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**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 2021**

**HIGHLIGHTS**

- The Group recorded a net profit after tax of approximately RMB2.1 million for the Reporting Period, compared to a net loss after tax of approximately RMB130.1 million for the Prior Period.
- This is the first time the Group has recorded a net profit after tax for a full financial year since the year ended 31 December 2017.
- During the Reporting Period, the revenue of the Group increased by 6.9% from approximately RMB1,374.8 million for the Prior Period to approximately RMB1,469.8 million.
  - Revenue from self-operated retail channels recorded an increase of 9.0% to approximately RMB1,162.2 million, of which revenue from retail shops rose by 16.7% to approximately RMB699.7 million.
  - Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 30.2% to approximately RMB193.4 million during the Reporting Period.
- The Group’s gross profit rose by 21.8% from approximately RMB503.3 million for the Prior Period to approximately RMB612.8 million for the Reporting Period. Gross profit margin increased from 36.6% in the Prior Period to 41.7% in the Reporting Period.
- Total selling, distribution, general and administrative expenses decreased by 8.1% from approximately RMB666.9 million for the Prior Period to approximately RMB612.6 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

Kidsland International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) recorded a net profit after tax of approximately RMB2.1 million for the year ended 31 December 2021 (the “**Reporting Period**”), compared to a net loss after tax of approximately RMB130.1 million for the year ended 31 December 2020 (the “**Prior Period**”).

This is the first time the Group has recorded a net profit after tax for a full financial year since the year ended 31 December 2017.

Despite the common belief that the impact from novel coronavirus disease 2019 (the “**COVID-19**”) on business would have dwindled in 2021, the COVID-19 pandemic and the outbreak of its variants had been lingering and negatively impacting the Group’s business, especially in the second half of 2021 in Mainland China. The natural disasters, such as the flood in central China, had also caused disruption to the Group’s business. In face of these and many other challenges, the management team had been working tirelessly not just to cope but continue to focus on optimizing the Group’s operations and retail network. The Group has been exiting some under-performing shops, while optimizing the size, location and upgrading other shops. As a result, same store sales had recorded a healthy high single-digit growth year-on-year in the Group’s comparable kidsland shops. Revenue from retail shops overall grew 16.7% to approximately RMB699.7 million in the Reporting Period from approximately RMB599.8 million in the Prior Period.

During the Reporting Period, the Group has been steadily strengthening the product assortment and procurement agility. The second largest brand that the Group represents in Mainland China had grown its sales with the Group by more than 60% from 2020 to 2021, leveraging strong popularity of the relevant animation characters. In addition, the Group intensified the efforts on product diversification and responsiveness to market by adopting more flexible collaboration models to test the market appetite. The Group introduced a wide range of products, on varied passion points, such as collectible kidult products, trading cards, etc. Some product lines have received overwhelming market response. The Group foresees that its product assortment will continue to be strengthened and better address the ever-changing market appetite going forward.

In July 2021, the first season of “Monsters in the Forbidden City” (故宮裡的大怪獸) was launched on Tencent Video and subsequently on other satellite channels. It has since accumulated more than one billion views. There are plans to broadcast this live-action animation on more channels in 2022. This strategic collaboration with Tencent Video and Original Force signified the Group’s foray into investing, developing and commercialising self-owned intellectual property. It also means cultivating business and products with higher cultural relevance to the Mainland China market.

In the fourth quarter of 2021, the Group became the licensing agent of MGA Entertainment in Mainland China for three popular properties, namely L.O.L. Surprise!, O.M.G. and Na! Na! Na!. The Group has been building a team to accelerate the development of licensing business to bring new sources of revenue and improve the Group's profitability.

In February 2021, the Group debuted the first LEGO Certified Store ("LCS") in Macau SAR. This shop has quickly risen to become one of the top performing LCSs globally, alongside with the Group's other top performing LCSs in Hong Kong.

In July 2021, the Group expanded kkplus kidsland, the multi-brand, trendy and collectible toy platform which the Group launched in September 2020 in Hong Kong, turning it into an iconic multi-concept flagship. In addition, kkplus kidsland has forged partnership with internationally well-renowned boutiques and online trendy stores to expand its distribution network and customer reach. The Group plans to step up the development of kkplus kidsland and its e-commerce in 2022.

Powered up by the Group's robust performance from LCS and kkplus kidsland in Hong Kong and Macau, the Group's revenue from Hong Kong and overseas (after inter-segment elimination) grew by 30.2% year-on-year in 2021.

The year 2021 marked the 20th anniversary of the Group. The Group has been developing the business and evolving the strategy since the inception of business and the initial public offering in 2017 to continuously adapt to the markets and overcome the many challenges. The Group will continue to do so to achieve the best results for all stakeholders.

## **RETAIL AND WHOLESALE BUSINESS**

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 31 December 2021, this network comprised:

### **Self-operated Retail Channels**

- 627 self-operated retail points of sale consisting of retail shops and consignment counters (31 December 2020: 670)
- 21 online stores (31 December 2020: 24)

### **Wholesale Channels**

- 521 distributors (31 December 2020: 580) which onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,000 (31 December 2020: more than 2,400)
- 12 hypermarket and supermarket chains (31 December 2020: 16) with a sum of 682 retail points (31 December 2020: 686)
- 6 online key accounts (31 December 2020: 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:

	2021	2020
<b>Retail shops</b>		
At the beginning of the year	202	239
Addition of new retail shops	22	9
Closure of retail shops	(39)	(46)
	<u>          </u>	<u>          </u>
<b>At the end of the year</b>	<b><u>          185          </u></b>	<b><u>          202          </u></b>

### 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 optimise our network of consignment counters.

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

	2021	2020
<b>Consignment counters</b>		
At the beginning of the year	468	505
Addition of new consignment counters	23	28
Closure of consignment counters	(49)	(65)
	<u>          </u>	<u>          </u>
<b>At the end of the year</b>	<b><u>          442          </u></b>	<b><u>          468          </u></b>

### 1.3 Online Stores

During the Reporting Period, we launched 5 and closed 8 flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 31 December 2021, we had 21 online stores in total, compared with 24 as of 31 December 2020.

## 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 2021, we had 521 distributors (31 December 2020: 580), which onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,000 (31 December 2020: more than 2,400) in Mainland China.

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

	2021	2020
<b>Distributors</b>		
At the beginning of the year	<b>580</b>	697
Addition of new distributors	<b>82</b>	80
Expiry without renewal of distribution agreements	<b>(141)</b>	(197)
	<u>521</u>	<u>580</u>
<b>At the end of the year</b>	<b><u>521</u></b>	<b><u>580</u></b>

## 2.2 *Hypermarket and Supermarket Chains*

As of 31 December 2021, we had wholesale arrangements with 12 hypermarket and supermarket chains (31 December 2020: 16) with a sum of 682 retail points (31 December 2020: 686) 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:

	2021	2020
<b>Hypermarket and supermarket chains</b>		
At the beginning of the year	16	16
Addition of new hypermarket and supermarket chains	1	–
Termination or expiry of agreements with hypermarket and supermarket chains	(5)	–
	<u>12</u>	<u>16</u>
<b>At the end of the year</b>	<b><u>12</u></b>	<b><u>16</u></b>

## 2.3 *Online Key Accounts*

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

	2021	2020
<b>Online key accounts</b>		
At the beginning of the year	5	5
Addition of new online key accounts	2	–
Termination or expiry of agreements with online key accounts	(1)	–
	<u>6</u>	<u>5</u>
<b>At the end of the year</b>	<b><u>6</u></b>	<b><u>5</u></b>

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, the revenue of the Group increased by 6.9% from approximately RMB1,374.8 million for the Prior Period to approximately RMB1,469.8 million.

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

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Self-operated retail channels</b>		
– Retail shops	<b>699,685</b>	599,775
– Consignment counters	<b>386,453</b>	367,699
– Online stores	<b>76,107</b>	98,956
	<hr/>	<hr/>
<b>Sub-total:</b>	<b>1,162,245</b>	1,066,430
	<hr/>	<hr/>
<b>Wholesale channels</b>		
– Distributors	<b>259,388</b>	251,184
– Hypermarket and supermarket chains	<b>29,620</b>	21,454
– Online key accounts	<b>18,547</b>	35,716
	<hr/>	<hr/>
<b>Sub-total:</b>	<b>307,555</b>	308,354
	<hr/>	<hr/>
<b>Total:</b>	<b>1,469,800</b>	1,374,784
	<hr/> <hr/>	<hr/> <hr/>

### *Self-operated Retail Channels*

The self-operated retail channels recorded an increase in revenue of 9.0% to approximately RMB1,162.2 million during the Reporting Period compared to the Prior Period, resulted from diminishing impact of COVID-19 on sales. Revenue from retail shops and consignment counters rose by 16.7% to approximately RMB699.7 million and 5.1% to approximately RMB386.5 million, respectively. Online stores revenue dropped by 23.1% to approximately RMB76.1 million, attributable to the decline in the general sales of toy category on major e-commerce platforms and closure of some branded flagship online stores the Group represented, partially offset by strong growth in neighbourhood e-commerce (“近場電商”).

## ***Wholesale Channels***

During the Reporting Period, revenue contributed by wholesale channels slightly decreased by 0.3% to approximately RMB307.6 million, attributed to the drop in online key accounts revenue by 48.1% to approximately RMB18.5 million mainly because of the termination with one online key account by the Group. Revenue from distributors as well as hypermarket and supermarket chains rose by 3.3% to approximately RMB259.4 million and 38.1% to approximately RMB29.6 million, respectively.

Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 30.2% from approximately RMB148.6 million for the Prior Period to approximately RMB193.4 million during the Reporting Period.

## **Cost of Sales, Gross Profit and Gross Profit Margin**

Cost of sales decreased by 1.7% from approximately RMB871.5 million in the Prior Period to approximately RMB857.0 million in the Reporting Period. Excluding non-cash inventory provision of approximately RMB0.1 million (Prior Period: approximately RMB20.7 million), cost of sales would have increased by 0.7% in the Reporting Period. The Group's gross profit margin increased from 36.6% in the Prior Period to 41.7% in the Reporting Period. Excluding non-cash inventory provision of approximately RMB0.1 million (Prior Period: approximately RMB20.7 million), the Group's gross profit margin would have been 41.7% (Prior Period: 38.1%). Gross profit rose by 21.8% from approximately RMB503.3 million in the Prior Period to approximately RMB612.8 million in the Reporting Period.

## **Other Income**

Other income, consisting mainly of government grants, dropped by 30.1% from approximately RMB14.6 million in the Prior Period to approximately RMB10.2 million in the Reporting Period.

## **Other Gains/Losses, Net**

Other gains, net decreased by 79.0% from approximately RMB28.1 million in the Prior Period to approximately RMB5.9 million in the Reporting Period. Other gains/losses, net was mainly attributable to net exchange differences.

## **Impairment Loss on Financial Assets**

The amount represented provision made for trade receivables. Provision for impairment loss slightly increased from approximately RMB0.01 million in the Prior Period to approximately RMB0.3 million in the Reporting Period.



## **Selling and Distribution Expenses**

Selling and distribution expenses decreased by 6.5% from approximately RMB593.6 million in the Prior Period to approximately RMB555.2 million in the Reporting Period. Excluding effect of non-cash impairment provision of property, plant and equipment, and right-of-use assets amounted to approximately RMB2.8 million (Prior Period: RMB41.0 million), selling and distribution expenses remained stable over the Reporting Period and Prior Period.

## **General and Administrative Expenses**

General and administrative expenses decreased by 21.6% from approximately RMB73.2 million in the Prior Period to approximately RMB57.4 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, slightly dropped by approximately RMB0.8 million from approximately RMB10.7 million in the Prior Period to approximately RMB9.9 million in the Reporting Period.

## **Profit/Loss for the Period**

A profit of approximately RMB2.1 million was recorded in the Reporting Period (Prior Period: loss of approximately RMB130.1 million).

## **Inventory, Trade Receivables and Payables Turnover Days**

Inventory turnover days decreased from 209 days in the Prior Period to 190 days in the Reporting Period. Trade receivables turnover days decreased from 30 days in the Prior Period to 23 days in the Reporting Period. Trade payables turnover days decreased from 65 days in the Prior Period to 50 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 decreased from 174 days in the Prior Period to 163 days in the Reporting Period.

## **Capital Expenditure**

During the Reporting Period, the Group invested approximately RMB26.6 million in property, plant, and equipment, mainly to renovate existing shops (Prior Period: approximately RMB31.2 million).

## **Liquidity and Financial Resources**

The Group's cash position as of 31 December 2021 was approximately RMB25.4 million, compared to approximately RMB53.8 million as of 31 December 2020. The current ratio and quick ratio as of 31 December 2021 were 1.9 and 0.7, respectively (31 December 2020: 2.1 and 1.0, respectively).

As of 31 December 2021, the Group had aggregate banking facilities of approximately RMB90.4 million (31 December 2020: approximately RMB77.3 million) for trade financing, of which approximately RMB52.5 million (31 December 2020: approximately RMB39.9 million) was unutilised as of the same date. These facilities are secured by corporate guarantees provided by the Company.

As of 31 December 2021, the Group had a loan facility from a related company of approximately RMB53.1 million (31 December 2020: approximately RMB33.7 million), of which approximately RMB40.5 million was utilised (31 December 2020: approximately RMB33.4 million).

## **Charge of Assets**

As of 31 December 2021, the Group had restricted cash of approximately RMB5.4 million for bank guarantee of a trade finance facility (31 December 2020: approximately RMB5.4 million).

## **Contingent Liabilities**

As of 31 December 2021, the Group did not have significant contingent liabilities (31 December 2020: 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. The Group currently does not have a foreign currency hedging policy. However, the management personnel of the Group (the "**Management**") monitor its foreign exchange risks regularly in keeping the net exposure to an acceptable level. 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 2021*

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>	3	<b>1,469,800</b>	1,374,784
Cost of sales	6	<u><b>(857,010)</b></u>	<u>(871,483)</u>
<b>Gross profit</b>		<b>612,790</b>	503,301
Other income	4	<b>10,230</b>	14,602
Other gains, net	5	<b>5,865</b>	28,084
Impairment loss on financial assets	6	<b>(252)</b>	(12)
Selling and distribution expenses	6	<b>(555,219)</b>	(593,624)
General and administrative expenses	6	<u><b>(57,427)</b></u>	<u>(73,249)</u>
Operating profit/(loss)		<b>15,987</b>	(120,898)
Finance costs	7	<u><b>(9,874)</b></u>	<u>(10,748)</u>
Profit/(loss) before income tax		<b>6,113</b>	(131,646)
Income tax (expense)/credit	8	<u><b>(4,038)</b></u>	<u>1,548</u>
<b>Profit/(loss) for the year</b>		<u><b>2,075</b></u>	<u>(130,098)</u>
<b>Other comprehensive loss, net of tax:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<u><b>(7,643)</b></u>	<u>(17,549)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(5,568)</b></u>	<u>(147,647)</u>
Profit/(loss) for the year attributable to:			
– owners of the Company		<b>1,341</b>	(127,094)
– non-controlling interest		<u><b>734</b></u>	<u>(3,004)</u>
		<u><b>2,075</b></u>	<u>(130,098)</u>
Total comprehensive (loss)/income for the year attributable to:			
– owners of the Company		<b>(6,472)</b>	(145,017)
– non-controlling interest		<u><b>904</b></u>	<u>(2,630)</u>
		<u><b>(5,568)</b></u>	<u>(147,647)</u>
Earnings/(loss) per share, basic and diluted <i>(RMB cents)</i>	9	<u><b>0.17</b></u>	<u>(15.89)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		37,496	38,899
Right-of-use assets	11	129,716	108,125
Intangible assets		12,361	8,795
Financial asset at fair value through profit or loss (“FVTPL”)		290	–
Deposits paid for acquisition of property, plant and equipment		–	2,079
Rental deposits		31,113	22,741
Deferred tax assets		22,097	24,401
		<u>233,073</u>	<u>205,040</u>
<b>Current assets</b>			
Inventories		472,052	419,865
Trade and bill receivables	12	98,510	94,235
Other receivables, deposits and prepayments		75,865	89,942
Right of return assets		2,210	2,246
Tax recoverable		56	56
Restricted cash		5,405	5,440
Bank balances and cash		19,984	48,334
		<u>674,082</u>	<u>660,118</u>
<b>EQUITY</b>			
<b>Owners of the Company</b>			
Share capital		6,931	6,931
Reserves		464,907	471,379
		<u>471,838</u>	<u>478,310</u>
<b>Non-controlling interest</b>		<u>9,315</u>	<u>8,411</u>
<b>Total equity</b>		<u><u>481,153</u></u>	<u><u>486,721</u></u>

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for reinstatement costs		<b>5,919</b>	5,222
Lease liabilities	11	<b>69,746</b>	58,920
		<b>75,665</b>	64,142
<b>Current liabilities</b>			
Trade payables	13	<b>143,602</b>	93,390
Other payables and accruals		<b>77,073</b>	92,392
Loan from a related company		<b>40,475</b>	33,413
Lease liabilities	11	<b>71,582</b>	70,056
Contract liabilities		<b>11,780</b>	19,081
Current tax liabilities		<b>5,825</b>	5,963
		<b>350,337</b>	314,295
<b>Net current assets</b>		<b>323,745</b>	345,823
<b>Total assets less current liabilities</b>		<b>556,818</b>	550,863
<b>Net assets</b>		<b>481,153</b>	486,721

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2021

## 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, Hong Kong and Macau.

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**”).

This consolidated financial information is presented in Renminbi (“**RMB**”).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this 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 has been prepared on the historical cost basis except for the financial asset at FVTPL which is measured at fair value.

### 2.2 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 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
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The Group also elected to adopt the following amendment early:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions
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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 amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 to cover lease payments related rent concessions that are originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The early adoption of HKFRS 16 (Amendment) does not have significant impact to the Group for the year ended 31 December 2021.

**(b) *New, amended standards and interpretation not yet adopted***

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	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, amended standards and interpretation when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards, amended standards and interpretation, 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, 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 2021:

	<b>The PRC</b> <i>RMB’000</i>	<b>Hong Kong and overseas</b> <i>RMB’000</i>	<b>Inter-segment elimination</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
Revenue				
– Revenue recognised at a point in time	<u>1,276,376</u>	<u>236,823</u>	<u>(43,399)</u>	<u>1,469,800</u>
Reportable segment results	----- (1,078)	----- 11,288		10,210
Unallocated other income				441
Unallocated corporate expenses				(11,032)
Unallocated other gains, net				7,275
Unallocated finance costs				<u>(781)</u>
Profit before income tax				6,113
Income tax expense				<u>(4,038)</u>
Profit for the year				<u>2,075</u>



- (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 2020:

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

- (c) The following is an analysis of the Group's assets and liabilities as at 31 December 2021 by reportable segment:

	The PRC <i>RMB'000</i>	Hong Kong and overseas <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>790,643</u>	<u>68,970</u>	859,613
Deferred tax assets			22,097
Unallocated assets			<u>25,445</u>
Total assets per consolidated statement of financial position			<u>907,155</u>
Segment liabilities	<u>311,184</u>	<u>65,581</u>	376,765
Current tax liabilities			5,825
Loan from a related company			40,475
Unallocated liabilities			<u>2,937</u>
Total liabilities per consolidated statement of financial position			<u>426,002</u>

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

	The PRC <i>RMB'000</i>	Hong Kong and overseas <i>RMB'000</i>	Total <i>RMB'000</i>
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			<u>865,158</u>
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			<u>378,437</u>

- (e) The following is an analysis of the Group's other segment information as at 31 December 2021 by reportable segment:

	The PRC <i>RMB'000</i>	Hong Kong and overseas <i>RMB'000</i>	Total <i>RMB'000</i>
Additions to non-current assets	<u>107,467</u>	<u>36,660</u>	<u>144,127</u>
Depreciation and amortisation	<u>90,970</u>	<u>18,939</u>	<u>109,909</u>
Impairment loss on financial assets	<u>252</u>	<u>–</u>	<u>252</u>
Impairment loss on right-of-use assets	<u>1,750</u>	<u>–</u>	<u>1,750</u>
Impairment loss on property, plant and equipment	<u>1,006</u>	<u>–</u>	<u>1,006</u>

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

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Current assets</b>		
Right of return assets	<u>2,210</u>	<u>2,246</u>
<b>Current contract liabilities</b>		
– Receipts in advance	7,755	15,077
– Customer loyalty programme	1,349	1,267
– Liability arising from expected sales return	<u>2,676</u>	<u>2,737</u>
Total	<u>11,780</u>	<u>19,081</u>

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 RMB2,676,000 (2020: RMB2,737,000) 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 RMB2,210,000 (2020: RMB2,246,000) 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	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>19,081</u>	<u>35,752</u>

**(h) Sales and distribution channels**

The Group has a diverse retail network and an extensive distribution network. The Group sells toys 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Self-operated retail channels		
– Retail shops	699,685	599,775
– Consignment counters	386,453	367,699
– Online stores	76,107	98,956
Wholesale channels		
– Distributors	259,388	251,184
– Hypermarket and supermarket chains	29,620	21,454
– Online key accounts	18,547	35,716
	<u>1,469,800</u>	<u>1,374,784</u>

For the years ended 31 December 2021 and 2020, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

**4 OTHER INCOME**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income	441	397
Government grants ( <i>Note</i> )	6,952	11,481
Film investment income	936	–
Sundry income	1,901	2,724
	<u>10,230</u>	<u>14,602</u>

*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 2021, subsidy income amounting to RMB6,952,000 (2020: RMB11,481,000) are recognised in profit or loss. Deferred government grant of RMB1,583,000 (2020: RMB3,862,000) was recognised in the consolidated statement of financial position since conditions of the grants were not yet fulfilled.

## 5 OTHER GAINS, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net exchange gain	6,822	24,947
Loss on disposal of property, plant and equipment	–	(9)
Fair value (loss)/gain on financial assets at FVTPL	(521)	362
Gain on lease modifications	371	3,489
Others	(807)	(705)
	<u>5,865</u>	<u>28,084</u>

## 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Auditors' remuneration		
– Audit services	2,241	2,339
– Non-audit services	–	157
Amortisation of intangible assets	669	516
Depreciation of property, plant and equipment	26,789	32,579
Depreciation of right-of-use assets	82,451	103,259
Cost of inventories	839,053	829,233
Rental expenses in respect of		
– variable leases payments	14,190	10,568
– short term leases	40,355	23,122
Rent concessions	(3,634)	(10,979)
Advertising and promotional expenses	39,128	51,539
Concessionaire fees	120,913	129,545
Employee benefit expenses (including directors' emoluments)	91,902	86,106
Outsourced personnel service fee	98,896	95,344
Provision for impairment loss on trade receivables	252	12
Other receivables written-off	1,247	2,932
Provision for impairment loss on inventories, net (included in cost of sales)	103	20,717
Impairment loss on property, plant and equipment ( <i>Note</i> )	1,006	17,545
Impairment loss on right-of-use assets ( <i>Note</i> )	1,750	23,423
Transportation costs	26,653	33,587
Building management fees	31,789	29,753
Retail shop expenses	25,969	28,241
Office expenses	7,178	4,634
Travel expenses	2,612	2,724
Insurance	1,062	1,282
Others	17,334	20,190
	<u>1,469,908</u>	<u>1,538,368</u>

*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 RMB1,006,000 and RMB1,750,000, respectively for the year ended 31 December 2021 (2020: RMB17,545,000 and RMB23,423,000, 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% (2020: 10.78%) applied to bring the future cash flows back to their present values.

## 7 FINANCE COSTS

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Interest expenses on loan from a related company	781	712
Interest expenses on lease liabilities	<u>9,093</u>	<u>10,036</u>
	<u><b>9,874</b></u>	<u><b>10,748</b></u>

## 8 INCOME TAX EXPENSE/(CREDIT)

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Current income tax		
– Hong Kong and overseas profits tax	1,096	888
– PRC corporate income tax	<u>564</u>	<u>486</u>
	<u><b>1,660</b></u>	<u>1,374</u>
Under/(over)-provision in prior years		
– Hong Kong and overseas profits tax	(4)	235
– PRC corporate income tax	<u>134</u>	<u>(3,496)</u>
	<u><b>130</b></u>	<u>(3,261)</u>
Deferred tax	<u>2,248</u>	<u>339</u>
	<u><b>4,038</b></u>	<u><b>(1,548)</b></u>

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% (2020: 25%). The applicable rate of Hong Kong profits tax is 16.5% (2020: 16.5%). The applicable rate of Macau profits tax is 12.0% (2020: N/A).

## 9 EARNINGS/(LOSS) PER SHARE

### Basic

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

	2021	2020
Profit/(loss) attributable to owners of the Company ( <i>RMB'000</i> )	<u>1,341</u>	<u>(127,094)</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>800,000</u>	<u>800,000</u>
Basic earnings/(loss) per share ( <i>RMB cents</i> )	<u>0.17</u>	<u>(15.89)</u>

### Diluted

The computation of diluted earnings/(loss) per share for the year ended 31 December 2021 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic earnings/(loss) per share (2020: same).

## 10 DIVIDENDS

The Board has decided not to propose for payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

## 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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets		
– Leased premises	150,448	134,751
Less: Impairment provision	<u>(20,732)</u>	<u>(26,626)</u>
	<u>129,716</u>	<u>108,125</u>
Lease liabilities		
Current	71,582	70,056
Non-current	<u>69,746</u>	<u>58,920</u>
	<u>141,328</u>	<u>128,976</u>

Additions to right-of-use assets amounted to RMB113,004,000 (2020: RMB56,311,000).

(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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of right-of-use assets ( <i>note 6</i> )	82,451	103,259
Impairment loss on right-of-use assets ( <i>note 6</i> )	<u>1,750</u>	<u>23,423</u>
Interest expenses ( <i>note 7</i> )	9,093	10,036
Expense relating to short-term leases ( <i>note 6</i> )	40,355	23,122
Expense relating to variable lease payments not included in lease liabilities ( <i>note 6</i> )	14,190	10,568
Gain on lease modifications ( <i>note 5</i> )	(371)	(3,489)
Rent concessions ( <i>note 6</i> )	<u>(3,634)</u>	<u>(10,979)</u>

The total cash outflow for leases in 2021 was RMB150,558,000 (2020: RMB142,954,000).

**12 TRADE AND BILL RECEIVABLES**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables from contracts with customers	104,554	104,545
Provision for impairment	<u>(10,562)</u>	<u>(10,310)</u>
	93,992	94,235
Bill receivables	<u>4,518</u>	–
	<u>98,510</u>	<u>94,235</u>

The Group's retail revenue through self-operated retail stores in the PRC are transacted either by cash, credit cards, online payment platforms such as Alipay and 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 after deducting the concessionaire fee to the Group. 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:

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	<b>67,026</b>	64,532
31 to 60 days	<b>11,711</b>	14,868
61 to 90 days	<b>5,767</b>	7,089
91 to 180 days	<b>9,201</b>	5,295
Over 180 days	<b>10,849</b>	12,761
	<hr/>	<hr/>
	<b>104,554</b>	104,545
Less: Loss allowance	<b>(10,562)</b>	(10,310)
	<hr/>	<hr/>
	<b>93,992</b>	94,235
	<hr/> <hr/>	<hr/> <hr/>

### 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:

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	<b>124,967</b>	76,650
31 to 60 days	<b>9,601</b>	9,032
61 to 90 days	<b>4,377</b>	2,810
Over 90 days	<b>4,657</b>	4,898
	<hr/>	<hr/>
	<b>143,602</b>	93,390
	<hr/> <hr/>	<hr/> <hr/>

## 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 2021 is set out below:

	Use of the Net Proceeds as stated in the Prospectus (amount adjusted per final offer price) <i>HK\$ million</i>	Actual use of the Net Proceeds as of 31 December 2021 <i>HK\$ million</i>	Actual use of the Net Proceeds during the Reporting Period <i>HK\$ million</i>	Unused Net Proceeds as of 31 December 2021 <i>HK\$ million</i>	Further information
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.

	Use of the Net Proceeds as stated in the Prospectus (amount adjusted per final offer price) <i>HK\$ million</i>	Actual use of the Net Proceeds as of 31 December 2021 <i>HK\$ million</i>	Actual use of the Net Proceeds during the Reporting Period <i>HK\$ million</i>	Unused Net Proceeds as of 31 December 2021 <i>HK\$ million</i>	Further information
Strengthen the Group's product development capabilities	51.9	51.9	-	-	The full amount has been utilised as intended.
Develop experience centres and associated products	31.7	31.7	10.4	-	The full amount has been utilised as intended.
Working capital and other general corporate purposes	28.9	28.9	-	-	The full amount has been utilised as intended.
	288.3	288.3	10.4	-	

As of the date of this announcement, the amount of Net Proceeds has been fully utilised. The Company has used the 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, 17 June 2022 (the "2022 AGM"). A notice convening the 2022 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 2022 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (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 2022 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, 13 June 2022.

## **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 2021, the Group had approximately 1,700 employees (including both in-house and outsourced employees) (31 December 2020: approximately 1,800 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB91.9 million and RMB98.9 million, respectively (Prior Period: approximately RMB86.1 million and RMB95.3 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 Company has adopted two share option schemes on 20 October 2017. The Group has been ensuring adequate training and professional development opportunities to employees.

## **EVENTS AFTER THE REPORTING PERIOD**

Since February 2022, confirmed cases of COVID-19 in Mainland China and Hong Kong have affected the usual business environment of the regions as a whole. A series of precautionary and control measures have been and continued to be implemented across Mainland China and Hong Kong, including, among others, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, implementation of heightened hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing.

Further, in preparing this set of consolidated financial statements, the Group determined the recoverable amount of its cash-generating units based on the present value of future cash flows under the conditions as of 31 December 2021. In the impairment testing to be performed for the year ending 31 December 2022, the COVID-19 outbreak and its impact on the present value of estimated future cash flows of the cash-generating units will be considered. The outbreak of COVID-19 could also affect the subsequent sales return and subsequent settlement of trade receivables.

Pending development of this non-adjusting subsequent event, the Group's financial results may be affected, the extent of which could not be estimated as of the date of this announcement.

## **CORPORATE GOVERNANCE PRACTICES**

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

Code provision C.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. As the founder of the Group, Mr. Lee Ching Yiu 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 Ching Yiu 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 set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing the Directors’ dealings in the securities of the Company. Following specific enquiries made 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 2021.

## **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 2021 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](http://www.kidslandholdings.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2021 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, 23 March 2022

*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 INEDs, namely Mr. Cheng Yuk Wo, Mr. Huang Lester Garson and Dr. Lam Lee G.*