendments to existing standards as set out in note 3.

The preparation of the Unaudited Interim Results in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Unaudited Interim Results contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (Continued)

The condensed consolidated interim results have not been audited by the Company's independent auditors, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

The financial information relating to the financial year ended 31 December 2020 that is included in the Unaudited Interim Results as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2020 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 March 2021.

3. CHANGES IN ACCOUNTING POLICIES

The IASB had issued a number of amendments to IFRSs. The application of the amendments to IFRSs in the current period had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these Unaudited Interim Results.

4. TURNOVER AND SEGMENT INFORMATION

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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4. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Wholesalers		Retail outlets		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	53,110	41,746	6,631	1,235	59,741	42,981
Inter-segment revenue	–	548	–	–	–	548
Reportable segment revenue	53,110	42,294	6,631	1,235	59,741	43,529
Segment results	(25,805)	(20,334)	5,868	(4,865)	(19,937)	(25,199)
Allowance for expected credit loss on trade receivables, net	(75)	(1,221)	(18)	(194)	(93)	(1,415)
Other revenue					437	369
Share of results from an associate					(37)	(799)
Central administration costs					(1,220)	(1,046)
Gain on derecognition of convertible bonds					1,006	–
Finance costs					(2,350)	(2,335)
Loss before taxation					(22,194)	(30,425)

All of the segment revenue reported above are generated from external customers.

Revenue from contracts with customers are recognised at a point in time.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies to the consolidated financial statements. Segment results represent the loss recorded by each segment without allocation of other revenue, share of results from an associate, finance costs, gain on derecognition of convertible bonds and central administration costs including directors' remuneration. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Wholesalers		Retail outlets		Total	
	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Segment assets	172,196	166,391	823	25,529	173,019	191,920
Unallocated assets					47,169	46,182
Total assets					220,188	238,102
Segment liabilities	61,269	58,807	876	19	62,145	58,826
Unallocated liabilities					17,118	24,392
Total liabilities					79,263	83,218

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investment in associate, certain other prepayments and receivables and certain cash and cash equivalents; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities, convertible bonds and certain accrued charges and other payables

Geographical information

All the Group's revenue from external customers and non-current assets are based in Mainland China.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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4. TURNOVER AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Customer A	11,885	10,177
Customer B	11,142	10,161
Customer C	8,493	8,990
Customer D	7,774	6,917

5. SEASONALITY OF OPERATION

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

6. OTHER REVENUE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income	67	–
Rental income	370	369
	437	369

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
(a) Finance costs:		
Interest on bank loans	1,040	1,074
Imputed interest on convertible bonds	1,310	1,261
	2,350	2,335
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	645	860
Salaries, wages and other benefits	9,683	11,291
	10,328	12,151
(c) Other items:		
Amortisation of intangible assets	358	1,390
Depreciation of property, plant and equipment	6,837	6,034
Depreciation of right-of-use assets	44	44
Loss on disposal on property, plant and equipment	14	–
Allowance for expected credit loss on trade receivables, net	93	1,415
Research and development expenses	5,576	1,601
Cost of inventories sold [#]	53,523	37,963

[#] Cost of inventories for the six months ended 30 June 2021 includes RMB4,388,000 (six months ended 30 June 2020: RMB4,864,000) relating to staff costs, which amount is also included in note 7(b) above.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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8. TAXATION

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax		
– PRC corporate income tax	–	–
Deferred tax		
– Origination of temporary differences	–	375
	–	375

- (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 2020 and 2021; and
- (iii) The applicable income tax rate for all of the Group’s subsidiaries in Mainland China is 25%.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to shareholders of the Company of RMB22,194,000 (six months ended 30 June 2020: loss of RMB30,800,000) and the weighted average of 107,424,530 ordinary shares (six months ended 30 June 2020: 98,400,000 ordinary shares (restated)).

(b) Diluted loss per share

The effect of the Company’s share options and convertible bonds was anti-dilutive for six months ended 30 June 2021 and 2020, and therefore, diluted loss per share are the same as the basic loss per share.

On 16 March 2021, the Company implemented share consolidation and the weighted average number of ordinary share in issue used in the basic and diluted loss per share calculation for the period ended 30 June 2020 was adjusted retrospectively.

32 NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

- (a) During the six months ended 30 June 2021, no plant and machinery was acquired by the Group (six months ended 30 June 2020: Nil). No impairment loss was recognised during the six months ended 30 June 2021 and 2020.
- (b) Buildings with net book value of RMB36,819,000 as at 30 June 2021 (31 December 2020: RMB29,429,000) were pledged as collateral for the Group's bank loans.
- (c) Right-of-use assets with carrying amount of RMB2,373,000 as at 30 June 2021 (31 December 2020: RMB1,513,000) were pledged as collateral for the Group's bank loans.

11. INTANGIBLE ASSETS

The amortisation for the period is approximately RMB358,000 (six months ended 30 June 2020: RMB1,390,000) which is included in selling and distribution expenses and administrative and other operating expenses in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.

12. INVESTMENT IN AN ASSOCIATE

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Acquisition of interests in an associate	45,000	45,000
Share of post-acquisition profits, net of dividend received	822	859
At end of the period/year	45,822	45,859

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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12. INVESTMENT IN AN ASSOCIATE (Continued)

Details of the Group's investment in an associate, which is accounted for using the equity method in the financial statements, are as follows:

Name	Place of incorporation/ operation	Form of business structure	Percentage of effective equity interest held				Particulars of issued paid-up capital	Principal activities
			As at 30 June 2021 (Unaudited)		As at 31 December 2020 (Audited)			
			direct	indirect	direct	indirect		
廈門兆年商業保理有限公司	The People's Republic of China	Limited liability	-	45%	-	45%	RMB100,000,000	Engage in commercial factoring business and provide credit facility, tender agency, liquidation and settlement services

13. TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables of the Group based on invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 90 days	38,732	38,662
90-120 days	4,143	9,874
After 120 days but within 180 days	11,510	6,162
After 180 days but within 1 year	3,929	4,322
Over 1 year	-	-
	58,314	59,020

34 NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Prepayments to suppliers	7,482	3,330
Other tax recoverable	501	3,632
Other prepayments and receivables	729	5,177
	8,712	12,139

15. TRADE PAYABLES

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 3 months	6,958	3,238
After 3 months but within 6 months	–	–
After 6 months but within 1 year	–	–
After 1 year	–	497
	6,958	3,735

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Bank loans – secured	43,750	44,150

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Buildings held for own use (note 10(b))	36,819	29,429
Lease prepayments (note 10(c))	2,373	1,513
	39,192	30,942

Bank loans of RMB26,000,000 as at 30 June 2021 (31 December 2020: RMB26,000,000) were guaranteed by the director of the Company and a third party which are included in secured bank loans.

36 NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. BANK LOANS (Continued)

The bank loans comprise of:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Fixed-rate bank loans	43,750	44,150

The effective interest rates per annum at the respective reporting dates, are as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Fixed-rate bank loans	4.78-5.52%	4.78-5.52%

At the end of the reporting period, bank loans were denominated in the following currencies:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
RMB	43,750	44,150

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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17. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Authorised and issued share capital

	2021			2020		
	No. of shares (note ii)	HK\$'000	RMB'000 (Unaudited)	No. of shares (Restated) (note ii)	HK\$'000	RMB'000 (Audited)
Authorised:						
Ordinary shares of HK\$0.1 each	1,000,000,000	100,000	79,380	1,000,000,000	100,000	79,380
Ordinary shares, issued and fully paid:						
At 1 January, 31 December	98,400,000	9,840	7,833	98,400,000	9,840	7,833
Issuance of ordinary shares on 9 April 2021 (note i)	19,680,000	1,968	1,658	-	-	-
At 30 June	118,080,000	11,808	9,491	98,400,000	9,840	7,833

note:

- (i) On 9 April 2021, all conditions set out in the placing agreement have been fulfilled and the completion of the placing took place in accordance with the terms and conditions of the Placing Agreement. An aggregate of 19,680,000 Placing Shares have been placed to not less than six placees who and whose ultimate beneficial owners are not the connected person(s) of the Company and its connected persons at the Placing Price of HK\$0.48 per Placing Share. The net proceeds from the Placing amounted to approximately RMB7,751,000. The Company intends to utilise the net proceeds from the placing for repayment of bank borrowings, general working capital and corporate purpose.
- (ii) The Company proposed a share consolidation of every ten issued existing shares be consolidated into one consolidated share ("**Share Consolidation**"). Before the Share Consolidation was effective on 16 March 2021, 984,000,000 existing shares have been allotted and issued. Upon the Share Consolidation becoming effective and assuming that no existing shares are issued or bought back from the date of announcement until the effective date of the Share Consolidation, not more than 98,400,000 consolidated shares will be in issue. The board lot size for trading on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is proposed to be changed from 2,000 existing shares to 6,000 consolidated shares conditional upon the Share Consolidation becoming effective. Details of the Share Consolidation and change in board lot size were set out in the announcement of the Company dated 10 February 2021 and the circular of the Company dated 25 February 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share premium

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed. The Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(c) Dividends

No dividend was paid or proposed during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period. The rates of dividend and the number of shares ranking for dividend are not presented, as such information is not considered meaningful for the purpose of the unaudited interim results.

18. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT A VALUE 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 2021 and 31 December 2020.

19. CAPITAL COMMITMENTS CONTRACTED FOR BUT NOT PROVIDED FOR IN THE UNAUDITED INTERIM FINANCIAL REPORT

No capital commitments was contracted or provided for as at 30 June 2021 (31 December 2020: Nil).

20. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited financial statements, the Group entered into the following material related party transactions during the six months ended 30 June 2021 and 2020.

Guarantee provided by a related party

Secured bank loans of RMB26,000,000 as at 30 June 2021 (31 December 2020: RMB26,000,000) were guaranteed by Mr. Ding Peiji (Note 16).