凱知樂

Kidsland International Holdings Limited
凱知樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2122)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

- The Group recorded a net loss after tax of approximately RMB130.1 million for the Reporting Period, compared to unaudited net loss after tax of approximately RMB135.6 million for the First Half 2020 and audited net loss after tax of approximately RMB79.5 million for the Prior Period.

- In other words, the net loss after tax for the Reporting Period is larger than the audited net loss after tax for the Prior Period but less than the unaudited net loss after tax for the First Half 2020. It means that the Group recorded a net profit after tax of approximately RMB5.5 million for the Second Half 2020.

- This is the first time the Group has recorded a net profit after tax for any six-month period since 1 January 2018.

- The Group recorded a 19.6% decline in revenue from approximately RMB1,710.0 million for the Prior Period to approximately RMB1,374.8 million in the Reporting Period.

    - Revenue from self-operated retail channels dropped by 12.8% to approximately RMB1,066.4 million, as the Group's retail business was significantly impacted by the outbreak of the COVID-19 during the Reporting Period.

- Revenue from wholesale channels declined by 36.7% to approximately RMB308.4 million, as the recovery of sales from the impact of the COVID-19 on the wholesale channels was slower than the recovery in self-operated retail channels.

- Revenue from our online stores rose by 8.5% to approximately RMB99.0 million.

- However, rate of revenue decline contracted in the Second Half 2020 compared to that in the First Half 2020 due to the ease of negative impact from the COVID-19 in the Second Half 2020.

  - Year-on-year revenue decline from self-operated retail channels in the Second Half 2020 was 5.8% compared to that of 19.4% in the First Half 2020.

  - Revenue from retail shops, in fact, grew 1.9% to approximately RMB331.8 million in the Second Half 2020 over the same period in 2019.

  - Revenue from online stores grew 11.3% to approximately RMB49.7 million in the Second Half 2020 over the same period in 2019.

- Revenue from Hong Kong and overseas regions (after inter-segment elimination) recorded an increase by 14.2% to approximately RMB148.6 million in the Reporting Period compared to the Prior Period.

- Gross profit in the Reporting Period was approximately RMB503.3 million and gross profit margin decreased from 39.7% in the Prior Period to 36.6% in the Reporting Period. If non-cash inventory provision of approximately RMB20.7 million was excluded, gross profit margin in the Reporting Period would have been 38.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

As reported in the interim results announcement dated 31 August 2020, the outbreak of the novel coronavirus 2019 disease (the "**COVID-19**") had put severe pressure on the operations and financial results of Kidsland International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"). With the efforts the team had taken during 2020, the Group had substantially stabilised the business. The Group recorded a net loss after tax of approximately RMB130.1 million for the year ended 31 December 2020 (the "**Reporting Period**"), compared to unaudited net loss after tax of approximately RMB135.6 million for the six months ended 30 June 2020 (the "**First Half 2020**") and audited net loss after tax of approximately RMB79.5 million for the year ended 31 December 2019 (the "**Prior Period**"). However, it means that the Group recorded a net profit after tax of approximately RMB5.5 million for the six months ended 31 December 2020 (the "**Second Half 2020**"). This is the first time the Group has recorded a net profit after tax for any six-month period since 1 January 2018.

Although the Group recorded a 19.6% decline in revenue in the Reporting Period as compared to the Prior Period, there were initial signs of recovery, especially in the Second Half 2020. For example, revenue from retail shops and online stores, in fact, grew 1.9% and 11.3%, respectively, in the Second Half 2020 over the same period in 2019.

During 2020, the Group had intensified its expense and product procurement measurements. The Group had been continuously optimising its retail network in Mainland China and renegotiating and exiting loss-making retail locations. Total selling, distribution, general and administrative expenses declined 9.8% from approximately RMB739.0 million in the Prior Period to approximately RMB666.8 million in the Reporting Period. The Group's inventories dropped 27.2% from approximately RMB576.4 million as of 31 December 2019 to approximately RMB419.9 million as of 31 December 2020, mainly attributable to efforts in procurement management and stock clearance.

Meanwhile, the Group stayed focused on executing its turnaround plan and many workstreams under the digitalization and customer-centric strategic blueprint as set out in the Group's 2019 annual report.

On the digitalization agenda, the Group announced its partnership with Microsoft and had since become Microsoft's show-case leader in digital transformation with Microsoft's intelligent cloud in Mainland China. Applying Microsoft intelligent cloud solutions, the Group will build up an integrated information system that, over time, links the supply chain, sales, retail, and finance, effectively integrating all aspects of business operations for its Mainland business. In both Mainland China and Hong Kong, localised strategies had been adopted to effectively integrate the online and offline customer journey. For example, in Mainland China, the Group had intensified its efforts in integrating the online and offline operations, through collaboration with TMall's same-city delivery and WeChat's mini-program. Some siloed membership bases across different online stores and offline shops are being integrated and activated via well deliberated tools and technology to drive traffic and foster loyalty. Brand-specific expansion into different e-commerce platforms, especially those content-driven ones, such as TikTok, Little Red Book and bilibili, is being implemented to reach out more targeted customers in Mainland China. In Hong Kong, the Group partnered with Omnichat to leverage social commerce technology to offer customer effortless experience in communicating and transacting via instant messaging mobile applications, such as WhatsApp. In August 2020, the Group launched LEGO Certified Online Store (https://LEGO.kidslandgroup.com) in Hong Kong as a part of the online-offline integration strategy.

In September 2020, the Group launched a multi-brand trendy and collectible toy platform, kkplus kidsland, in Hong Kong. It offers differentiated product range and art museum-like shopping experience. Products on offer included not only local brands, but also international ones, with well-known cartoon or movie characters and wide-ranged creative themes. kkplus kidsland has been quickly partnering up with internationally well-renowned boutiques and online stores to further expand its distribution network. There are also near-term plans to expand kkplus kidsland in Hong Kong and further into Mainland China. This business unit in Hong Kong will leverage kkplus kidsland, as a part of the Group's efforts, in penetrating the rapidly growing trendy and collectible toy market. Helped by the opening of the Group's fifth LEGO Certified Store and kkplus kidsland in Hong Kong, the Group's revenue from Hong Kong and overseas regions (after inter-segment elimination) increased by 14.2% in the Reporting Period compared to the Prior Period.

In November 2020, the Group announced its strategic collaboration with Tencent Video and Original Force in investing, developing and operating "Secret Jewel in the Cave" (洞光寶石的秘密), which is a live-action animation, and represents the first season of "Monsters in the Forbidden City" (故宮裡的大怪獸). Kidsland will be responsible for the licensing of toy and peripheral products from this live-action animation. With massive traffic of Tencent Video, top notch creative and production capabilities of Original Force, as well as the comprehensive omnichannel sales system of Kidsland, this collaboration will integrate online and offline resources, to promote modern Chinese culture.

It creates an innovative IP collaborative model first seen in China by combining investment, development and operation. What the Group offers to this innovative operating model, amongst other things, are its competitive edges in direct operations, distribution and online-offline integrated sale network. Kidsland and its toy brand partners will launch a series of marketing and promotion activities and exhibition tour for the toy products of this live-animation, as well as support the online-offline omnichannel promotion and operations. The operating model ensures a close communication and interaction with audience and consumers, to gain consumer insight and create brand value.

This business unit will bring new sources of revenue for the Group and improve the Group's profitability. The Group has since been building a team to accelerate the development of licensing business and self-owned products.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 31 December 2020, this network comprised:

Self-operated Retail Channels

– 670 self-operated retail points of sale consisting of retail shops and consignment counters (31 December 2019: 744)

– 24 online stores (31 December 2019: 20)

Wholesale Channels

– 580 distributors (31 December 2019: 697) who onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,400 (31 December 2019: more than 2,100)

– 16 hypermarket and supermarket chains (31 December 2019: 16)

– 5 online key accounts (31 December 2019: 5)

Detailed breakdowns of our distribution network are set out below:

1. Self-operated Retail Channels

1.1 Retail Shops

During the Reporting Period, we continued to optimise our store network.

Changes in the number of retail shops for the years indicated are shown below:

	2020	2019
Retail shops		
At the beginning of the year	**239**	257
Addition of new retail shops	**9**	22
Closure of retail shops	**(46)**	(40)
At the end of the year	**202**	239

1.2 Consignment Counters

Most of our consignment counters were located at renowned department stores and a renowned regional toy store chain, and most of them operated under the brand name of Kidsland. During the Reporting Period, we continued to open new consignment counters only at strategically selected locations. At the same time, we terminated some loss-making consignment counters.

Changes in the number of consignment counters for the years indicated are shown below:

	2020	2019
Consignment counters		
At the beginning of the year	**505**	519
Addition of new consignment counters	**28**	43
Closure of consignment counters	**(65)**	(57)
At the end of the year	**468**	505

1.3 Online Stores

During the Reporting Period, we launched 8 and closed 4 flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 31 December 2020, we had 24 online stores in total, compared with 20 as of 31 December 2019.

2. Wholesale Channels

In addition to self-operated retail channels, we further optimised our distribution network in the wholesale channels, comprising (i) distributors, (ii) hypermarket and supermarket chains, and (iii) online key accounts in Mainland China.

2.1 Distributors

As of 31 December 2020, we had 580 distributors (31 December 2019: 697), who onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,400 (31 December 2019: more than 2,100) in Mainland China.

The following table sets forth the changes in the number of distributors for the years indicated:

	2020	2019
Distributors		
At the beginning of the year	**697**	931
Addition of new distributors	**80**	155
Expiry without renewal of distribution agreements	**(197)**	(389)
At the end of the year	**580**	697

2.2 Hypermarket and Supermarket Chains

As of 31 December 2020, we had wholesale arrangements with 16 hypermarket and supermarket chains (31 December 2019: 16) with a sum of 686 retail points (31 December 2019: 689) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

The following table sets forth the changes in the number of hypermarket and supermarket chains for the years indicated:

	2020	2019
Hypermarket and supermarket chains		
At the beginning of the year	**16**	16
Addition/termination of hypermarket and supermarket chains	**–**	–
At the end of the year	**16**	16

2.3 Online Key Accounts

The following table sets forth the changes in the number of online key accounts for the years indicated:

	2020	2019
Online key accounts		
At the beginning of the year	**5**	7
Addition of new online key accounts	**–**	–
Termination or expiry of agreements with online key accounts	**–**	(2)
At the end of the year	**5**	5

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group decreased by 19.6% from approximately RMB1,710.0 million for the Prior Period to approximately RMB1,374.8 million.

During the Second Half 2020, the revenue of the Group decreased by 14.7% from approximately RMB860.1 million for the six months ended 31 December 2019 (the "**Second Half 2019**") to approximately RMB733.6 million. The sales decline in the Second Half 2020 narrowed as compared to that of the First Half 2020, which was 24.6% from approximately RMB850.0 million for the six months ended 30 June 2019 (the "**First Half 2019**") to approximately RMB641.2 million.

The table below sets out the Group's revenue by channel for the periods indicated:

		Six months ended			Six months ended	
		31 December	**30 June**		31 December	30 June
	2020	**2020**	**2020**	2019	2019	2019
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)	**(unaudited)**		(unaudited)	(unaudited)
Self-operated retail channels						
– Retail shops	**599,775**	**331,781**	**267,994**	656,550	325,505	331,045
– Consignment counters	**367,699**	**182,644**	**185,055**	474,918	228,919	245,999
– Online stores	**98,956**	**49,745**	**49,211**	91,167	44,714	46,453
Sub-total:	**1,066,430**	**564,170**	**502,260**	1,222,635	599,138	623,497
Wholesale channels						
– Distributors	**251,184**	**141,735**	**109,449**	378,927	199,346	179,581
– Hypermarket and supermarket chains	**21,454**	**11,867**	**9,587**	25,324	12,651	12,673
– Online key accounts	**35,716**	**15,823**	**19,893**	83,155	48,942	34,213
Sub-total:	**308,354**	**169,425**	**138,929**	487,406	260,939	226,467
Total:	**1,374,784**	**733,595**	**641,189**	1,710,041	860,077	849,964

Self-operated Retail Channels

The self-operated retail channels recorded a decrease in revenue of 12.8% to approximately RMB1,066.4 million during the Reporting Period compared to the Prior Period. Despite the drop in retail shops revenue by 8.6% to approximately RMB599.8 million and the drop in consignment counters revenue by 22.6% to approximately RMB367.7 million, revenue from our online stores rose by 8.5% to approximately RMB99.0 million.

The year-on-year sales decline from self-operated retail channels in the Second Half 2020 was 5.8% compared to that of 19.4% in the First Half 2020.

Wholesale Channels

For the Reporting Period, revenue contributed by wholesale channels declined by 36.7% compared to the Prior Period to approximately RMB308.4 million, as recovery of sales from impact of COVID-19 in wholesale channels took a longer time than the recovery in self-operated retail channels. Revenue from distributors, hypermarket and supermarket chains, and online key accounts dropped by 33.7% to approximately RMB251.2 million, 15.3% to approximately RMB21.5 million and 57.0% to approximately RMB35.7 million, respectively.

The year-on-year sales decline from wholesale channels in the Second Half 2020 was 35.1% compared to that of 38.7% in the First Half 2020.

Combining revenue from online stores and online key accounts, our revenue through e-commerce totaled approximately RMB134.7 million, or 9.8% of our total revenue during the Reporting Period (10.2% in the Prior Period).

Revenue from Hong Kong and overseas regions (after inter-segment elimination) recorded an increase by 14.2% from approximately RMB130.1 million in the Prior Period to approximately RMB148.6 million in the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 15.5% from approximately RMB1,031.2 million in the Prior Period to approximately RMB871.5 million in the Reporting Period. The drop was consistent with the decrease in revenue volume, partially offset by non-cash inventory provision of approximately RMB20.7 million. The Group's gross profit margin decreased from 39.7% in the Prior Period to 36.6% in the Reporting Period. Excluding non-cash inventory provision of approximately RMB20.7 million, the Group's gross profit margin in the Reporting Period would have been 38.1%. Gross profit declined from approximately RMB678.8 million in the Prior Period to approximately RMB503.3 million in the Reporting Period.

Other Income

Other income, consisting mainly of government grants, remained stable at approximately RMB14.6 million in the Reporting Period compared to the Prior Period.

Other Gains/Losses, Net

Other gains, net of approximately RMB28.1 million recorded in the Reporting Period, compared to other losses, net of approximately RMB28.1 million in the Prior Period. Other gains, net in the Reporting Period was mainly attributable to net exchange differences. Other losses, net in the Prior Period also included a fair value loss on financial asset at fair value through profit or loss of approximately RMB16.5 million on our investment in 1.5% interest in equity of an unlisted company incorporated in Mainland China.

Impairment Loss on Financial Assets

The amount represented the provision made for impairment loss on trade receivables. Provision for impairment loss on trade receivables decreased from approximately RMB3.9 million in the Prior Period to approximately RMB0.01 million in the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 9.7% from approximately RMB657.4 million in the Prior Period to approximately RMB593.6 million in the Reporting Period. The Group intensified its expense management and hence attributed to the decline in selling and distribution expenses, although such decline was partially offset by non-cash impairment provision of property, plant and equipment, and right-of-use assets amounting to RMB41.0 million. Excluding the non-cash impairment provision of property, plant and equipment, and right-of-use assets, selling and distribution expenses would have decreased by 15.9% in the Reporting Period.

General and Administrative Expenses

General and administrative expenses decreased by 10.3% from approximately RMB81.6 million in the Prior Period to approximately RMB73.2 million in the Reporting Period. The drop was mainly attributable to reduction in share-based payments and staff costs, and better cost control on other sundry expenses.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, dropped by approximately RMB3.1 million from approximately RMB13.8 million in the Prior Period to approximately RMB10.7 million in the Reporting Period.

Loss for the Period

A loss of approximately RMB130.1 million was recorded in the Reporting Period (Prior Period: loss of approximately RMB79.5 million).

In other words, net loss after tax in the Reporting Period is larger than that of the Prior Period but less than the unaudited net loss after tax of approximately RMB135.6 million in the First Half 2020. It means the Group recorded a net profit after tax of approximately RMB5.5 million in the Second Half 2020.

This is the first time the Group has recorded a net profit after tax for any six-month period since 1 January 2018.

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days increased from 197 days in the Prior Period to 209 days in the Reporting Period. Trade receivables turnover days remained unchanged at 30 days in the Reporting Period and the Prior Period. Trade payables turnover days decreased from 79 days in the Prior Period to 65 days in the Reporting Period.

Cash Conversion Cycle

Cash conversion cycle is a metric that shows the amount of time it takes a company to convert its investment in inventory to cash, which equals to inventory turnover days plus trade receivables turnover days minus trade payables turnover days. The cash conversion cycle of the Group increased from 148 days in the Prior Period to 174 days in the Reporting Period.

With intensified product procurement management and stock clearance over the Reporting Period, we managed to substantially reduced our inventory by 27.2% from approximately RMB576.4 million as of 31 December 2019 to approximately RMB419.9 million as of 31 December 2020.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB31.2 million in property, plant, and equipment, mainly to renovate existing shops (Prior Period: approximately RMB43.1 million).

Liquidity and Financial Resources

The Group's cash position as of 31 December 2020 was approximately RMB53.8 million, compared to approximately RMB36.2 million as of 31 December 2019. The current ratio and quick ratio as of 31 December 2020 were 2.1 and 1.0, respectively (31 December 2019: 1.9 and 0.9, respectively).

As of 31 December 2020, the Group had aggregate banking facilities of approximately RMB77.3 million (31 December 2019: approximately RMB118.0 million) for trade financing, of which approximately RMB39.9 million (31 December 2019: approximately RMB81.5 million) was unutilised as of the same date. These facilities are secured by corporate guarantees provided by the Company.

As of 31 December 2020, the Group had a loan facility from a related company of approximately RMB33.7 million (31 December 2019: approximately RMB35.8 million), of which approximately RMB33.4 million was utilised (31 December 2019: approximately RMB13.7 million).

Charge of Assets

As of 31 December 2020, the Group had restricted cash of approximately RMB5.4 million for bank guarantee of a trade finance facility (31 December 2019: approximately RMB5.5 million).

Contingent Liabilities

As of 31 December 2020, the Group did not have significant contingent liabilities (31 December 2019: Nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from exposure in the United States Dollar, Euro and Hong Kong Dollar against Renminbi. Although the management personnel of the Group (the "**Management**") monitor its foreign exchange risks regularly, exchange rate fluctuations could affect the Group's margins and profitability.

RESULTS

The board of directors of the Company (the "**Directors**" and the "**Board**", respectively) announces the consolidated results of the Group for the Reporting Period, prepared on the basis set out in Note 2 below, together with the comparative figures for the Prior Period, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Revenue	3	**1,374,784**	1,710,041
Cost of sales	6	**(871,483)**	(1,031,241)
Gross profit		**503,301**	678,800
Other income	4	**14,602**	14,564
Other gains/(losses), net	5	**28,084**	(28,086)
Impairment loss on financial assets	6	**(12)**	(3,850)
Selling and distribution expenses	6	**(593,624)**	(657,437)
General and administrative expenses	6	**(73,249)**	(81,569)
Operating loss		**(120,898)**	(77,578)
Finance costs	7	**(10,748)**	(13,811)
Loss before income tax		**(131,646)**	(91,389)
Income tax credit	8	**1,548**	11,907
Loss for the year		**(130,098)**	(79,482)
Other comprehensive (loss)/income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(17,549)**	5,971
Total comprehensive loss for the year		**(147,647)**	(73,511)
(Loss)/profit for the year attributable to:			
– owners of the Company		**(127,094)**	(82,208)
– non-controlling interest		**(3,004)**	2,726
		(130,098)	(79,482)
Total comprehensive (loss)/income for the year attributable to:			
– owners of the Company		**(145,017)**	(76,104)
– non-controlling interest		**(2,630)**	2,593
		(147,647)	(73,511)
Loss per share, basic and diluted *(RMB cents)*	9	**(15.89)**	(10.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	**2020** *RMB'000*	2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**38,899**	58,377
Right-of-use assets	11	**108,125**	183,835
Intangible asset		**8,795**	9,882
Deposits paid for acquisition of property, plant and equipment		**2,079**	–
Rental deposits		**22,741**	24,734
Deferred tax assets		**24,401**	24,838
		205,040	301,666
Current assets			
Inventories		**419,865**	576,375
Trade receivables	12	**94,235**	134,190
Other receivables, deposits and prepayments		**89,942**	132,981
Right of return assets		**2,246**	3,271
Tax recoverable		**56**	190
Financial asset at fair value through profit or loss ("**FVTPL**")		**–**	–
Restricted cash		**5,440**	5,500
Bank balances and cash		**48,334**	30,685
		660,118	883,192
EQUITY			
Owners of the Company			
Share capital		**6,931**	6,931
Reserves		**471,379**	614,305
		478,310	621,236
Non-controlling interest		**8,411**	11,041
Total equity		**486,721**	632,277

	Note	2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs		**5,222**	6,687
Lease liabilities	11	**58,920**	91,189
		64,142	97,876
Current liabilities			
Trade payables	13	**93,390**	214,444
Other payables and accruals		**92,392**	81,386
Loan from a related company		**33,413**	13,695
Lease liabilities	11	**70,056**	101,458
Contract liabilities		**19,081**	35,752
Current tax liabilities		**5,963**	7,970
		314,295	454,705
Net current assets		**345,823**	428,487
Total assets less current liabilities		**550,863**	730,153
Net assets		**486,721**	632,277

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Kidsland International Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") are principally engaged in trading and sale of toys and related lifestyle products. The Group mainly operates in Mainland China and Hong Kong.

The Company is a limited liability company incorporated in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 April 2017.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These consolidated financial information are presented in Renminbi ("**RMB**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial information of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial information have been prepared on the historical cost basis except for the financial asset at FVTPL which is measured at fair value.

2.2 Change in presentation of segment information

During previous years, the directors have presented the Group's operating segment information based on the nature of operations of the Group and classified into two operating segments of sales of toys and sales of infant products. From 1 January 2020, the directors have changed the presentation of segment results based on the geographic area in which the Group operates.

Comparative financial information for the year ended 31 December 2019 has been restated following this change in presentation of segment information.

2.3 Principal accounting policies

The preparation requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards that have been issued and effective for the Group's financial year beginning on or after 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amendment early:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to HKFRS 16 set out above.

The Group has early adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB10,979,000 have been recognised in selling expenses in the statement of profit or loss for the year ended 31 December 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

(b) New and amended standards not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual improvements project	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the new standards and amended standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards and amended standards, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, the chief operating decision maker (the "**CODM**"), that are used to make strategic decisions. The Group's operating segments are classified as the geographic areas (i) the People's Republic of China (the "**PRC**"); and (ii) Hong Kong and overseas, which are based on the geographic areas of the operations carried out by the Group. No operating segments have been aggregated in arriving at the reporting segments of the Group.

The CODM assess the performance of the operating segments based on a measure of reportable segment profit/(loss). This measurement basis excludes unallocated other income, corporate expenses, other gains/(losses), net and finance costs.

Segment assets mainly exclude deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude current tax liabilities, loan from a related company and other liabilities that are managed on a central basis.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and total assets and capital expenditure are based on the country where the assets are located.

(a) The following is an analysis of the Group's segment information provided to the executive directors for the reportable segments for the year ended 31 December 2020:

	The PRC *RMB'000*	**Hong Kong and overseas** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Revenue				
– Revenue recognised at a point in time	**1,226,174**	**192,805**	**(44,195)**	**1,374,784**
Reportable segment results	**(151,602)**	**10,767**		**(140,835)**
Unallocated other income				**397**
Unallocated corporate expenses				**(15,804)**
Unallocated other gains, net				**25,308**
Unallocated finance costs				**(712)**
Loss before income tax				**(131,646)**
Income tax credit				**1,548**
Loss for the year				**(130,098)**

(b) The following is an analysis of the Group's segment information provided to the executive directors for the reportable segments for the year ended 31 December 2019:

	The PRC *RMB'000*	Hong Kong and overseas *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Revenue				
– Revenue recognised at a point in time	1,579,954	299,539	(169,452)	1,710,041
Reportable segment results	(58,817)	18,700		(40,117)
Unallocated other income				331
Unallocated corporate expenses				(24,001)
Unallocated other losses, net				(27,217)
Unallocated finance costs				(385)
Loss before income tax				(91,389)
Income tax credit				11,907
Loss for the year				(79,482)

(c) The following is an analysis of the Group's assets and liabilities as at 31 December 2020 by reportable segment:

	The PRC *RMB'000*	**Hong Kong and overseas** *RMB'000*	**Total** *RMB'000*
Segment assets	**727,983**	**58,944**	**786,927**
Deferred tax assets			**24,401**
Unallocated assets			**53,830**
Total assets per consolidated statement of financial position			**865,158**
Segment liabilities	**286,868**	**48,983**	**335,851**
Current tax liabilities			**5,963**
Loan from a related company			**33,413**
Unallocated liabilities			**3,210**
Total liabilities per consolidated statement of financial position			**378,437**

(d) The following is an analysis of the Group's assets and liabilities as at 31 December 2019 by reportable segment:

	The PRC *RMB'000*	Hong Kong and overseas *RMB'000*	Total *RMB'000*
Segment assets	1,054,259	69,386	1,123,645
Deferred tax assets			24,838
Unallocated assets			36,375
Total assets per consolidated statement of financial position			1,184,858
Segment liabilities	453,405	74,892	528,297
Current tax liabilities			7,970
Loan from a related company			13,695
Unallocated liabilities			2,619
Total liabilities per consolidated statement of financial position			552,581

(e) The following is an analysis of the Group's other segment information as at 31 December 2020 by reportable segment:

	The PRC *RMB'000*	**Hong Kong and overseas** *RMB'000*	**Total** *RMB'000*
Additions to non-current assets	**71,814**	**15,651**	**87,465**
Depreciation and amortisation	**119,197**	**17,157**	**136,354**
Impairment loss on financial assets	**12**	**–**	**12**
Impairment loss on right-of-use assets	**23,423**	**–**	**23,423**
Impairment loss on property, plant and equipment	**17,545**	**–**	**17,545**

(f) The following is an analysis of the Group's other segment information as at 31 December 2019 by reportable segment:

	The PRC *RMB'000*	Hong Kong and overseas *RMB'000*	Total *RMB'000*
Additions to non-current assets	180,207	6,181	186,388
Depreciation and amortisation	143,548	15,505	159,053
Impairment loss on financial assets	3,850	–	3,850
Impairment loss on right-of-use assets	3,203	–	3,203
Impairment loss on property, plant and equipment	1,984	–	1,984

(g) The Group has recognised the following assets and liabilities related to contracts with customers:

	2020 *RMB'000*	2019 *RMB'000*
Current assets		
Right of return assets	**2,246**	3,271
Current contract liabilities		
– Receipts in advance	**15,077**	30,495
– Customer loyalty programme	**1,267**	1,301
– Liability arising from expected sales return	**2,737**	3,956
Total	**19,081**	35,752

Where a customer has a right to return a product within a given period, the Group recognises a liability arising from expected sales return of RMB2,737,000 (2019: RMB3,956,000) for the amount of consideration received for which the entity does not expect to be entitled. The Group also recognises a right to the returned goods of RMB2,246,000 (2019: RMB3,271,000) measured by reference to the former carrying amount of the goods. The costs to recover the products are not material because the customers usually return them in a saleable condition.

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**35,752**	16,212

(h) Sales and distribution channels

The Group has a diverse retail network and an extensive distribution network. The Group sells toy and related lifestyle products through (i) self-operated retail channels; and (ii) wholesale channels.

The following table sets forth a breakdown of revenue by the self-operated retail and wholesale channels for the years indicated:

	2020	2019
	RMB'000	*RMB'000*
Self-operated retail channels		
– Retail shops	**599,775**	656,550
– Consignment counters	**367,699**	474,918
– Online stores	**98,956**	91,167
Wholesale channels		
– Distributors	**251,184**	378,927
– Hypermarket and supermarket chains	**21,454**	25,324
– Online key accounts	**35,716**	83,155
	1,374,784	1,710,041

For the years ended 31 December 2020 and 2019, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

4 OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Interest income	**397**	331
Government grants *(Note)*	**11,481**	10,035
Sundry income	**2,724**	4,198
	14,602	14,564

Note: Various government subsidies have been received from the local government authorities for subsidising the operating activities and acquisition of fixed assets. During the year ended 31 December 2020, subsidy income amounting to RMB11,481,000 (2019: RMB10,035,000) are recognised in profit or loss. Deferred government grant of RMB3,862,000 (2019: nil) was recognised in the consolidated statement of financial position since conditions of the grants were not yet fulfilled.

5 OTHER GAINS/(LOSSES), NET

	2020	2019
	RMB'000	*RMB'000*
Net exchange gain/(loss)	**24,947**	(10,668)
Loss on disposal of property, plant and equipment	**(9)**	(231)
Fair value gain/(loss) on financial asset at FVTPL	**362**	(16,549)
Gain on lease modifications	**3,489**	–
Others	**(705)**	(638)
	28,084	(28,086)

6 EXPENSES BY NATURE

Expenses included in cost of sales, impairment loss on financial assets, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	2020 *RMB'000*	2019 *RMB'000*
Auditors' remuneration		
– Audit services	**2,339**	2,245
– Non-audit services	**157**	58
Amortisation of intangible asset	**516**	511
Depreciation of property, plant and equipment	**32,579**	38,730
Depreciation of right-of-use assets	**103,259**	119,812
Cost of inventories	**829,233**	976,324
Rental expenses in respect of		
– variable leases payments	**10,568**	12,665
– short term leases	**23,122**	27,096
Rent concessions	**(10,979)**	–
Advertising and promotional expenses	**51,539**	34,822
Concessionaire fees	**129,545**	147,700
Employee benefit expenses (including directors' emoluments)	**86,106**	118,254
Outsourced personnel service fees	**95,344**	126,565
Provision for impairment loss on trade receivables	**12**	3,850
Other receivables written-off	**2,932**	–
Provision for impairment loss on inventories, net (included in cost of sales)	**20,717**	32,452
Impairment loss on property, plant and equipment *(Note)*	**17,545**	1,984
Impairment loss on right-of-use assets *(Note)*	**23,423**	3,203
Transportation costs	**33,587**	28,625
Building management fees	**29,753**	31,929
Retail shop expenses	**28,241**	35,592
Office expenses	**4,634**	6,118
Travel expenses	**2,724**	5,448
Insurance	**1,282**	1,098
Others	**20,190**	19,016
	1,538,368	1,774,097

Note: The Group determines each individual retail store as a separately identifiable cash-generating unit (the "**CGU**") and monitors their financial performance. A provision for impairment of the Group's property, plant and equipment and right-of-use assets of RMB17,545,000 and RMB23,423,000, respectively for the year ended 31 December 2020 (2019: RMB1,984,000 and RMB3,203,000, respectively) was made based on impairment assessment carried out for the retail store assets which have an impairment indicator. Such impairment losses were recorded in selling and distribution expenses. The recoverable amounts are based on value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage of individual CGUs based on the Group's annual budget covering an average of 2-year period. A discount rate of 10.78% (2019: 10.78%) applied to bring the future cash flows back to their present values.

7 FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expenses on loan from a related company	**712**	385
Interest expenses on lease liabilities	**10,036**	13,426
	10,748	13,811

8 INCOME TAX CREDIT

The amount of income tax (credited)/charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax	**888**	975
– PRC corporate income tax	**486**	2,000
	1,374	2,975
Under/(over)-provision in prior years		
– Hong Kong profits tax	**235**	(36)
– PRC corporate income tax	**(3,496)**	(776)
	(3,261)	(812)
Deferred tax	**339**	(14,070)
	(1,548)	(11,907)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2019: 25%). The applicable rate of Hong Kong profits tax is 16.5% (2019: 16.5%).

9 LOSSES PER SHARE

Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Loss attributable to owners of the Company *(RMB'000)*	**(127,094)**	(82,208)
Weighted average number of ordinary shares in issue *('000)*	**800,000**	800,000
Basic losses per share *(RMB cents)*	**(15.89)**	(10.28)

Diluted

For the years ended 31 December 2020 and 2019, diluted losses per share equals basic losses per share as exercise of the outstanding share options would have an anti-dilutive effect which results in a reduction in loss per share for the years ended 31 December 2020 and 31 December 2019.

10 DIVIDENDS

No dividend was proposed by the directors of the Company during 2020 and 2019, nor has any dividend been proposed since the end of the Reporting Period.

11 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020	2019
	RMB'000	*RMB'000*
Right-of-use assets		
– Leased premises	**134,751**	187,038
Less: Impairment provision	**(26,626)**	(3,203)
	108,125	183,835
Lease liabilities		
Current	**70,056**	101,458
Non-current	**58,920**	91,189
	128,976	192,647

Additions to right-of-use assets amounted to RMB56,311,000 (2019: RMB143,296,000).

(ii) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2020	2019
	RMB'000	*RMB'000*
Depreciation of right-of-use assets *(note 6)*	**103,259**	119,812
Impairment loss on right-of-use assets *(note 6)*	**23,423**	3,203
Interest expenses *(note 7)*	**10,036**	13,426
Expense relating to short-term leases *(note 6)*	**23,122**	27,096
Expense relating to variable lease payments not included in lease liabilities *(note 6)*	**10,568**	12,665
Gain on lease modifications *(note 5)*	**(3,489)**	–
Rent concessions *(note 6)*	**(10,979)**	–

The total cash outflow for leases in 2020 was RMB142,954,000 (2019: RMB166,824,000).

12 TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**104,545**	144,488
Provision for impairment	**(10,310)**	(10,298)
	94,235	134,190

The Group's retail revenue through self-operated retail stores in the PRC are transacted either by cash, credit cards, Alipay or WeChat Pay in which the settlement period is normally within 2 days from transaction date. The Group's internet sales are transacted through electronic payment platforms which are settled immediately. The Group's concessionaire revenue through department stores are generally collected by the department stores from the ultimate customers and then pay the balance to the Group after deducting the concessionaire fee. The credit period granted to department stores ranges from 30 days to 180 days.

The Group requires most of its distributors to pay in advance, while offers credit terms of 15 days to 90 days to hypermarket and supermarket chains.

The carrying amounts of trade receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The ageing analysis of the trade receivables as at the end of the reporting period, based on invoice date is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**64,532**	108,098
31 to 60 days	**14,868**	8,373
61 to 90 days	**7,089**	3,108
91 to 180 days	**5,295**	12,250
Over 180 days	**12,761**	12,659
	104,545	144,488
Less: Provision for impairment	**(10,310)**	(10,298)
	94,235	134,190

13 TRADE PAYABLES

The credit periods granted by suppliers are generally ranged from 60 to 90 days. The ageing analysis of the trade payables at the end of reporting period, based on invoice date is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**76,650**	125,747
31 to 60 days	**9,032**	54,997
61 to 90 days	**2,810**	13,933
Over 90 days	**4,898**	19,767
	93,390	214,444

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 10 November 2017 (the "**Listing Date**"), the Company, in connection with its initial public offering (the "**IPO**"), issued 200,000,000 ordinary shares with a nominal value of HK$0.01 each. Net proceeds from the IPO after deducting underwriting commission and other IPO expenses (the "**Net Proceeds**") amounted to approximately HK$288.3 million.

As stated in the prospectus of the Company dated 31 October 2017 (the "**Prospectus**"), the Company intended to use the Net Proceeds to (i) expand the Group's retail network in Mainland China and Hong Kong; (ii) strengthen the Group's capabilities in product development for the Group's existing brands or new brands; (iii) develop experience centres and associated products; and (iv) bolster its working capital.

An analysis of the utilisation of the Net Proceeds from the Listing Date up to 31 December 2020 is set out below:

	Use of the Net Proceeds as stated in the Prospectus (amount adjusted per final offer price)	**Actual use of the Net Proceeds as of 31 December 2020**	**Actual use of the Net Proceeds during the Reporting Period**	**Unused Net Proceeds as of 31 December 2020**	**Further information**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	
Expand the Group's retail network in Mainland China and Hong Kong					
– Opening flagship toy stores in Mainland China	60.5	60.5	–	–	The full amount has been utilised as intended.
– Opening Kidsland and Babyland stores in Mainland China	46.1	46.1	–	–	The full amount has been utilised as intended.
– Opening LEGO Certified Stores in Mainland China and Hong Kong	34.6	34.6	–	–	The full amount has been utilised as intended.
– Upgrading the information technology system, developing e-commerce business, upgrading store image and visual display, and paying for other marketing expenses at the retail points	34.6	34.6	–	–	The full amount has been utilised as intended.
Strengthen the Group's product development capabilities	51.9	51.9	–	–	The full amount has been utilised as intended.

	Use of the Net Proceeds as stated in the Prospectus (amount adjusted per final offer price) *HK$ million*	Actual use of the Net Proceeds as of 31 December 2020 *HK$ million*	Actual use of the Net Proceeds during the Reporting Period *HK$ million*	Unused Net Proceeds as of 31 December 2020 *HK$ million*	Further information
Develop experience centres and associated products	31.7	21.3	3.1	10.4	The remaining amount is planned to be utilised by 31 December 2021 as originally intended. However, given the unfavourable factors as a result of the COVID-19, the progress of the development of experience centres and associated products may be affected. Accordingly, the Management will re-assess and, where necessary, revise the timeline of the said development by the second quarter of 2021.
Working capital and other general corporate purposes	28.9	28.9	–	–	The full amount has been utilised as intended.
	288.3	277.9	3.1	10.4	

As of the date of this announcement, the amount of Net Proceeds not yet utilised is approximately HK$10.4 million. The Company has used and/or intends to use the unused Net Proceeds in the same manner as disclosed in the Prospectus.

ANNUAL GENERAL MEETING

The Company's annual general meeting shall be held on Friday, 28 May 2021 (the "**2021 AGM**"). A notice convening the 2021 AGM, along with other relevant documents, will be published and dispatched to the shareholders of the Company (the "**Shareholders**") in accordance with the requirements under the Company's articles of association and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2021 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2021 AGM, the non-registered Shareholders must lodge their duly completed and stamped transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 24 May 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its securities listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such securities during the Reporting Period.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITION AND DISPOSAL

During the Reporting Period, there was no significant investments held by the Group and the Group did not have other plans for material acquisition and disposal.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2020, the Group had approximately 1,800 employees (including both in-house and outsourced employees) (31 December 2019: approximately 2,100 employees) in Mainland China and Hong Kong. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB86.1 million and RMB95.3 million, respectively (Prior Period: approximately RMB118.3 million and RMB126.6 million, respectively). The Group's remuneration packages comply with legislation in relevant jurisdictions and are decided based on market conditions and employees' levels of experience and qualifications; bonuses are awarded based on employee performance and the Group's financials. The Group has been ensuring adequate training and professional development opportunities to employees.

EVENTS AFTER THE REPORTING PERIOD

No important event affecting the Group that had taken place after 31 December 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code on corporate governance. During the Reporting Period, the Company had complied with all applicable code provisions of the CG Code except for the deviation as stated below:

Code provision A.2.1 stipulates that the roles of chairman (the "**Chairman**") and chief executive officer (the "**CEO**") should be separate and should not be performed by the same individual. Both positions are currently held by Mr. Lee Ching Yiu ("**Mr. Lee**"). As the founder of the Group, Mr. Lee has substantial experience in the toy industry. All the other Directors consider that the present structure provides the Group with strong and consistent leadership, which facilitates the development of the Group's business strategies and execution of its business plans in the most efficient and effective manner. The Directors believe that it is in the best interest of the Company and the Shareholders as a whole that Mr. Lee continues to assume the roles of the Chairman and the CEO.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct governing the Directors' transactions of listed securities of the Company. Following specific enquiries made by the Company to each of the Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors (the "**INEDs**"), namely Mr. Cheng Yuk Wo (chairman of the Audit Committee), Mr. Huang Lester Garson and Dr. Lam Lee G. The Audit Committee has reviewed, and has agreed with the independent auditor of the Company, on the annual results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the respective websites of the Company (www.kidslandholdings.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 will be dispatched to the Shareholders and made available in the above websites in due course in the manner as required by the Listing Rules.

GRATITUDE

I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude to all our staff for their dedication and cooperation and to all our Shareholders for their support, particularly in stabilizing while strengthening our business when facing many unprecedented challenges caused by the COVID-19.

By order of the Board
Kidsland International Holdings Limited
Lee Ching Yiu
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 March 2021

As of the date of this announcement, the Board comprises the executive Directors, namely Mr. Lee Ching Yiu (Chairman and Chief Executive Officer), Mr. Hung Shing Ming and Ms. Zhong Mei; the non-executive Directors, namely Mr. Du Ping and Ms. Duan Lanchun; and the independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Huang Lester Garson and Dr. Lam Lee G.