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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 2023

HIGHLIGHTS

- During the Reporting Period, the Group's revenue increased by 1.0% to approximately RMB1,155.7 million from approximately RMB1,144.7 million for the Prior Period. Despite the weak market sentiment and changing consumption patterns, the Group maintained the revenue by reaching out to a wider audience through various types of retail stores and distribution channels and diversifying product assortment.

- The Group's gross profit margin decreased from 35.6% for the Prior Period to 29.8% for the Reporting Period, mainly attributable to stock clearance activities which depressed the Group's short-term gross profit margin, but reduced inventory backlog significantly by approximately 27.0%. Inventory turnover days dropped to 161 days and cash conversion cycle improved to 131 days for the Reporting Period (Prior Period: 219 days and 184 days, respectively). It enabled the Group to keep agile in adapting to future development with a healthier foundation.

- Total selling, distribution, general and administrative expenses decreased by 2.7% from approximately RMB554.6 million for the Prior Period to approximately RMB539.9 million for the Reporting Period.

- A net loss after tax of approximately RMB210.9 million was recorded for the Reporting Period (Prior Period: approximately RMB184.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The times were changing. The rapid change of the macro-economic environment after the novel coronavirus disease 2019 (the "**COVID**") led to the dramatical change of the consumption market, both consumer sentiments and behaviours. That also led to the change of the competition landscape. Consumption downgrading became the main theme with consumers more cautious about spending and more focused on price-value proposition.

In face of the weak market sentiment and changing consumption patterns, Kidsland International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") managed to achieve revenue growth by 1.0% to approximately RMB1,155.7 million whilst a net loss after tax of approximately RMB210.9 million was reported for the year ended 31 December 2023 (the "**Reporting Period**"), compared to a revenue of approximately RMB1,144.7 million and a net loss after tax of approximately RMB184.2 million for the year ended 31 December 2022 (the "**Prior Period**"). The main reason for the loss for the Reporting Period was the decreased profit margin which was affected by the intensified stock clearance effort starting from the second half year of 2023.

During the Reporting Period, with the market catering to price sensitive demand, the Group took the opportunity to carry out a series of stock clearance activities which depressed the Group's short-term gross profit margin, but reduced inventory backlog significantly by approximately 27.0%. Inventory turnover days dropped to 161 days and cash conversion cycle improved to 131 days for the Reporting Period (Prior Period: 219 days and 184 days, respectively). It enabled the Group to keep agile in adapting to future development with a healthier foundation.

The Group worked tirelessly to focus on its core strengths and to adapt its business model to cater the new trends emerging in the post-COVID world. The Group will expand the target groups by entering new product categories with focus on IPs, and will also apply new marketing approach in react to the changing market environment and consumer behaviors. Moreover, after some years of retail network optimization, the Group will start the opening of more retail shops with different formats to approach wider target audience, from kids to teens and also young adults. Apart from the tier-1 and tier-2 cities where the Group has strong footprint already, the Group will start to test the new retail format in the lower-tier cities to reach out the growing population and consumer groups there. Apart from retail development, the Group will continuously develop wholesale business, key accounts and e-commerce by strengthening the key business partner relationship to approach more diversified customers and channels. With its unique integration of online and offline, retail and wholesale, together with its diversified channel segmentation, the Group aims to provide greater experience, convenience and service to consumers and customers.

In addition, apart from partnering with renowned international brands, the Group will explore innovative products and peripheral products related to popular IPs to bring diversified products and experience to customers of all ages. To maintain strong and agile position in the market, the Group will keep improving its operational efficiency and optimising organizational structure.

Looking ahead, whilst the consumption market is still challenging, the Group remains cautiously optimistic about 2024. In 2024, the Group will continue to apply consumer-centric strategy for retail business and customer-centric strategy for wholesale business, focusing on innovative products and marketing approach, plus internal efficiency improvement. The Group will strengthen its core competence and pivot its business model to adapt to the rapidly changing market. It is believed that, with all these efforts and directions, the Group can achieve resilient growth against the trend and overcome the challenges of the current market.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 31 December 2023, this network consisted of:

Self-operated Retail Channels

– 559 self-operated retail points of sale including retail shops and consignment counters (31 December 2022: 587)

– 31 online stores (31 December 2022: 29)

Wholesale Channels

– 306 distributors (31 December 2022: 342) which sell our products through third-party retailers or their own retail shops, totaling more than 1,600 (31 December 2022: more than 1,800)

– 12 hypermarket and supermarket chains (31 December 2022: 12) with a sum of 412 retail points (31 December 2022: 412)

– 2 online key accounts (31 December 2022: 2)

Detailed breakdowns of our distribution network are as follows:

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:

	2023	2022
Retail shops		
At the beginning of the year	**172**	185
Addition of new retail shops	**7**	16
Closure of retail shops	**(24)**	(29)
At the end of the year	**155**	172

1.2 Consignment Counters

The majority of our consignment counters were located in well-known department stores and a renowned regional toy store chain, most of which operated under the Kidsland brand. 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:

	2023	2022
Consignment counters		
At the beginning of the year	**415**	442
Addition of new consignment counters	**37**	27
Closure of consignment counters	**(48)**	(54)
At the end of the year	**404**	415

1.3 Online Stores

During the Reporting Period, we opened six flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com, and closed four. As of 31 December 2023, we had 31 online stores in total, compared with 29 as of 31 December 2022.

2. Wholesale Channels

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

2.1 Distributors

As of 31 December 2023, we had 306 distributors (31 December 2022: 342), which sell our products through third-party retailers or their own retail shops, totaling more than 1,600 (31 December 2022: more than 1,800) in Mainland China.

The table below shows the changes in the number of distributors for the years indicated:

	2023	2022
Distributors		
At the beginning of the year	**342**	521
Addition of new distributors	**88**	90
Expiry without renewal of distribution agreements	**(124)**	(269)
At the end of the year	**306**	342

2.2 Hypermarket and Supermarket Chains

As of 31 December 2023, we had wholesale arrangements with 12 hypermarket and supermarket chains (31 December 2022: 12) with a sum of 412 retail points (31 December 2022: 412) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

The table below shows the changes in the number of hypermarket and supermarket chains for the years indicated:

	2023	2022
Hypermarket and supermarket chains		
At the beginning of the year	**12**	12
Addition of new hypermarket and supermarket chains	**1**	3
Termination or expiry of agreements with hypermarket and supermarket chains	**(1)**	(3)
At the end of the year	**12**	12

2.3 Online Key Accounts

The table below shows the changes in the number of online key accounts for the years indicated:

	2023	2022
Online key accounts		
At the beginning of the year	**2**	6
Termination or expiry of agreements with online key accounts	**–**	(4)
At the end of the year	**2**	2

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue increased by 1.0% to approximately RMB1,155.7 million from approximately RMB1,144.7 million for the Prior Period. Despite the weak market sentiment and changing consumption patterns, the Group maintained the revenue by reaching out to a wider audience through various types of retail stores and distribution channels and diversifying product assortment.

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

	2023	2022
	RMB'000	*RMB'000*
Self-operated retail channels		
– Retail shops	**647,950**	607,431
– Consignment counters	**258,408**	264,164
– Online stores	**58,731**	63,943
Sub-total	**965,089**	935,538
Wholesale channels		
– Distributors	**145,425**	171,467
– Hypermarket and supermarket chains	**35,500**	27,392
– Online key accounts	**9,724**	10,319
Sub-total	**190,649**	209,178
Total	**1,155,738**	1,144,716

Self-operated Retail Channels

The self-operated retail channels recorded an increase in revenue of 3.2% to approximately RMB965.1 million for the Reporting Period compared to the Prior Period. Revenue from retail shops rose by 6.7% to approximately RMB648.0 million, while revenue from consignment counters and online stores dropped by 2.2% to approximately RMB258.4 million and 8.2% to approximately RMB58.7 million, respectively.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels decreased by 8.9% to approximately RMB190.6 million, attributed to the drop in revenue from distributors and online key accounts by 15.2% to approximately RMB145.4 million and 5.8% to approximately RMB9.7 million, respectively. Revenue from hypermarket and supermarket chains rose by 29.6% to approximately RMB35.5 million.

Revenue from Hong Kong, Macau and overseas (after inter-segment elimination) recorded an increase of 12.9% from approximately RMB215.7 million for the Prior Period to approximately RMB243.6 million for the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by 10.0% from approximately RMB737.7 million for the Prior Period to approximately RMB811.2 million for the Reporting Period. The Group's gross profit margin decreased from 35.6% for the Prior Period to 29.8% for the Reporting Period, mainly attributable to stock clearance activities which depressed the Group's short-term gross profit margin, but reduced inventory backlog. Gross profit decreased from approximately RMB407.1 million for the Prior Period to approximately RMB344.6 million for the Reporting Period.

Other Income

Other income, consisting mainly of government grants and promotional service income, decreased by approximately RMB3.5 million from approximately RMB8.9 million for the Prior Period to approximately RMB5.4 million for the Reporting Period, mainly resulting from the drop in government grants.

Other Losses, Net

Other losses, net was mainly attributable to net exchange differences. Other losses, net of approximately RMB7.7 million recorded for the Reporting Period (Prior Period: approximately RMB31.2 million), mainly resulting from depreciation of Renminbi ("**RMB**").

Impairment Reversal/Loss on Financial Assets

The amount represented provision made for impairment loss on trade and bill receivables. Reversal of impairment loss of approximately RMB0.5 million was recorded for the Reporting Period (Prior Period: provision for impairment loss of approximately RMB3.5 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 2.0% from approximately RMB496.6 million for the Prior Period to approximately RMB486.7 million for the Reporting Period, which was mainly attributable to intensified expense management, especially on rental expenses, advertising and promotional expenses and outsourced personnel service fees.

General and Administrative Expenses

General and administrative expenses dropped by 8.4% from approximately RMB58.0 million for the Prior Period to approximately RMB53.1 million for the Reporting Period, resulting from control over staff costs and office expenses.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, bank borrowings and loans from a related company, increased by approximately RMB1.8 million from approximately RMB10.7 million for the Prior Period to approximately RMB12.5 million for the Reporting Period.

Loss for the Period

A loss of approximately RMB210.9 million was recorded for the Reporting Period (Prior Period: approximately RMB184.2 million).

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 219 days for the Prior Period to 161 days for the Reporting Period. Trade receivables turnover days decreased from 24 days for the Prior Period to 18 days for the Reporting Period. Trade payables turnover days decreased from 59 days for the Prior Period to 48 days for 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 184 days for the Prior Period to 131 days for the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB14.3 million in property, plant, and equipment, mainly to renovate shops (Prior Period: approximately RMB27.1 million).

Liquidity and Financial Resources

The Group's cash position as of 31 December 2023 was approximately RMB24.5 million, compared to approximately RMB20.6 million as of 31 December 2022. The current ratio calculated by dividing total current assets by total current liabilities and quick ratio calculated by dividing total current assets excluding inventories and right of return assets by total current liabilities excluding lease liabilities as of 31 December 2023 were 1.2 and 0.5, respectively (31 December 2022: 1.4 and 0.4, respectively).

As of 31 December 2023, the Group had aggregate banking facilities of approximately RMB167.2 million (31 December 2022: approximately RMB115.4 million) for bank loans and trade financing, of which approximately RMB42.5 million (31 December 2022: approximately RMB37.1 million) was unutilised as of the same date.

As of 31 December 2023, the Group had a loan facility from a related company of approximately RMB135.9 million (31 December 2022: approximately RMB75.9 million), of which approximately RMB85.3 million (31 December 2022: approximately RMB51.4 million) was utilised.

Charge of Assets

As of 31 December 2023, the Group had restricted cash of approximately RMB2.5 million mainly for bank guarantee of a trade finance facility (31 December 2022: approximately RMB2.1 million).

Contingent Liabilities

As of 31 December 2023, the Group did not have significant contingent liabilities (31 December 2022: 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 RMB. The Group currently does not have a foreign currency hedging policy. However, the management personnel of the Group 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 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Revenue	3	**1,155,738**	1,144,716
Cost of sales	6	**(811,184)**	(737,652)
Gross profit		**344,554**	407,064
Other income	4	**5,372**	8,892
Other losses, net	5	**(7,708)**	(31,163)
Impairment reversal/(loss) on financial assets	6	**535**	(3,465)
Selling and distribution expenses	6	**(486,737)**	(496,588)
General and administrative expenses	6	**(53,119)**	(58,011)
Operating loss		**(197,103)**	(173,271)
Finance costs	7	**(12,536)**	(10,691)
Loss before income tax		**(209,639)**	(183,962)
Income tax expense	8	**(1,306)**	(272)
Loss for the year		**(210,945)**	(184,234)
Other comprehensive income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**3,650**	23,661
Total comprehensive expense for the year		**(207,295)**	(160,573)
Loss for the year attributable to:			
– owners of the Company		**(210,495)**	(182,285)
– non-controlling interest		**(450)**	(1,949)
		(210,945)	(184,234)
Total comprehensive expense for the year attributable to:			
– owners of the Company		**(206,739)**	(158,093)
– non-controlling interest		**(556)**	(2,480)
		(207,295)	(160,573)
Loss per share, basic and diluted *(RMB cents)*	9	**(26.31)**	(22.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**24,228**	39,347
Right-of-use assets	11	**81,309**	112,319
Intangible assets		**7,822**	11,779
Financial asset at fair value through profit or loss ("**FVTPL**")		**–**	290
Deposits paid for acquisition of property, plant and equipment		**–**	369
Rental deposits		**19,865**	25,685
Deferred tax assets		**15,990**	21,810
		149,214	211,599
Current assets			
Inventories		**301,448**	413,135
Trade and bill receivables	12	**57,050**	57,547
Other receivables, deposits and prepayments		**47,782**	53,382
Right of return assets		**52**	305
Tax recoverable		**729**	539
Restricted cash		**2,541**	2,065
Cash and cash equivalents		**21,937**	18,490
		431,539	545,463
EQUITY			
Owners of the Company			
Share capital		**6,931**	6,931
Reserves		**100,075**	306,814
		107,006	313,745
Non-controlling interest		**6,279**	6,835
Total equity		**113,285**	320,580

	Notes	**2023** RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Loans from a related company		**85,302**	–
Other payables		**2,984**	4,469
Lease liabilities	11	**30,992**	46,887
		119,278	51,356
Current liabilities			
Trade payables	13	**117,154**	95,938
Other payables and accruals		**82,502**	115,471
Bank borrowings		**76,655**	32,333
Loans from a related company		**–**	51,369
Lease liabilities	11	**61,530**	75,936
Contract liabilities		**9,665**	8,775
Current tax liabilities		**684**	5,304
		348,190	385,126
Net current assets		**83,349**	160,337
Total assets less current liabilities		**232,563**	371,936
Net assets		**113,285**	320,580

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 (the "**PRC**"), Hong Kong and Macau.

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of these consolidated financial statements 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 statements 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 statements have 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 judgment in the process of applying the Group's accounting policies.

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 8 "Definition of Accounting Estimates"

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets of RMB21,131,000 and deferred tax liabilities of RMB18,676,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgments" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or 1 January 2024.
[3] Effective for annual periods beginning on or 1 January 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 PRC; and (ii) Hong Kong, Macau 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 losses, net and finance costs.

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

Segment liabilities mainly exclude current tax liabilities, bank borrowings, loans 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 2023:

	The PRC *RMB'000*	**Hong Kong, Macau and overseas** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Revenue				
– Revenue recognised at a point in time	**912,130**	**247,774**	**(4,166)**	**1,155,738**
Reportable segment (loss)/profit excluding the depreciation and amortisation	**(82,460)**	**13,515**	**–**	**(68,945)**
Depreciation and amortisation	**(90,640)**	**(29,530)**	**–**	**(120,170)**
Reportable segment results	**(173,100)**	**(16,015)**	**–**	**(189,115)**
Unallocated other income				**109**
Unallocated corporate expenses				**(7,975)**
Unallocated other losses, net				**(7,330)**
Unallocated finance costs				**(5,328)**
Loss before income tax				**(209,639)**
Income tax expense				**(1,306)**
Loss for the year				**(210,945)**

(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 2022:

	The PRC	Hong Kong, Macau and overseas	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
– Revenue recognised at a point in time	929,052	227,725	(12,061)	1,144,716
Reportable segment (loss)/profit excluding the depreciation and amortisation	(47,628)	21,767	–	(25,861)
Depreciation and amortisation	(91,281)	(24,163)	–	(115,444)
Reportable segment results	(138,909)	(2,396)	–	(141,305)
Unallocated other income				142
Unallocated corporate expenses				(10,434)
Unallocated other losses, net				(30,684)
Unallocated finance costs				(1,681)
Loss before income tax				(183,962)
Income tax expense				(272)
Loss for the year				(184,234)

(c) The following is an analysis of the Group's assets and liabilities as at 31 December 2023 by reportable segment:

	The PRC	**Hong Kong, Macau and overseas**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment assets	**474,152**	**65,404**	**539,556**
Deferred tax assets			**15,990**
Unallocated assets			**25,207**
Total assets per consolidated statement of financial position			**580,753**
Segment liabilities	**219,757**	**83,261**	**303,018**
Current tax liabilities			**684**
Bank borrowings			**76,655**
Loans from a related company			**85,302**
Unallocated liabilities			**1,809**
Total liabilities per consolidated statement of financial position			**467,468**

(d) The following is an analysis of the Group's assets and liabilities as at 31 December 2022 by reportable segment:

	The PRC	Hong Kong, Macau and overseas	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	625,394	88,764	714,158
Deferred tax assets			21,810
Unallocated assets			21,094
Total assets per consolidated statement of financial position			757,062
Segment liabilities	260,496	85,638	346,134
Current tax liabilities			5,304
Bank borrowings			32,333
Loan from a related company			51,369
Unallocated liabilities			1,342
Total liabilities per consolidated statement of financial position			436,482

(e) The following is an analysis of the Group's other segment information as at 31 December 2023 by reportable segment:

	The PRC *RMB'000*	**Hong Kong, Macau and overseas** *RMB'000*	**Total** *RMB'000*
Additions to non-current assets	**73,608**	**11,042**	**84,650**
Depreciation and amortisation	**90,640**	**29,530**	**120,170**
Reversal of impairment loss on financial assets	**(535)**	**–**	**(535)**
Impairment loss on right-of-use assets	**6,069**	**1,554**	**7,623**
Impairment loss on property, plant and equipment	**2,763**	**592**	**3,355**

(f) The following is an analysis of the Group's other segment information as at 31 December 2022 by reportable segment:

	The PRC *RMB'000*	Hong Kong, Macau and overseas *RMB'000*	Total *RMB'000*
Additions to non-current assets	72,149	31,699	103,848
Depreciation and amortisation	91,281	24,163	115,444
Impairment loss on financial assets	3,465	–	3,465
Impairment loss on right-of-use assets	5,996	–	5,996
Impairment loss on property, plant and equipment	1,708	–	1,708

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

	2023	2022
	RMB'000	*RMB'000*
Current assets		
Right of return assets	**52**	305
Current contract liabilities		
– Receipts in advance	**6,089**	3,320
– Customer loyalty programme	**3,466**	5,103
– Liability arising from expected sales return	**110**	352
Total	**9,665**	8,775

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 RMB110,000 (2022: RMB352,000) 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 RMB52,000 (2022: RMB305,000) 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	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**8,775**	11,780

(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:

	2023	2022
	RMB'000	*RMB'000*
Self-operated retail channels		
– Retail shops	**647,950**	607,431
– Consignment counters	**258,408**	264,164
– Online stores	**58,731**	63,943
Wholesale channels		
– Distributors	**145,425**	171,467
– Hypermarket and supermarket chains	**35,500**	27,392
– Online key accounts	**9,724**	10,319
	1,155,738	1,144,716

For the years ended 31 December 2023 and 2022, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

4 OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Interest income	**109**	142
Government grants *(Note)*	**2,256**	4,428
Promotional service income	**2,096**	2,841
Sundry income	**911**	1,481
	5,372	8,892

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 2023, subsidy income amounting to RMB2,256,000 (2022: RMB4,428,000) are recognised in profit or loss. No deferred government grant (2022: RMB583,000) was recognised in the consolidated statement of financial position due to the conditions of the grants being not yet fulfilled.

5 OTHER (LOSSES)/GAINS, NET

	2023	2022
	RMB'000	*RMB'000*
Net exchange loss	**(7,372)**	(30,684)
Fair value loss on financial assets at FVTPL	**(290)**	–
Gain/(loss) on lease modifications	**130**	(342)
Loss on disposal of property, plant and equipment	**(109)**	(8)
Others	**(67)**	(129)
	(7,708)	(31,163)

6 EXPENSES BY NATURE

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

	2023	2022
	RMB'000	*RMB'000*
Auditors' remuneration		
– Audit services	**1,376**	1,398
– Non-audit services	**135**	644
Amortisation of intangible assets	**1,336**	1,296
Depreciation of property, plant and equipment	**26,122**	24,381
Depreciation of right-of-use assets	**92,712**	89,767
Cost of inventories	**821,864**	720,277
Rental expenses in respect of		
– variable leases payments	**4,574**	8,281
– short-term leases	**31,529**	33,824
Advertising and promotional expenses	**19,209**	31,974
Concessionaire fees	**80,855**	84,075
Employee benefit expenses (including directors' emoluments)	**104,610**	98,241
Outsourced personnel service fees	**82,598**	93,554
(Reversal of)/provision for impairment loss on trade receivables	**(728)**	565
Provision for impairment loss on bill receivables	**193**	2,900
Other receivables written-off	**57**	749
(Reversal of)/provision for impairment loss on inventories, net (included in cost of sales)	**(23,119)**	2,269
Impairment loss on property, plant and equipment *(Note)*	**3,355**	1,708
Impairment loss on right-of-use assets *(Note)*	**7,623**	5,996
Impairment loss on intangible assets	**2,716**	–
Transportation costs	**17,512**	19,732
Building management fees	**32,229**	32,436
Retail shop expenses	**18,425**	20,053
Office expenses	**2,988**	4,800
Travel expenses	**3,084**	1,573
Insurance	**995**	958
Others	**18,255**	14,265
	1,350,505	1,295,716

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 RMB3,355,000 and RMB7,623,000, respectively for the year ended 31 December 2023 (2022: RMB1,708,000 and RMB5,996,000, 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 13.5% (2022: 13.0%) was applied to bring the future cash flows back to their present values.

7 FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**2,942**	722
Interest expenses on loans from a related company	**2,386**	959
Interest expenses on lease liabilities	**7,194**	9,010
Interest expenses on long service payment obligation	**14**	–
	12,536	10,691

8 INCOME TAX EXPENSE

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

	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong, Macau and overseas profits tax	**301**	94
(Over)/under provision in prior years		
– Hong Kong, Macau and overseas profits tax	**(4,864)**	(71)
– PRC corporate income tax	**6**	(262)
	(4,858)	(333)
Deferred tax	**5,863**	511
	1,306	272

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% (2022: 25%). The applicable rate of Hong Kong profits tax is 16.5% (2022: 16.5%). The applicable rate of Macau profits tax is 12% (2022: 12%).

9 LOSS PER SHARE

Basic

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

	2023	2022
Loss attributable to owners of the Company *(RMB'000)*	**(210,495)**	(182,285)
Weighted average number of ordinary shares in issue *('000)*	**800,000**	800,000
Basic loss per share *(RMB cents)*	**(26.31)**	(22.79)

Diluted

The computation of diluted loss per share for the year ended 31 December 2023 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic loss per share (2022: same).

10 DIVIDENDS

The Board has decided not to propose for payment of any final dividend for the year ended 31 December 2023 (2022: 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:

	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
– Leased premises	**91,764**	133,600
Less: Provision for impairment	**(10,455)**	(21,281)
	81,309	112,319
Lease liabilities		
Current	**61,530**	75,936
Non-current	**30,992**	46,887
	92,522	122,823

Additions to right-of-use assets amounted to RMB70,337,000 (2022: RMB76,775,000).

(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:

	2023	2022
	RMB'000	*RMB'000*
Depreciation of right-of-use assets *(note 6)*	**92,712**	89,767
Impairment loss on right-of-use assets *(note 6)*	**7,623**	5,996
Interest expenses *(note 7)*	**7,194**	9,010
Expense relating to short-term leases *(note 6)*	**31,529**	33,824
Expense relating to variable lease payments not included in lease liabilities *(note 6)*	**4,574**	8,281
(Gain)/loss on lease modifications *(note 5)*	**(130)**	342

The total cash outflow for leases in 2023 was RMB142,324,000 (2022: RMB147,494,000).

12 TRADE AND BILL RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**66,476**	67,515
Less: Provision for impairment	**(10,199)**	(10,934)
	56,277	56,581
Bill receivables	**3,866**	3,866
Less: Provision for impairment	**(3,093)**	(2,900)
	773	966
	57,050	57,547

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:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**40,190**	33,690
31 to 60 days	**8,716**	11,422
61 to 90 days	**2,740**	2,930
91 to 180 days	**1,532**	4,136
Over 180 days	**13,298**	15,337
	66,476	67,515
Less: Provision for impairment	**(10,199)**	(10,934)
	56,277	56,581

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:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**87,103**	89,276
31 to 60 days	**23,886**	2,716
61 to 90 days	**2,940**	183
Over 90 days	**3,225**	3,763
	117,154	95,938

ANNUAL GENERAL MEETING

The Company's annual general meeting shall be held on Friday, 14 June 2024 (the "**2024 AGM**"). A notice convening the 2024 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 2024 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024 (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 2024 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 7 June 2024.

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 2023, the Group had approximately 1,300 employees (including both in-house and outsourced employees) (31 December 2022: approximately 1,500 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB104.6 million and RMB82.6 million, respectively (Prior Period: approximately RMB98.2 million and RMB93.6 million, respectively). The Group's remuneration packages comply with legislation in relevant jurisdictions and are decided based on market conditions and employees' levels of experience and qualifications; bonuses are awarded based on employee performance and the Group's financials. The Company has adopted two share option schemes on 20 October 2017 (the "**Share Option Schemes**"). The Group has been ensuring adequate training and professional development opportunities to employees.

At its meeting held on 27 March 2024, the remuneration committee of the Board has reviewed the Share Option Schemes.

EVENTS AFTER THE REPORTING PERIOD

No important event affecting the Group that had taken place after 31 December 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the Corporate Governance Code contained in Appendix C1 (formerly Appendix 14) to the Listing Rules (the "**CG Code**") as its own code on corporate governance. The Company has complied with all of the mandatory disclosure requirements and all applicable code provisions as set out in the section headed "Part 2 – Principles of good corporate governance, code provisions and recommended best practices" of 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 C3 (formerly Appendix 10) to the Listing Rules (the "**Model Code**") as the guidelines for 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 2023.

SCOPE OF WORK OF MOORE CPA LIMITED

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 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore CPA Limited (formerly known as Moore Stephens CPA Limited) ("**Moore**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Moore on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the respective websites of the Company (www.kidslandholdings.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 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.

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

Hong Kong, 27 March 2024

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