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Kiddieland International Limited

童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3830)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE

On 29 January 2022, the Vendor, the Purchaser, Tian Tian Zhihui, Meizhou Boguangying and the Target Company entered into the Agreement, pursuant to which:

- (a) the Vendor has agreed to transfer to the Purchaser RMB20,000,000 (approximately HK\$24,442,706) unpaid registered capital of the Target Company at the consideration of RMB1 (approximately HK\$1.22);
- (b) the Vendor has agreed to transfer to Tian Tian Zhihui RMB1,000,000 (approximately HK\$1,222,135) unpaid registered capital of the Target Company at the consideration of RMB1 (approximately HK\$1.22);
- (c) the Vendor has agreed to transfer to Meizhou Boguangying RMB700,000 (approximately HK\$855,495) unpaid registered capital of the Target Company at the consideration of RMB1 (approximately HK\$1.22); and
- (d) the Purchaser has agreed to inject RMB10,000,000 (approximately HK\$12,221,353) additional registered capital into the Target Company,

on and subject to the terms and conditions set out in the Agreement.

The unpaid registered capital of the Target Company transferred by the Vendor to the Purchaser, Tian Tian Zhihui and Meizhou Boguangying respectively as well as the portion of the unpaid registered capital retained by the Vendor will subsequently be contributed by them respectively to the Target Company in accordance with the provisions of the Agreement.

Pursuant to the Agreement, the Purchaser will in aggregate invest RMB30,000,000 (approximately HK\$36,664,060) into the Target Company through the acquisition of RMB20,000,000 (approximately HK\$24,442,706) unpaid registered capital in the Target Company from the Vendor, which will subsequently be contributed by the Purchaser, and the injection of RMB10,000,000 (approximately HK\$12,221,353) additional registered capital into the Target Company.

As a result of the above capital transfers and additional capital injection, the Target Company will be owned as to 75% by the Purchaser, 20.75% by the Vendor, 2.5% by Tian Tian Zhihui and 1.75% by Meizhou Boguangying respectively.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the JV Formation are more than 5% but all of them are less than 25%, the JV Formation constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

FORMATION OF JOINT VENTURE AND THE AGREEMENT

On 29 January 2022, the Vendor, the Purchaser, Tian Tian Zhihui, Meizhou Boguangying and the Target Company entered into the Agreement, pursuant to which:

- (a) the Vendor has agreed to transfer to the Purchaser RMB20,000,000 (approximately HK\$24,442,706) unpaid registered capital of the Target Company at the consideration of RMB1 (approximately HK\$1.22);
- (b) the Vendor has agreed to transfer to Tian Tian Zhihui RMB1,000,000 (approximately HK\$1,222,135) unpaid registered capital of the Target Company at the consideration of RMB1 (approximately HK\$1.22);
- (c) the Vendor has agreed to transfer to Meizhou Boguangying RMB700,000 (approximately HK\$855,495) unpaid registered capital of the Target Company at the consideration of RMB1 (approximately HK\$1.22); and
- (d) the Purchaser has agreed to inject RMB10,000,000 (approximately HK\$12,221,353) additional registered capital into the Target Company,

on and subject to the terms and conditions set out in the Agreement.

The unpaid registered capital of the Target Company transferred by the Vendor to the Purchaser, Tian Tian Zhihui and Meizhou Boguangying respectively as well as the portion of the unpaid registered capital retained by the Vendor will subsequently be contributed by them respectively to the Target Company in accordance with the provisions of the Agreement.

The principal terms of the Agreement are summarised below.

Date

29 January 2022

Parties

- (1) the Vendor;
- (2) the Purchaser;
- (3) Tian Tian Zhihui;
- (4) Meizhou Boguangying; and
- (5) the Target Company.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, each of the Vendor, Tian Tian Zhihui, Meizhou Boguangying, the Target Company and their ultimate beneficial owner(s) (if applicable) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subject matter of the Agreement

The Purchaser will in aggregate invest RMB30,000,000 (approximately HK\$36,664,060) into the Target Company through the acquisition of RMB20,000,000 (approximately HK\$24,442,706) unpaid registered capital in the Target Company from the Vendor, which will subsequently be contributed by the Purchaser, and the injection of RMB10,000,000 (approximately HK\$12,221,353) additional registered capital into the Target Company. The Vendor will also transfer RMB1,000,000 (approximately HK\$1,222,135) unpaid registered capital in the Target Company to Tian Tian Zhihui and RMB700,000 (approximately HK\$855,495) unpaid registered capital in the Target Company to Meizhou Boguangying, which will subsequently be contributed by Tian Tian Zhihui and Meizhou Boguangying respectively. As a result of the above capital transfers and additional capital injection, the Target Company will be owned as to 75% by the Purchaser, 20.75% by the Vendor, 2.5% by Tian Tian Zhihui and 1.75% by Meizhou Boguangying.

Further information on the Target Company is set out in the section headed “Information on the Target Company” in this announcement.

Consideration and capital contribution payable

The consideration payable by the Purchaser to the Vendor for the acquisition of RMB20,000,000 (approximately HK\$24,442,706) unpaid registered capital is RMB1 (approximately HK\$1.22) which is arrived at after arm’s length negotiations between the Purchaser and the Vendor after taking into account that the Purchaser will assume the Vendor’s obligations to contribute the entire RMB20,000,000 (approximately HK\$24,442,706) registered capital into the Target Company. The consideration payable by each of Tian Tian Zhihui and Meizhou Boguangying to the Vendor for the acquisition of RMB1,000,000 (approximately HK\$1,222,135) and RMB700,000 (approximately HK\$855,495) unpaid registered capital in the Target Company respectively is also RMB1 (approximately HK\$1.22) which is arrived at after taking into account that the Vendor has not yet made any capital contribution into the Target Company and Tian Tian Zhihui and Meizhou Boguangying will assume the Vendor’s obligations to contribute the relevant unpaid registered capital of the Target Company transferred to them.

The amount of additional capital of RMB10,000,000 (approximately HK\$12,221,353) to be contributed by the Purchaser is determined after arm’s length negotiations between the parties to the Agreement with reference to the expected additional capital needs of the Target Company. The amounts payable by the Purchaser under the Agreement will be funded by the internal resources of the Group.

The amount of RMB30,000,000 (approximately HK\$36,664,060) registered capital of the Target Company is to be contributed by the Purchaser in two instalments in the following manner:

- (a) RMB8,000,000 (approximately HK\$9,777,083) (the “**First Capital Instalment**”) shall be paid by the Purchaser to the Target Company within 7 Business Days from the satisfaction of all the First Instalment Conditions; and
- (b) RMB22,000,000 (approximately HK\$26,886,977) (the “**Second Capital Instalment**”) shall be paid by the Purchaser to the Target Company within 7 Business Days from the satisfaction of all the Second Instalment Conditions.

The remaining amount of RMB10,000,000 (approximately HK\$12,221,353) registered capital of the Target Company is to be contributed by each of the Minority Shareholders in the following manner:

- (a) RMB8,300,000 (approximately HK\$10,143,723) shall be paid by the Vendor to the Target Company before 31 December 2022;
- (b) RMB1,000,000 (approximately HK\$1,222,135) shall be paid by Tian Tian Zhihui to the Target Company before 31 December 2022; and
- (c) RMB700,000 (approximately HK\$855,495) shall be paid by Meizhou Boguangying to the Target Company before 31 December 2022.

The consideration payable by each of the Purchaser, Tian Tian Zhihui and Meizhou Boguangying to the Vendor for the transfer of the relevant unpaid registered capital in the Target Company is to be paid to the Vendor in cash after the completion of the relevant registration and filing procedures relating to such transfer with the relevant PRC authorities.

The capital contributions made by the Purchaser and the Minority Shareholders shall be used for the daily operations of the Target Company in accordance with its budget and business plan. Unless with the written approval of the Purchaser, such capital contributions shall not be used by the Target Company to repay shareholder loans or other external loans, taxes owed, and social insurance and housing provident funds owed, etc.

Conditions precedent

The payment of the First Capital Instalment by the Purchaser to the Target Company is subject to the fulfilment (or waiver by the Purchaser in writing) of all the following conditions (the “**First Instalment Conditions**”):

- (1) The shareholders of the Target Company (i) having approved the current investments and the Minority Shareholders having waived their pre-emptive rights to subscribe for the increased portion of the registered capital; (ii) having approved the amendments of the Target Company’s articles in accordance with the Agreement; (iii) having confirmed that the necessary approvals from the government and other competent authorities have been obtained; and (iv) having nominated directors of the Target Company in accordance with the Agreement.
- (2) This Agreement having been validly and duly signed by the relevant parties.

- (3) The Target Company and Tianzhi having entered into (1) an asset transfer agreement in a form satisfactory to the Purchaser (“**Asset Transfer Agreement**”) pursuant to which the fixed assets and production equipment as specified in the schedule to the Agreement shall be transferred by Tianzhi to the Target Company for the consideration of RMB8,000,000 (approximately HK\$9,777,083); and (2) the intellectual property rights exclusive license agreement in a form satisfactory to the Purchaser (“**IP Rights License Agreement**”) pursuant to which the intellectual property rights as specified in schedule to the Agreement shall be exclusively licensed to the Target Company perpetually at the consideration of RMB1 (approximately HK\$1.22).
- (4) The shareholders of Tianzhi having approved the Asset Transfer Agreement and the IP Rights License Agreement.
- (5) All notices and/or consents required under any law or contract to which any Minority Shareholder and/or the Target Group Companies is a party to carry out the capital transfer and capital injection transactions under the Agreement have been issued to, and/or obtained from, the counterparties to such contracts.
- (6) The investment decision-making body of the Purchaser having approved the transaction under the Agreement and the related transaction documents and such approval remaining effective on the First Instalment Conditions Satisfaction Date.
- (7) The Purchaser having completed due diligence on the business, legal and financial aspects of the Target Group and the results of such due diligence are satisfactory to the Purchaser.
- (8) The Target Company having issued a payment notice to the Purchaser confirming that all the First Instalment Conditions have been fulfilled.
- (9) As of the First Instalment Conditions Satisfaction Date, no event has occurred which will have a material adverse effect on the financial condition, operating results, assets, business or operating status of the Target Group in general.
- (10) As of the First Instalment Conditions Satisfaction Date, the Target Company and the Minority Shareholders have performed and observed all its obligations and undertakings under the Agreement in all material aspects, and all the information, materials, representations and warranties provided by them to the Purchaser are true, complete, legally valid and not misleading.

- (11) As of the First Instalment Conditions Satisfaction Date, save as disclosed in the schedule to the Agreement (if any), there are no pending or potential lawsuits, arbitrations, judgments, awards, rulings or injunctions against the Target Group Companies or the Minority Shareholders or which will have a material adverse effect on the transactions contemplated under the Agreement.
- (12) As of the First Instalment Conditions Satisfaction Date, no laws and regulations or courts or government agencies have restricted, prohibited, declared invalid or otherwise prevented or have sought to prevent the transactions contemplated under the Agreement.
- (13) All documents required for the application for the registration and filing of changes in industry and commercial registration having been duly signed and provided by the relevant parties.

The payment of the Second Capital Instalment by the Purchaser to the Target Company is subject to the fulfilment (or waiver by the Purchaser in writing) of all the following conditions (the “**Second Instalment Conditions**”):

- (1) The business registration or filing matters such as equity registration and board appointment in connection with the transactions contemplated under the Agreement having been completed, and a new business license having been obtained.
- (2) The Minority Shareholders having provided the Purchaser with the tax payment certificates in connection with the registered capital transfer under the Agreement.
- (3) The Target Group Companies having signed the relevant labor contracts, intellectual property rights transfer and confidentiality and non-competition agreements and non-corrupt undertakings (as applicable) with its employees as specified in the Agreement.
- (4) The Target Company having issued a payment notice to the Purchaser confirming that all the Second Instalment Conditions have been fulfilled.
- (5) As of the Second Instalment Conditions Satisfaction Date, no event has occurred which will have a material adverse effect on the financial condition, operating results, assets, business or operating status of the Target Group Companies in general.

- (6) As of the Second Instalment Conditions Satisfaction Date, the Target Company and the Minority Shareholders have performed and observed all its obligations and undertakings under the Agreement in all material aspects, and all the information, materials, representations and warranties provided by them to the Purchaser are true, complete, legally valid and not misleading.
- (7) As of the Second Instalment Conditions Satisfaction Date, save as disclosed in the schedule to the Agreement, there are no pending or potential lawsuits, arbitrations, judgments, awards, rulings or injunctions against the Target Group Companies or the Minority Shareholders or which will have a material adverse effect on the transactions contemplated under the Agreement.
- (8) As of the Second Instalment Conditions Satisfaction Date, no laws and regulations or courts or government agencies have restricted, prohibited, declared invalid or otherwise prevented or have sought to prevent the completion of the transactions contemplated under the Agreement.

Termination

The Agreement may be terminated unanimously by the parties thereto in writing.

The Purchaser may by written notice terminate the Agreement if the relevant Conditions Precedents cannot be fulfilled within the time specified by the Agreement or such time as extended by the Purchaser.

If the Purchaser fails to implement delivery within the time specified in the Agreement (other than due to force majeure events), the Target Company and the Minority Shareholders may by notice in writing to the Purchaser terminate the Agreement.

If (i) the Target Company fails to complete the relevant registration and filing of changes in industry and commercial registration with the relevant PRC authorities within 60 Business Days from the payment of the First Capital Instalment other than due to the fault of the Purchaser or (ii) the Second Instalment Conditions cannot be fulfilled in full and are not waived by the Purchaser, the Purchaser may by written notice to the Target Company and/or the Minority Shareholders require a refund of the First Capital Instalment within 5 Business Days from such notice and to terminate the Agreement. In the event of delay in refund, a default fee of 0.05% of the relevant amount per day shall be payable by Target Company and/or the Minority Shareholders.

If the Minority Shareholders fails to observe their obligations under the Agreement to:

- (a) cause the Target Company to engage in daily business activities in a manner consistent with past practices during the period up to the Registration Date and ensure that the representations and warranties given under the Agreement remains true, complete, accurate and not misleading as at the Registration Date; or
- (b) not transfer or pledge their equity interest in the Target Company and ensure that the Group Companies shall not commit certain actions specified in the Agreement without the consent of the Purchaser,

the Purchaser may by written notice terminate the Agreement and request the Minority Shareholders to repay all sums previously paid by the Purchaser plus annual interest of 10% within 10 days from the making of such request; or alternatively request the Minority Shareholders to purchase part or all of the Purchaser's equity interest in the Target Company at a consideration equivalent to the full amount previously paid by the Purchaser plus annual interest of 10%, and the Minority Shareholders shall complete the purchase within 10 days from the making of such request. In the event of delay in payment, a default fee of 0.05% of the relevant amount per day shall be payable by Target Company and/or the Minority Shareholders.

Where there is a breach of the Agreement and the defaulting party fails to make adequate remedial and compensation measures within 30 Business Days after receipt of a written notice from the non-defaulting party requesting it to do so, the non-defaulting parties may terminate the Agreement by prior written notice to all parties to the Agreement. However, if the defaulting party is a Minority Shareholder, no other Minority Shareholder may unilaterally terminate the Agreement.

Where:

- (a) the Minority Shareholders fails to observe their obligations under the Agreement and fails to effectively remedy the matter or fully compensate the Target Company and/or the Purchaser for their losses within 30 Business Days after the Purchaser has issued a notice requesting performance of their obligations;
- (b) the Minority Shareholders breached their non-competition obligations under the Agreement; or
- (c) the rights of the Purchaser under the Agreement become invalid, revocable or incomplete due to the reasons of the Minority Shareholders;

the Purchaser may by written notice terminate the Agreement and shall have the right to request the Minority Shareholders to purchase part or all of the Purchaser's equity interest in the Target Company at a consideration equivalent to the full amount originally paid by the Purchaser plus annual interest of 10%, and the Minority Shareholders shall complete the purchase within 10 days from the request made by the Purchaser.

Matters requiring the Purchaser's approval

The parties to the Agreement have agreed that the articles of the Target Group Companies shall be amended such that the following matters would require the Purchaser's approval:

- (a) the annual business plan and annual budget, as well as the evaluation and final accounts after the implementation of the annual budget;
- (b) increase or decrease in the registered capital;
- (c) division, merger, dissolution or change of the form of the company;
- (d) investment and financing actions;
- (e) distribution of profits, dividends or bonus to shareholders;
- (f) provision of loans or guarantees to third parties or apply for loans from third parties;
- (g) amendment of the articles;
- (h) conduct any capital reorganization, reclassification, division, spin-off, dissolution, liquidation, asset reorganization or business reorganization;
- (i) purchase, sell, replace, lease or otherwise dispose of the company's material assets (being assets with a book value of more than RMB1,000,000 (approximately HK\$1,222,135));
- (j) license or otherwise transfer any source code, software, domain name or website, patent, copyright, trademark or other intellectual property rights of the company outside normal business operations;

- (k) in its business operations enter into transactions with a counterparty where the amount of a single transaction exceeds RMB1,000,000 (approximately HK\$1,222,135) or where the amount exceeds RMB2,000,000 (approximately HK\$2,444,271) when aggregated with other transactions entered into with the counterparty and its affiliates;
- (l) enter into transaction with any shareholder, director, management or employee or with related parties of such persons;
- (m) employ or dismiss employees with an annual salary of more than RMB500,000 (approximately HK\$611,068);
- (n) initiate, establish or implement equity incentive plans or non-equity incentive plans for senior management, management and employees and the related rules or legal documents;
- (o) appointment or change of the auditors; and
- (p) engage in actions that are reasonably expected to have a material adverse impact on the shareholder rights of the Purchaser, including but not limited to the cancellation of material projects of the company, changes to the projects and delay of project for more than 3 months.

Board composition

After the date of payment of the First Capital Instalment, the board of the Target Company shall consist of 5 directors, of which 3 directors shall be nominated by the Purchaser of which one shall act as the chairman of the Target Company, and 2 directors shall be nominated collectively by the Minority Shareholders. The Vendor shall act as the manager of the Target Company, who shall also act as the legal representative of the Target Company.

First rights of investment

If the Target Company proposes to increase its registered capital or to sell its material asset, both the Purchaser and the Vendor shall have priority right over the other shareholders of the Target Company to take up the additional capital contribution or to acquire the relevant asset on the same terms.

Restrictions on transfer, right of first refusal and right to co-sale

None of the Minority Shareholders shall whether directly or indirectly or whether spontaneously or not or in accordance with law, transfer, sell, exchange, pledge, mortgage or create any other security rights or otherwise deal with, part or all of its equity interests in the Target Company to any third party without the written consent of the Purchaser. The Purchaser however has the right to transfer its rights, interests and obligations under the Agreement to its related parties.

If the Purchaser consents to a Minority Shareholder transferring its equity interest in the Company (the “**Transferor**”), when such Transferor proposes to transfer part or all of its equity interests in the Target Company to a third party (the “**Transferee**”), the Purchaser shall have the right of first refusal to purchase such equity interests from the Transferor on the same terms. In the event that the Purchaser waives its right of first refusal, the Purchaser has the right (but not the obligation) to co-sale with the Transferor its equity interests in the Target Company on a pro-rata basis on the same terms and conditions. If the Purchaser exercises the co-sale right but the Transferee does not agree to purchase the relevant equity interests of the Purchaser, the Transferor shall be prohibited from transferring its equity interests in the Target Company unless it has prior to such transfer purchased the equity interests which the Purchaser co-sells at the same price as that offered to the Transferee.

Non-competition Undertaking from the Minority Shareholders

The Minority Shareholders have undertaken in the Agreement to observe non-competition obligations, including but not limited to the following:

- (1) Except for Tianzhi, the Target Company is the only entity through which they own the laboratory equipment for primary and secondary schools and evaluation system for scoring students based on their experimental operation test performance developed and produced by the Target Company, conduct the sale of self-produced products to schools and agents, and provide product supporting installation and commissioning services, and the Minority Shareholders also covenant and undertake that (i) Tianzhi shall not engage in any Competing Business save for those contracts which are still being performed and which have been disclosed to the Purchaser before the entering into of the Agreement, and (ii) those assets and intellectual property rights specified in the schedules to the Agreement are the assets and intellectual property rights which are necessary for the business operations of the Target Company.

- (2) As a shareholder of the Target Company or during the term of employment with the Target Company, or within 2 years after it ceases to be a shareholder of the Target Company or within 2 year after its employment with the Target Company is terminated, the Minority Shareholder shall not, and shall procure its affiliates and any entities controlled not to, directly or indirectly carry out, invest in, manage, be employed by, or otherwise engage in, become involved in, or have an interest in any Competing Business.

The non-competition undertaking is not applicable to the Minority Shareholders where they leave the Target Company by reason of bankruptcy or liquidation of the Target Company or there is a takeover or merger of the Target Company in accordance with the Agreement and the articles of the Target Company.

Violation of the above non-competition undertakings by a Minority Shareholder constitutes a material breach of the Agreement, and all the profits (if any) obtained from such breach shall belong to the Target Company. The non-defaulting party has the right to require the defaulting party to resolve the non-competition issue and to pay liquidated damages of RMB10,000 (approximately HK\$12,221) per day from the date of default until the date which the non-competition issue is resolved. The Purchaser has the right to require the defaulting party to:

- (1) transfer all its equity interests in the Target Company to other shareholders of the Target Company at the consideration of RMB1 (approximately HK\$1.22 (or such other consideration stipulated by law if any)), and the other shareholders of the Target Company have the right to take up the equity interests on a pro-rata basis; and
- (2) pay liquidated damages to the Purchaser in accordance with the relevant provisions of the Agreement.

Other undertakings by the Minority Shareholders

The Minority Shareholders have also undertaken in the Agreement, inter alia, that:

- (a) Minority Shareholders who are natural persons shall work full time in the Target Group Companies, and shall not without the consent of the Purchaser leave the Target Group Companies in any manner, including but not limited to resigning from employment or transfer all its equity interest in the Target Company;
- (b) without the written consent of the Purchaser, the Minority Shareholders shall not directly or indirectly transfer any of their direct or indirect equity interest in the Target Company or create any pledge, guarantee, option or other third party rights and encumbrances over their equity interest in the Target Company; and

(c) without the written consent of the Purchaser, the Minority Shareholders shall not directly or indirectly transfer any of their equity interest in Tianzhi.

The Vendor has undertaken and confirmed that Tian Tian Zhihui and Meizhou Boguangying are entities controlled by her and she shall not in any manner agree or procure the partners of Tian Tian Zhihui and Meizhou Boguangying to directly or indirectly transfer their interest in Tian Tian Zhihui and Meizhou Boguangying.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 15 December 2021 which is currently wholly-owned by the Vendor. As at the date of this announcement, the Target Company has a registered capital of RMB30,000,000 (approximately HK\$36,664,059) which will be increased to RMB40,000,000 (approximately HK\$48,885,413) in accordance with the Agreement. As at the date of this announcement, no part of the registered capital has been paid yet.

As at 31 December 2021, the unaudited net asset value of the Target Company was zero. As the Target Company has only been incorporated in mid-December 2021 and has not commenced business operations since its establishment, no profit or loss have been recorded for the Target Company.

The Target Company shall engage in the development and production of laboratory equipment for primary and secondary schools and evaluation system for scoring students based on their experimental operation test performance, sale of self-produced products to schools and sales agents, and provision of product installation and commissioning services.

The Target Company and Tianzhi had on 29 January 2022 entered into the Asset Transfer Agreement pursuant to which Tianzhi agreed to transfer the assets and equipment as specified therein to the Target Company for the consideration of RMB8,000,000 (approximately HK\$9,777,083), which consideration shall be paid within 30 business days from the date of the Asset Transfer Agreement. Pursuant to such agreement, the Target Company shall be deemed to have ownership of the assets and equipment transferred as from the date of signing of such agreement.

The Target Company and Tianzhi had also on 29 January 2022 entered into the IP Rights Licence Agreement pursuant to which Tianzhi agreed to irrevocably and exclusively licence the intellectual property rights as specified therein to the Target Company globally and perpetually at the consideration of RMB1 (approximately HK\$1.22).

As a result of the JV Formation, Target Company will become a 75% owned subsidiary of the Company and the results of the Target Company will be consolidated into the results of the Group.

REASONS FOR AND BENEFITS OF THE JV FORMATION

The Group is principally engaged in the design, development, manufacture and distribution of toys. The toy business of the Group has been affected by the international market downsizing the buying order on toys manufacturing from the PRC due to the COVID-19 pandemic and other market reasons. This causes pressure on the Group to look for new business opportunities for business diversification.

The JV Formation will allow the Group to diversify into a new line of business of development and production of educational facilities, which the Directors believe that the PRC government will be in great support in the coming years. The business of the Target Company will be purely in the PRC, and as such will not be affected by international market situations and foreign currency fluctuation risks. The Directors believe that the experience and expertise of the Minority Shareholders will be beneficial to the operation of the business of the Target Company, and the JV Formation will instill new energies and promising business prospects into the Group while keeping its toy business running in parallel.

The Directors are of the view that the terms of the JV Formation and the Agreement are fair and reasonable and the entering into of the Agreement is in the interest of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the JV Formation are more than 5% but all of them are less than 25%, the JV Formation constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION ON THE PARTIES

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and selling of toy products.

The Purchaser is a wholly-owned subsidiary of the Company principally engaged in the manufacturing of toy products.

Tian Tian Zhihui is a limited liability partnership established in the PRC and is ultimately controlled by the Vendor. Tian Tian Zhihui is principally engaged in the business of equity investment.

Meizhou Boguangying is a limited liability partnership established in the PRC and is ultimately controlled by the Vendor. Meizhou Boguangying is principally engaged in the business of equity investment.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Agreement”	the agreement dated 29 January 2022 entered into between the Vendor, the Purchaser, Tian Tian Zhihui, Meizhou Boguangying and the Target Company in relation to the transfer of in aggregate RMB21,700,000 (approximately HK\$26,520,336) unpaid registered capital by the Vendor to the Purchaser, Tian Tian Zhihui, Meizhou Boguangying and the injection of RMB10,000,000 (approximately HK\$12,221,353) additional registered capital by the Purchaser to the Target Company
“Board”	the board of the Directors
“Business Day”	a calendar day on which commercial banks in the PRC are open for general business and for processing of inter-bank deposits and payments
“Company”	Kiddieland International Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 3830)
“Competing Business”	the development business or sale of products or the provision of services which are identical, similar, competitive or likely to compete with the products of and services provided by the Target Company, and any other business that is the same, similar to, competes with, or may compete with, the business of the Target Company
“Conditions Precedents”	the First Instalment Conditions and the Second Instalment Conditions
“Directors”	the directors of the Company
“First Capital Instalment”	the first instalment of the capital contribution to be made by the Purchaser to the Target Company as more particularly set out in the section headed “ <i>The JV Formation and the Agreement — Consideration and Capital Contribution</i> ” in this announcement

“First Instalment Conditions”	the conditions precedent to the payment of the First Capital Instalment as set out in the section headed “ <i>The JV Formation and the Agreement — Conditions precedent</i> ” in this announcement
“First Instalment Conditions Satisfaction Date”	the date of fulfilment of all the First Instalment Conditions
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Formation”	the formation of a joint venture by the Purchaser with the Minority Shareholders through the acquisition of RMB20,000,000 (approximately HK\$24,442,706) unpaid registered capital in the Target Company from the Vendor and the injection of RMB10,000,000 (approximately HK\$12,221,353) additional registered capital into the Target Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Meizhou Boguangying”	梅州市博廣盈投資合夥企業(Meizhou Boguangying Investment Partnership), business a limited liability partnership established in the PRC which is ultimately controlled by the Vendor
“Minority Shareholders”	collectively the Vendor, Tian Tian Zhihui and Meizhou Boguangying, and each a “Minority Shareholder”
“PRC”	People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	東莞精勵塑膠電子有限公司 (Dongguan Innotech Jingli Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

“Registration Date”	the date on which the registration of changes to the industrial and commercial registration of the Target Company is completed
“RMB”	Renminbi, the lawful currency of the PRC
“Second Capital Instalment”	the second instalment of the capital contribution to be made by the Purchaser to the Target Company as more particularly set out in the section headed “ <i>The JV Formation and the Agreement — Consideration and Capital Contribution</i> ” in this announcement
“Second Instalment Conditions”	the conditions precedent to the payment of the Second Capital Instalment as set out in the section headed “ <i>The JV Formation and the Agreement — Conditions precedent</i> ” in this announcement
“Second Instalment Conditions Satisfaction Date”	the date of fulfilment of all the Second Instalment Conditions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tian Tian Zhihui”	梅州市天天智慧投資合夥企業 (Meizhou Tian Tian Zhihui Investment Partnership), a limited liability partnership established in the PRC which is ultimately controlled by the Vendor
“Tianzhi”	廣東天智實業有限公司 (Guangdong Tianzhi Industry Co., Ltd.), a limited liability company established in the PRC which is ultimately controlled by the Vendor
“Target Company”	廣東童園科技有限公司 (Guangdong Kiddieland Technology Co., Ltd.), a limited liability company established in the PRC which is wholly-owned by the Vendor
“Target Group Companies”	the Target Company and existing or future companies or enterprises directly or indirectly controlled by it
“Vendor”	Ms. Li Meiyang
“%”	per cent

English names of the PRC established companies in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

For the purpose of this announcement, RMB has been converted into HK\$ at the rate of RMB0.81824 to HK\$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By order of the Board
Kiddieland International Limited
Lo Hung
Chairman

Hong Kong, 31 January 2022

As at the date of this announcement, the Board comprises Mr. LO Shiu Kee Kenneth, Ms. LO Shiu Shan Suzanne, Ms. SIN LO Siu Wai Sylvia, Mr. LO Hung and Ms. LEUNG Siu Lin Esther as Executive Directors and Mr. MAN Ka Ho Donald, Mr. CHENG Dominic and Mr. LEUNG Kwok Wai Gary as Independent Non-executive Directors.