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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 2022

HIGHLIGHTS

- During the Reporting Period, revenue of the Group decreased by 22.1% from approximately RMB1,469.8 million for the Prior Period to approximately RMB1,144.7 million.
 - Resulted from impact of the resurgence of COVID-19, revenue from self-operated retail channels and wholesale channels recorded a decrease of 19.5% to approximately RMB935.5 million and 32.0% to approximately RMB209.2 million, respectively.
 - Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 11.5% to approximately RMB215.7 million during the Reporting Period.
- The Group’s gross profit dropped from approximately RMB612.8 million for the Prior Period to approximately RMB407.1 million for the Reporting Period. Gross profit margin decreased from 41.7% for the Prior Period to 35.6% for the Reporting Period.
- Total selling, distribution, general and administrative expenses decreased by 9.5% from approximately RMB612.6 million for the Prior Period to approximately RMB554.6 million for the Reporting Period.
- A net loss after tax of approximately RMB184.2 million was recorded for the Reporting Period, compared to a net profit after tax of approximately RMB2.1 million for the Prior Period.

- Due to sharp depreciation in RMB, a net exchange loss of approximately RMB30.7 million was recorded for the Reporting Period. An adjusted loss of approximately RMB153.5 million would have been recorded for the Reporting Period, without taking into account such net exchange loss.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Kidsland International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) reported a net loss after tax of approximately RMB184.2 million for the year ended 31 December 2022 (the “**Reporting Period**”), compared to a net profit after tax of approximately RMB2.1 million for the year ended 31 December 2021 (the “**Prior Period**”). Due to sharp depreciation in RMB, a net exchange loss of approximately RMB30.7 million was recorded for the Reporting Period. An adjusted loss of approximately RMB153.5 million would have been recorded for the Reporting Period, without taking into account such net exchange loss.

With more regions and cities across Mainland China affected by the novel coronavirus disease 2019 (the “**COVID-19**”) and a series of precautionary and control measures continued to be implemented in Mainland China, the resurgence of COVID-19 in 2022 proved to be more damaging to the Group’s business than the initial COVID-19 outbreak that took place in 2020. Key cities where the Group operated, including Beijing and Shanghai, experienced various extents of lockdown and suspension of logistic support. These measures together with poor consumer sentiment caused disruption to the Group’s operations.

In face of these challenges, the Group had worked tirelessly to navigate these difficult times and maintain a strong position in the market. The Group continued to optimize its distribution network and diversify its product assortment. While the COVID-19 has certainly presented significant obstacles, the lessons the Group has learned during this pandemic have made it stronger and more agile.

Looking ahead, although macro-economic and employment situation in Mainland China is still uncertain which affects consumer sentiment, the Group remains cautiously optimistic about 2023. Consumption recovery is a gradual but certain thing. The Group is confident about its market positioning and future. The COVID-19 did not change the business structure and strategies of the Group. In 2023, the Group will continue to apply consumer-centric strategy for retail business and customer-centric strategy for wholesale business, with integration of online and offline, focusing on its core strengths and pivoting its business model to take advantage of the new opportunities that will emerge in the post-COVID world.

The Group is going to represent another top international toy brand to open single-brand stores in Mainland China in 2023, which will mark another major milestone and achievement for the Group. Moreover, the Group will expand its distribution into more diversified channels and cities in 2023 to reach more consumers. That will bring additional growth to the Group and improve its operational efficiency.

2023 will be the first year after COVID-19 and it will also be the first important year of the turnaround plan of the Group. The Group believes, with its two growth pillars of retail and wholesale with omni-channel approach, it can achieve growth again and improve efficiency, which in turn will improve its financial results.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 31 December 2022, this network comprised:

Self-operated Retail Channels

- 587 self-operated retail points of sale consisting of retail shops and consignment counters (31 December 2021: 627)
- 29 online stores (31 December 2021: 21)

Wholesale Channels

- 342 distributors (31 December 2021: 521) which onsell our products through third party retailers or at their own retail shops, which totalled to more than 1,800 (31 December 2021: more than 2,000)
- 12 hypermarket and supermarket chains (31 December 2021: 12) with a sum of 412 retail points (31 December 2021: 682)
- 2 online key accounts (31 December 2021: 6)

Detailed breakdowns of our distribution network are set out below:

1. Self-operated Retail Channels

1.1 Retail Shops

During the Reporting Period, we continuously optimised our store network.

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

	2022	2021
Retail shops		
At the beginning of the year	185	202
Addition of new retail shops	16	22
Closure of retail shops	(29)	(39)
	<u>172</u>	<u>185</u>
At the end of the year	<u>172</u>	<u>185</u>

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:

	2022	2021
Consignment counters		
At the beginning of the year	442	468
Addition of new consignment counters	27	23
Closure of consignment counters	(54)	(49)
	<u>415</u>	<u>442</u>
At the end of the year	<u>415</u>	<u>442</u>

1.3 Online Stores

During the Reporting Period, we launched 11 and closed 3 flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 31 December 2022, we had 29 online stores in total, compared with 21 as of 31 December 2021.

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 2022, we had 342 distributors (31 December 2021: 521), which onsell our products through third party retailers or at their own retail shops, which totalled to more than 1,800 (31 December 2021: more than 2,000) in Mainland China.

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

	2022	2021
Distributors		
At the beginning of the year	521	580
Addition of new distributors	90	82
Expiry without renewal of distribution agreements	(269)	(141)
At the end of the year	342	521

2.2 *Hypermarket and Supermarket Chains*

As of 31 December 2022, we had wholesale arrangements with 12 hypermarket and supermarket chains (31 December 2021: 12) with a sum of 412 retail points (31 December 2021: 682) 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:

	2022	2021
Hypermarket and supermarket chains		
At the beginning of the year	12	16
Addition of new hypermarket and supermarket chains	3	1
Termination or expiry of agreements with hypermarket and supermarket chains	(3)	(5)
	<hr/>	<hr/>
At the end of the year	12	12
	<hr/> <hr/>	<hr/> <hr/>

2.3 *Online Key Accounts*

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

	2022	2021
Online key accounts		
At the beginning of the year	6	5
Addition of new online key accounts	-	2
Termination or expiry of agreements with online key accounts	(4)	(1)
	<hr/>	<hr/>
At the end of the year	2	6
	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL REVIEW

Revenue

During the Reporting Period, revenue of the Group decreased by 22.1% from approximately RMB1,469.8 million for the Prior Period to approximately RMB1,144.7 million.

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

	2022	2021
	RMB'000	RMB'000
Self-operated retail channels		
– Retail shops	607,431	699,685
– Consignment counters	264,164	386,453
– Online stores	63,943	76,107
	<hr/>	<hr/>
Sub-total:	935,538	1,162,245
	<hr/>	<hr/>
Wholesale channels		
– Distributors	171,467	259,388
– Hypermarket and supermarket chains	27,392	29,620
– Online key accounts	10,319	18,547
	<hr/>	<hr/>
Sub-total:	209,178	307,555
	<hr/>	<hr/>
Total:	1,144,716	1,469,800
	<hr/> <hr/>	<hr/> <hr/>

Self-operated Retail Channels

The self-operated retail channels recorded a decrease in revenue of 19.5% to approximately RMB935.5 million during the Reporting Period compared to the Prior Period, resulted from impact of the resurgence of COVID-19. Revenue from retail shops, consignment counters and online stores dropped by 13.2% to approximately RMB607.4 million, 31.6% to approximately RMB264.2 million and 16.0% to approximately RMB63.9 million, respectively.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels decreased by 32.0% to approximately RMB209.2 million. Revenue from distributors, hypermarket and supermarket chains and online key accounts dropped by 33.9% to approximately RMB171.5 million, 7.5% to approximately RMB27.4 million and 44.4% to approximately RMB10.3 million, respectively.

Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 11.5% from approximately RMB193.4 million for the Prior Period to approximately RMB215.7 million during the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 13.9% from approximately RMB857.0 million for the Prior Period to approximately RMB737.7 million for the Reporting Period, which was consistent with the decrease in revenue. The Group's gross profit margin decreased from 41.7% for the Prior Period to 35.6% for the Reporting Period, mainly attributable to stock clearance activities. Gross profit dropped from approximately RMB612.8 million for the Prior Period to approximately RMB407.1 million for the Reporting Period.

Other Income

Other income, consisting mainly of government grants, dropped by approximately RMB1.3 million from approximately RMB10.2 million for the Prior Period to approximately RMB8.9 million for the Reporting Period.

Other Losses/Gains, Net

Other losses/gains, net was mainly attributable to net exchange differences. Other losses, net of approximately RMB31.2 million recorded for the Reporting Period, mainly resulting from depreciation of Renminbi, compared to other gains, net of approximately RMB5.9 million for the Prior Period.

Impairment Loss on Financial Assets

The amount represented provision made for impairment loss on trade and bill receivables. Provision for impairment loss increased from approximately RMB0.3 million for the Prior Period to approximately RMB3.5 million for the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 10.6% from approximately RMB555.2 million for the Prior Period to approximately RMB496.6 million for the Reporting Period, which was mainly attributable to decrease in concessionaire fees, rental expenses, advertising and promotional expenses and retail shop expenses.

General and Administrative Expenses

General and administrative expenses remained stable over the Reporting Period of approximately RMB58.0 million and the Prior Period of approximately RMB57.4 million.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, slightly increased by approximately RMB0.8 million from approximately RMB9.9 million for the Prior Period to approximately RMB10.7 million for the Reporting Period.

Loss/Profit for the Period

A loss of approximately RMB184.2 million was recorded for the Reporting Period (Prior Period: profit of approximately RMB2.1 million).

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days increased from 190 days for the Prior Period to 219 days for the Reporting Period. Trade receivables turnover days increased from 23 days for the Prior Period to 24 days for the Reporting Period. Trade payables turnover days increased from 50 days for the Prior Period to 59 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 increased from 163 days for the Prior Period to 184 days for the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB27.1 million in property, plant, and equipment, mainly to renovate shops (Prior Period: approximately RMB26.6 million).

Liquidity and Financial Resources

The Group's cash position as of 31 December 2022 was approximately RMB20.6 million, compared to approximately RMB25.4 million as of 31 December 2021. 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 2022 were 1.4 and 0.4, respectively (31 December 2021: 1.9 and 0.7, respectively).

As of 31 December 2022, the Group had aggregate banking facilities of approximately RMB115.4 million (31 December 2021: approximately RMB90.4 million) for bank loans and trade financing, of which approximately RMB37.1 million (31 December 2021: approximately RMB52.5 million) was unutilised as of the same date. These facilities are secured by corporate guarantees provided by the Company.

As of 31 December 2022, the Group had a loan facility from a related company of approximately RMB75.9 million (31 December 2021: approximately RMB53.1 million), of which approximately RMB51.4 million (31 December 2021: approximately RMB40.5 million) was utilised.

Charge of Assets

As of 31 December 2022, the Group had restricted cash of approximately RMB2.1 million mainly for bank guarantee of a trade finance facility (31 December 2021: approximately RMB5.4 million).

Contingent Liabilities

As of 31 December 2022, the Group did not have significant contingent liabilities (31 December 2021: 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 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 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	3	1,144,716	1,469,800
Cost of sales	6	<u>(737,652)</u>	<u>(857,010)</u>
Gross profit		407,064	612,790
Other income	4	8,892	10,230
Other (losses)/gains, net	5	(31,163)	5,865
Impairment loss on financial assets	6	(3,465)	(252)
Selling and distribution expenses	6	(496,588)	(555,219)
General and administrative expenses	6	<u>(58,011)</u>	<u>(57,427)</u>
Operating (loss)/profit		(173,271)	15,987
Finance costs	7	<u>(10,691)</u>	<u>(9,874)</u>
(Loss)/profit before income tax		(183,962)	6,113
Income tax expense	8	<u>(272)</u>	<u>(4,038)</u>
(Loss)/profit for the year		<u>(184,234)</u>	<u>2,075</u>
Other comprehensive income/(expense), net of tax:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<u>23,661</u>	<u>(7,643)</u>
Total comprehensive expense for the year		<u>(160,573)</u>	<u>(5,568)</u>
(Loss)/profit for the year attributable to:			
– owners of the Company		(182,285)	1,341
– non-controlling interest		<u>(1,949)</u>	<u>734</u>
		<u>(184,234)</u>	<u>2,075</u>
Total comprehensive (expense)/income for the year attributable to:			
– owners of the Company		(158,093)	(6,472)
– non-controlling interest		<u>(2,480)</u>	<u>904</u>
		<u>(160,573)</u>	<u>(5,568)</u>
(Loss)/earnings per share, basic and diluted <i>(RMB cents)</i>	9	<u>(22.79)</u>	<u>0.17</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		39,347	37,496
Right-of-use assets	11	112,319	129,716
Intangible assets		11,779	12,361
Financial asset at fair value through profit or loss (“FVTPL”)		290	290
Deposits paid for acquisition of property, plant and equipment		369	–
Rental deposits		25,685	31,113
Deferred tax assets		21,810	22,097
		211,599	233,073
Current assets			
Inventories		413,135	472,052
Trade and bill receivables	12	57,547	98,510
Other receivables, deposits and prepayments		53,382	75,865
Right of return assets		305	2,210
Tax recoverable		539	56
Restricted cash		2,065	5,405
Cash and cash equivalents		18,490	19,984
		545,463	674,082
EQUITY			
Owners of the Company			
Share capital		6,931	6,931
Reserves		306,814	464,907
		313,745	471,838
Non-controlling interest		6,835	9,315
Total equity		320,580	481,153

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs		4,469	5,919
Lease liabilities	11	46,887	69,746
		51,356	75,665
Current liabilities			
Trade payables	13	95,938	143,602
Other payables and accruals		115,471	77,073
Bank borrowings		32,333	–
Loans from a related company		51,369	40,475
Lease liabilities	11	75,936	71,582
Contract liabilities		8,775	11,780
Current tax liabilities		5,304	5,825
		385,126	350,337
Net current assets		160,337	323,745
Total assets less current liabilities		371,936	556,818
Net assets		320,580	481,153

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2022

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 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**”).

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 has 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 judgment in the process of applying the Group’s accounting policies.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the 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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that the application of all new and 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 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 (losses)/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, 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 2022:

	The PRC RMB'000	Hong Kong and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	<u>929,052</u>	<u>227,725</u>	<u>(12,061)</u>	<u>1,144,716</u>
Reportable segment results (Note (i))	----- (138,909)	----- (2,396)		(141,305)
Unallocated other income				142
Unallocated corporate expenses				(10,434)
Unallocated other losses, net				(30,684)
Unallocated finance costs				<u>(1,681)</u>
Loss before income tax				(183,962)
Income tax expense				<u>(272)</u>
Loss for the year				<u><u>(184,234)</u></u>

Note (i): During the year ended 31 December 2022, included in the PRC segment results were impairment loss on property, plant and equipment of RMB1,708,000, impairment loss on right-of-use assets of RMB5,996,000, provision for impairment loss on inventories, net of RMB2,269,000, provision for impairment loss on bill receivables of RMB2,900,000 and provision for impairment loss on trade receivables of RMB565,000.

- (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 2021:

	The PRC RMB'000	Hong Kong and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	<u>1,276,376</u>	<u>236,823</u>	<u>(43,399)</u>	<u>1,469,800</u>
Reportable segment results (Note (ii))	----- (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><u>2,075</u></u>

Note (ii): During the year ended 31 December 2021, included in the PRC segment results were impairment loss on property, plant and equipment of RMB1,006,000, impairment loss on right-of-use assets of RMB1,750,000, provision for impairment loss on inventories, net of RMB103,000 and provision for impairment loss on trade receivables of RMB252,000.

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

	The PRC RMB'000	Hong Kong and overseas RMB'000	Total 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			<u>757,062</u>
Segment liabilities	260,496	85,638	346,134
Current tax liabilities			5,304
Bank borrowings			32,333
Loans from a related company			51,369
Unallocated liabilities			1,342
Total liabilities per consolidated statement of financial position			<u>436,482</u>

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

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

- (e) The following is an analysis of the Group's other segment information as at 31 December 2022 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>72,149</u>	<u>31,699</u>	<u>103,848</u>
Depreciation and amortisation	<u>91,281</u>	<u>24,163</u>	<u>115,444</u>
Impairment loss on financial assets	<u>3,465</u>	<u>–</u>	<u>3,465</u>
Impairment loss on right-of-use assets	<u>5,996</u>	<u>–</u>	<u>5,996</u>
Impairment loss on property, plant and equipment	<u>1,708</u>	<u>–</u>	<u>1,708</u>

- (f) 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>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current assets		
Right of return assets	<u>305</u>	<u>2,210</u>
Current contract liabilities		
– Receipts in advance	<u>3,320</u>	<u>7,755</u>
– Customer loyalty programme	<u>5,103</u>	<u>1,349</u>
– Liability arising from expected sales return	<u>352</u>	<u>2,676</u>
Total	<u>8,775</u>	<u>11,780</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 RMB352,000 (2021: RMB2,676,000) 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 RMB305,000 (2021: RMB2,210,000) 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	11,780	19,081

(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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Self-operated retail channels		
– Retail shops	607,431	699,685
– Consignment counters	264,164	386,453
– Online stores	63,943	76,107
Wholesale channels		
– Distributors	171,467	259,388
– Hypermarket and supermarket chains	27,392	29,620
– Online key accounts	10,319	18,547
	1,144,716	1,469,800

For the years ended 31 December 2022 and 2021, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

4 OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income	142	441
Government grants (<i>Note</i>)	4,428	6,952
Promotional service income	2,841	–
Film investment income	–	936
Sundry income	1,481	1,901
	<u>8,892</u>	<u>10,230</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 2022, subsidy income amounting to RMB4,428,000 (2021: RMB6,952,000) are recognised in profit or loss. Deferred government grant of RMB583,000 (2021: RMB1,583,000) was recognised in the consolidated statement of financial position since conditions of the grants were not yet fulfilled.

5 OTHER (LOSSES)/GAINS, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net exchange (loss)/gain	(30,684)	6,822
Fair value loss on financial assets at FVTPL	–	(521)
(Loss)/gain on lease modifications	(342)	371
Loss on disposal of property, plant and equipment	(8)	–
Others	(129)	(807)
	<u>(31,163)</u>	<u>5,865</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditors' remuneration		
– Audit services	1,398	2,241
– Non-audit services	644	–
Amortisation of intangible assets	1,296	669
Depreciation of property, plant and equipment	24,381	26,789
Depreciation of right-of-use assets	89,767	82,451
Cost of inventories	720,277	839,053
Rental expenses in respect of		
– variable leases payments	8,281	14,190
– short term leases	33,824	40,355
Rent concessions	–	(3,634)
Advertising and promotional expenses	31,974	39,128
Concessionaire fees	84,075	120,913
Employee benefit expenses (including directors' emoluments)	98,241	91,902
Outsourced personnel service fees	93,554	98,896
Provision for impairment loss on trade receivables	565	252
Provision for impairment loss on bill receivables	2,900	–
Other receivables written-off	749	1,247
Provision for impairment loss on inventories, net (included in cost of sales)	2,269	103
Impairment loss on property, plant and equipment (<i>Note</i>)	1,708	1,006
Impairment loss on right-of-use assets (<i>Note</i>)	5,996	1,750
Transportation costs	19,732	26,653
Building management fees	32,436	31,789
Retail shop expenses	20,053	25,969
Office expenses	4,800	7,178
Travel expenses	1,573	2,612
Insurance	958	1,062
Others	14,265	17,334
	1,295,716	1,469,908

Note: The Group determines each individual retail store as a separately identifiable cash-generating unit (“CGU”) and monitors their financial performance. A provision for impairment of the Group’s property, plant and equipment and right-of-use assets of RMB1,708,000 and RMB5,996,000, respectively for the year ended 31 December 2022 (2021: RMB1,006,000 and RMB1,750,000, 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 13.00% (2021: 10.78%) was applied to bring the future cash flows back to their present values.

7 FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on bank borrowings	722	–
Interest expenses on loans from a related company	959	781
Interest expenses on lease liabilities	<u>9,010</u>	<u>9,093</u>
	<u>10,691</u>	<u>9,874</u>

8 INCOME TAX EXPENSE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax		
– Hong Kong and overseas profits tax	94	1,096
– PRC corporate income tax	<u>–</u>	<u>564</u>
	94	1,660
(Over)/under-provision in prior years		
– Hong Kong and overseas profits tax	(71)	(4)
– PRC corporate income tax	<u>(262)</u>	<u>134</u>
	(333)	130
Deferred tax	<u>511</u>	<u>2,248</u>
	<u>272</u>	<u>4,038</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% (2021: 25%). The applicable rate of Hong Kong profits tax is 16.5% (2021: 16.5%). The applicable rate of Macau profits tax is 12.0% (2021: 12%).

9 (LOSS)/EARNINGS PER SHARE

Basic

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

	2022	2021
(Loss)/profit attributable to owners of the Company (<i>RMB'000</i>)	<u>(182,285)</u>	<u>1,341</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>800,000</u>	<u>800,000</u>
Basic (loss)/earnings per share (<i>RMB cents</i>)	<u>(22.79)</u>	<u>0.17</u>

Diluted

The computation of diluted (loss)/earnings per share for the year ended 31 December 2022 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic (loss)/earnings per share (2021: same).

10 DIVIDENDS

The Board has decided not to propose for payment of any final dividend for the year ended 31 December 2022 (2021: 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets		
– Leased premises	133,600	150,448
Less: Provision for impairment	<u>(21,281)</u>	<u>(20,732)</u>
	<u>112,319</u>	<u>129,716</u>
Lease liabilities		
Current	75,936	71,582
Non-current	<u>46,887</u>	<u>69,746</u>
	<u>122,823</u>	<u>141,328</u>

Additions to right-of-use assets amounted to RMB76,775,000 (2021: RMB113,004,000).

(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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation of right-of-use assets (<i>note 6</i>)	89,767	82,451
Impairment loss on right-of-use assets (<i>note 6</i>)	5,996	1,750
	<u>95,763</u>	<u>84,201</u>
Interest expenses (<i>note 7</i>)	9,010	9,093
Expense relating to short-term leases (<i>note 6</i>)	33,824	40,355
Expense relating to variable lease payments not included in lease liabilities (<i>note 6</i>)	8,281	14,190
Loss/(gain) on lease modifications (<i>note 5</i>)	342	(371)
Rent concessions (<i>note 6</i>)	–	(3,634)
	<u>51,457</u>	<u>59,633</u>

The total cash outflow for leases in 2022 was RMB147,494,000 (2021: RMB150,558,000).

12 TRADE AND BILL RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables from contracts with customers	67,515	104,554
Less: Provision for impairment	(10,934)	(10,562)
	<u>56,581</u>	<u>93,992</u>
Bill receivables	3,866	4,518
Less: Provision for impairment	(2,900)	–
	<u>966</u>	<u>4,518</u>
	<u>57,547</u>	<u>98,510</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	33,690	67,026
31 to 60 days	11,422	11,711
61 to 90 days	2,930	5,767
91 to 180 days	4,136	9,201
Over 180 days	15,337	10,849
	67,515	104,554
Less: Provision for impairment	(10,934)	(10,562)
	56,581	93,992

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	89,276	124,967
31 to 60 days	2,716	9,601
61 to 90 days	183	4,377
Over 90 days	3,763	4,657
	95,938	143,602

ANNUAL GENERAL MEETING

The Company's annual general meeting shall be held on Friday, 16 June 2023 (the "**2023 AGM**"). A notice convening the 2023 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 2023 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (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 2023 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 Monday, 12 June 2023.

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 2022, the Group had approximately 1,500 employees (including both in-house and outsourced employees) (31 December 2021: approximately 1,700 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB98.2 million and RMB93.6 million, respectively (Prior Period: approximately RMB91.9 million and RMB98.9 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 30 March 2023, 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 2022 and up to 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 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 2022.

SCOPE OF WORK OF MOORE STEPHENS 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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, 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 2022 will be dispatched to the Shareholders and made available in the above websites in due course in the manner as required by the Listing Rules.

GRATITUDE

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

By order of the Board

Kidsland International Holdings Limited

Lee Ching Yiu

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 March 2023

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.