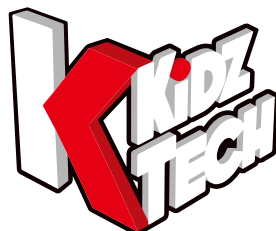


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Kidztech Holdings Limited

奇士達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6918)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue for FY2020 was approximately RMB295.9 million (FY2019: approximately RMB325.8 million), representing a decrease of approximately 9.2%.
- Gross profit margin for FY2020 was approximately 33.8% (FY2019: approximately 37.5%), representing a decrease of approximately 3.7%.
- Profit for FY2020 before listing expenses⁽ⁱ⁾ was approximately RMB36.6 million (profit for FY2019 before listing expenses⁽ⁱ⁾: approximately RMB51.8 million), representing a decrease of approximately 29.4%.
- Profit for FY2020 was approximately RMB24.1 million (FY2019: approximately RMB35.4 million), representing a decrease of approximately 31.9%.
- Basic and diluted earnings per Share for FY2020 was approximately RMB4.8 cents (FY2019: approximately RMB8.2 cents per share), representing a decrease of approximately 41.4%.
- The Board recommended the payment of a final dividend of HK\$0.018 per Share for FY2020 (FY2019: Nil).

Note:

- (i) Profit before listing expenses is a non-HKFRS measure which is derived by adding back the listing expenses to profit.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kidztech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2020 (“**FY2020**”) together with the comparative figures for the year ended 31 December 2019 (“**FY2019**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	295,913	325,800
Cost of sales		(195,750)	(203,610)
Gross profit		100,163	122,190
Selling expenses		(18,107)	(19,999)
Administrative expenses		(45,031)	(52,150)
Net impairment losses on trade receivables		(6,823)	(4,186)
Other income		11,219	12,202
Profit from operation		41,421	58,057
Finance costs	6	(8,474)	(9,677)
Profit before tax		32,947	48,380
Income tax expenses	7	(8,804)	(12,935)
Profit for the year attributable to the owners of the Company	5	24,143	35,445
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(2,957)	1,774
Other comprehensive (loss)/income for the year		(2,957)	1,774
Total comprehensive income for the year attributable to the owner of the Company		21,186	37,219
Earnings per share			
<i>Basic and diluted (RMB cents per Share)</i>	9	4.8	8.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		172,638	134,671
Right-of-use assets		36,870	31,630
Intangible assets		7,199	6,750
Deferred income tax assets		3,536	5,446
Prepayments		58,015	47,759
		<hr/> 278,258 <hr/>	<hr/> 226,256 <hr/>
Current assets			
Inventories		50,270	65,060
Trade receivables	<i>10</i>	77,819	60,239
Prepayment and other receivables		130,740	55,520
Restricted cash		1,035	1,018
Cash and cash equivalents		132,424	116,629
		<hr/> 392,288 <hr/>	<hr/> 298,466 <hr/>
Current liabilities			
Trade and other payables	<i>11</i>	56,583	51,144
Amount due to a related company		962	—
Contract liabilities		955	738
License fee payable		3,651	2,735
Bank and other borrowings	<i>12</i>	155,890	142,728
Lease liabilities		2,671	2,546
Current income tax liabilities		15,139	16,655
		<hr/> 235,851 <hr/>	<hr/> 216,546 <hr/>
Net current assets		<hr/> 156,437 <hr/>	<hr/> 81,920 <hr/>
Total assets less current liabilities		<hr/> 434,695 <hr/>	<hr/> 308,176 <hr/>

	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Deferred revenue	1,747	2,705
Deferred tax liabilities	2,487	2,534
Lease liabilities	5,320	186
License fee payable	1,599	1,854
	<u>11,153</u>	<u>7,279</u>
NET ASSETS	<u>423,542</u>	<u>300,897</u>
Capital and reserves		
Share capital	467	70
Reserves	<u>423,075</u>	<u>300,827</u>
TOTAL EQUITY	<u>423,542</u>	<u>300,897</u>

Notes:

1. GENERAL INFORMATION

Kidztech Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 25 October 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 March 2020.

The Company is an investment holding company and its subsidiaries (together, “**the Group**”) are principally engaged in manufacturing and sales of toys.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. REVENUE

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Sales of toy cars	290,515	325,800
Sales of anti-epidemic products	5,398	—
	<u>295,913</u>	<u>325,800</u>

Disaggregation of revenue from contracts with customers:

Segment	Car Toys	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Geographical markets		
Mainland China	194,090	157,430
Out of Mainland China	101,823	168,370
Total	<u>295,913</u>	<u>325,800</u>
Major products		
Smart toy vehicles	185,762	209,584
Smart interactive toys	27,222	28,459
Traditional toys	77,531	84,697
Smart hardware	—	3,060
Anti-epidemic products	5,398	—
Total	<u>295,913</u>	<u>325,800</u>
Timing of revenue recognition		
At a point in time	<u>295,913</u>	<u>325,800</u>

Sales of toy cars and anti-epidemic products

The Group sells toy cars and anti-epidemic products to the customers. Sales of a contract are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

4. SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sales of toy cars. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one operating segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

Segment non-current assets do not include financial instruments and deferred tax assets.

Geographical information

	Revenue		Non-current assets	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mainland China	194,090	157,430	269,966	217,423
Outside of Mainland China	101,823	168,370	4,756	3,387
	<u>295,913</u>	<u>325,800</u>	<u>274,722</u>	<u>220,810</u>

Revenue from major customers

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	33,265	N/A*
Customer B	31,368	N/A*
Customer C	N/A*	58,644
	<u> </u>	<u> </u>

* The customer contributed less than 10% of total revenue during FY 2019 and FY 2020.

5. PROFIT FOR THE YEAR

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials and goods used	117,628	137,427
Staff costs (including directors' emoluments)		
– Salaries, bonus and allowance	45,398	49,526
– Retirement benefits scheme contributions	1,130	1,245
Depreciation of property, plant and equipment, right-of-use assets and amortisation expenses of trademark and software	21,422	18,221
Royalty expenses	9,743	16,471
Listing expenses for the Listing	12,450	16,365
Subcontracting charges	6,955	5,150
Freight charge and transportation expenses	3,328	4,765
Auditor's remuneration for audit services	1,600	2,526
	=====	=====

6. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on bank borrowings	5,342	7,417
Interest expenses on other borrowings	2,039	1,351
Interest expenses on lease liabilities	367	288
Interest expenses on license fee payables	296	256
Others	430	365
	=====	=====
	8,474	9,677
	=====	=====

7. INCOME TAX EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax – Hong Kong Profits tax		
– Provision for the year	202	3,295
Current tax – PRC Enterprise Income Tax		
– Provision for the year	6,759	10,735
Deferred tax	1,843	(1,095)
	<u>8,804</u>	<u>12,935</u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. Under the current laws of the British Virgin Islands (“**BVI**”), entities incorporated in BVI are not subject to income tax.

For the year ended 31 December 2020, the Group is eligible to nominate one Hong Kong incorporated entity in the Group, namely Kidztech Toys Manufacturing Limited (“**Kidztech HK**”), to be taxed at the two tiered profits tax rates, whereby profits tax will be chargeable on the first HKD2,000,000 of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5% (2019: same). Hong Kong profits tax of the other Hong Kong incorporated group entities has been provided for at the rate of 16.5% on the estimated assessable profits.

Pursuant to the PRC Enterprise Income Tax Law (“**EIT Law**”), the EIT rate for domestic enterprises and foreign invested enterprises is 25%. Kidztech (Guangdong) Intelligent Technology Co., Ltd. (“**Kidztech Intelligent**”, formerly known as kidztech Intelligent Technology Co., Ltd.), the Group’s operating subsidiary in the PRC, was awarded the National High-tech Enterprise Certificate which is effective for three years commencing on 1 January 2020 with applicable income tax rate being 15% for the years from 2020 to 2022. All the other PRC entities of the Group are subject to EIT at a rate of 25%.

8. FINAL DIVIDENDS

A final dividend of HK\$0.018 per share in respect of the year ended 31 December 2020, amounting to approximately HK\$9,375,948, (equivalent to approximately RMB7,894,548), to be paid to the shareholders of the Company whose name appear on the Company’s register of members on 4 June 2021, has been proposed by the Board of Directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company.

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB24,143,000 (2019: RMB35,445,000) and the weighted average number of ordinary shares of 502,063,000 (2019: 431,600,000), in issue during the year.

Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during FY2020 and FY2019.

10. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	91,848	68,724
Less: provision for impairment	(14,029)	(8,485)
	<u>77,819</u>	<u>60,239</u>

The following is an aging analysis of trade receivables, presented based on the invoice date at the end of the years:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Less than 30 days	25,764	36,291
31 days to 120 days	39,033	27,942
121 days to 1 year	19,050	2,283
1 year to 2 years	6,845	2,032
More than 2 years	1,156	176
	<u>91,848</u>	<u>68,724</u>

Reconciliation of loss allowance for trade receivables:

	2020 RMB'000	2019 RMB'000
At 1 January	8,485	5,359
Increase in loss allowance for the year	6,823	4,186
Amounts written off	(1,129)	(1,115)
Exchange difference	(150)	55
	<hr/>	<hr/>
At 31 December	14,029	8,485
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables that are not impaired

The Group applies the simplified approach under HKFRS 9 “Financial Instrument” to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Less than 30 days	31 days to 120 days	121 days to 1 year	Over 1 year	Total
At 31 December 2020					
Weighted average expected loss rate	6.83%	10.59%	22.65%	47.76%	
Receivable amount (RMB'000)	25,764	39,033	19,050	8,001	91,848
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Loss allowance (RMB'000)	1,760	4,133	4,315	3,821	14,029
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019					
Weighted average expected loss rate	8.21%	9.99%	19.91%	100%	
Receivable amount (RMB'000)	36,291	27,942	2,220	2,271	68,724
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Loss allowance (RMB'000)	2,981	2,791	442	2,271	8,485
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

11. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	19,021	24,892
Accrued other expenses	12,590	10,666
Accrued listing expenses	10,660	6,002
Payroll payable	4,305	4,687
Value-added tax and other tax payables	9,303	2,224
Refund liabilities	704	1,570
Amounts due to minority shareholders	—	1,103
	<u>56,583</u>	<u>51,144</u>

An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Less than 30 days	3,783	4,795
31 days to 120 days	6,711	6,862
121 days to 1 year	4,851	12,514
1 year to 2 years	3,097	595
More than 2 years	579	126
	<u>19,021</u>	<u>24,892</u>

12. BANK AND OTHER BORROWINGS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank loans	97,295	92,500
Other borrowings	58,595	50,228
	<u>155,890</u>	<u>142,728</u>
Analysed as:		
Secured	155,890	142,728
Unsecured	—	—
	<u>155,890</u>	<u>142,728</u>

The borrowings are repayable as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
On demand or within one year	<u>155,890</u>	<u>142,728</u>

Other borrowings include loans from non-bank financial institutions and loan obtained from a state-owned company to Kidztech (Shantou) Information Technology Co., Ltd.* (“**Kidztech Infotech**”), a subsidiary of the Group.

As at 31 December 2020, certain bank and other borrowings were secured by:

- Property, plant and equipment and right-of-use assets;
- Restricted cash; and
- Personal guarantees provided by Mr. Yu Huang and Ms. Chen Cheng and certain minority shareholders of the Company.

The interest rates per annum at the end of the reporting period were as follows:

	2020	2019
Borrowing		
fixed-rate	<u>5.17% – 9.10%</u>	<u>5.17% – 8.97%</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group has a vision of becoming a smart interactive entertainment product provider. The Group is principally engaged in the design, development, manufacture and sale of high-quality smart toy vehicles, smart interactive toys and traditional toys and the sale of smart hardware products.

Revenue

The Group's total revenue decreased by approximately 9.2% from approximately RMB325.8 million for FY2019 to approximately RMB295.9 million for FY2020. In light of the outbreak of the coronavirus disease 2019 (“**COVID-19**”), there was adjustment in focus in different major markets by the Company. The Company took the initiative to reduce its sales to markets in Europe and the United States of America (the “**US**”) which are places more seriously affected by COVID-19, resulting in a decrease in the amount and proportion of revenue attributable to direct sales to such overseas customers.

The People's Republic of China (the “**PRC**”) continued to be the Group's biggest market in 2020, contributing approximately 65.6% of revenue (among which, approximately 47.7% was indirect sales to overseas made through the export-oriented wholesalers based in the PRC which principally export and sell toys to overseas wholesalers and retailers and mainly onward export the Group's products to the overseas market (the “**PRC Export-Oriented Wholesalers**”), while approximately 17.9% of which was domestic sales made through the PRC domestic-sale-oriented wholesalers and retail sales in the PRC market). Europe as a whole contributed approximately 10.8%, the North America contributed approximately 18.0%, Asia (excluding the PRC) contributed approximately 3.9% and approximately 1.7% came from Oceania, South America and Africa.

Analysis of revenue by product type is as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Smart toys		
– Smart toy vehicles	185,762	209,584
– Smart interactive toys	27,222	28,459
Traditional toys	77,531	84,697
Smart hardware	—	3,060
Anti-epidemic products	5,398	—
	295,913	325,800

Smart toys

Smart toy vehicles

The Group's smart toy vehicles mainly comprise full function radio controlled toy vehicles, which are manufactured in different scales. During FY2020, the Group's smart toy vehicles were mostly "kidztech" brand products and co-branded products collectively released by the Company and renowned automobile manufacturers. The Group also manufactures under overseas customers' brands on original equipment manufacturing ("OEM") and original design manufacturing ("ODM") bases.

Smart interactive toys

The Group's smart interactive toys mainly comprise smart interactive playsets, activity toys and musical toys, and some of these toys which play music and contain play features are intended to stimulate the sensory development of children. During FY2020, most of these toys were sold under either (i) co-branded with popular entertainment characters featured in animated television series or motion pictures or toy brand owner; or (ii) the "kidztech" brand.

Traditional toys

Traditional toys include traditional toy vehicles, traditional educational toys, dolls and other traditional toys such as outdoor and sport as well as infant toys. During FY2020, (i) the majority of revenue from traditional toys were derived from sale of traditional toy vehicles, which include pull back toy vehicles and inertia toy vehicles which are mainly designed for children aged one to three years or above; and (ii) most of these toys were sold under the “kidztech” brand.

Smart hardware

Leveraging the expertise of the Group in designing and manufacturing high quality radio controlled smart toy vehicles, the Group had in 2018 commenced selling smart hardware, such as Bluetooth speakers, which are sold under the “kidztech” brand. As the domestic internet industry giants all use smart speakers as products to build the entry of smart home series product chains, they have all launched new products. They all adopted subsidy policies in order to seize market share, so prices continued to fall while the competition remained fierce. As a result, the sales profit margin did not reach the expectation of the Group, and no sales had been achieved during FY2020. The Group will continue to seek sales opportunities for other smart hardware products.

Brands

The Group’s smart toys, traditional toy and smart hardware products are (i) branded with its “kidztech” brand; (ii) co-branded with renowned automobile manufacturers, popular entertainment characters featured in animated television series or motion pictures or toy brand owner; or (iii) branded under its overseas customers brands, which mainly represent the products manufactured by the Group on ODM and OEM bases and the products sold to its customers branded under their respective brands.

During FY2020, (i) approximately 67.1% of revenue was attributable to products under the “kidztech” brand (FY2019: approximately 46.0%), (ii) approximately 23.6% of revenue was attributable to products under co-brand (FY2019: approximately 45.3%) and (iii) approximately 9.3% of revenue was attributable to products under overseas customers brands (FY2019: approximately 8.7%).

The Group believes that co-branding with other famous brands allows the Group to leverage on the marketing benefits of the internationally renowned brands to expediently gain consumer awareness, and recognition of authenticity, and to establish creditability and market acceptance from the mass market. The Group has been newly granted licensed rights of renowned toy and entertainment character brands in FY 2020 as set out below:

- (i) licensed rights of “Pac-Man” for the sale of a series of radio controlled toys and slot racing track sets in overseas market for the period from 1 May 2020 to 30 April 2023 (both days inclusive); and
- (ii) licensed rights of “X-Games” for the sale of radio-controlled skateboarders in the overseas market for the period from 1 July 2021 to 31 December 2022 (both days inclusive).

Anti-epidemic products

Since the outbreak of COVID-19, there has been a shortage of anti-epidemic products. The Group believes that on the one hand, the timely development of the anti-epidemic products business allows the Group to participate in the global anti-epidemic work, and on the other hand, it allows the Group to take advantage of the continuous growing domestic and foreign demands which provides the Group with income diversification and enhances the returns of the shareholders of the Company (the “**Shareholders**”). Since late March 2020, the Group has been actively preparing for the establishment of mask production lines in the PRC and the sales and trading of anti-epidemic products. In June 2020, Kidztech Intelligent was verified and confirmed by the Guangdong Provincial Development and Reform Commission as a Key Anti-Epidemic Materials Production Enterprise in Guangdong province and also achieved sales revenue in FY2020.

Gross profit and gross profit margin

The Group’s gross profit decreased from approximately RMB122.2 million for FY2019 to approximately RMB100.2 million for FY2020, representing a decrease of approximately 18.0%. The Group’s gross profit margin decreased by approximately 3.7% from approximately 37.5% in FY2019 to approximately 33.8% in FY2020. Due to the impact caused by COVID-19, the Group adjusted the focus in different major markets and took the initiative to reduce sales to markets in Europe and the US which are more seriously affected by COVID-19, resulting in a decrease in revenue. The amount and proportion of revenue attributable to direct sales to overseas customers that have higher gross profit margin dropped, resulting in a decrease in gross profit and gross profit margin.

Profit for the year

The Group's net profit decreased by approximately 29.4% from approximately RMB51.8 million for FY2019 to approximately RMB36.6 million for FY2020. The Group's net profit margin decreased from approximately 10.9% for FY2019 to approximately 8.2% for FY2020. Due to the impact caused by COVID-19, the Group adjusted the focus in different major markets and took the initiative to reduce sales to markets in Europe and the US which are more seriously affected by COVID-19, resulting in a decrease in revenue. The amount and proportion of revenue attributable to direct sales to overseas customers that have higher gross profit margin in revenue dropped, resulting in a decrease in net profit and net profit margin.

If the expenses for the one-off listing of the shares of the Company (the “**Share(s)**”) on the Stock Exchange (the “**Listing**”) were excluded, the Group's adjusted net profit margin for FY2020 was approximately 12.4% (FY2019: approximately 15.9%).

Selling expenses

The Group's selling expenses decreased by approximately 9.5% from approximately RMB20.0 million for FY2019 to approximately RMB18.1 million for FY2020, which was primarily due to the decrease in the Group's revenue, which caused the corresponding decrease in selling expenses.

Administrative expenses

The Group's administrative expenses decreased by approximately 13.8% from approximately RMB52.2 million in FY2019 to approximately RMB45.0 million in FY2020, which was mainly attributable to the decrease in the Group's revenue and one-off Listing expenses.

Taxation

Income tax expenses decreased by approximately 31.8% to approximately RMB8.8 million in FY2020 from approximately RMB12.9 million in FY2019, which was due to the decrease in profit of the Group.

The Group's effective tax rate in FY2020 remained the same as that of FY2019, i.e. approximately 26.7%, which was mainly because the non-taxable deductible one-time Listing expenses could not be deducted before tax.

Liquidity and financial resources

As of 31 December 2020, the gearing ratio, which represents the Group's total borrowings divided by total equity, was approximately 36.8% as at 31 December 2020 (31 December 2019: 47.4%). As at 31 December 2020, the Group's total borrowings were approximately RMB155.9 million (31 December 2019: approximately RMB142.7 million) and the total equity was approximately RMB423.5 million (31 December 2019: approximately RMB300.9 million). The total borrowings represent the outstanding loans of the Group. The gearing ratio of the Group had been stabilised.

The current ratio, which is calculated based on the total current assets at the respective dates divided by the total current liabilities at the respective dates, was approximately 1.7 as at 31 December 2020 (31 December 2019: approximately 1.4); whereas the quick ratio, which is calculated based on the total current assets (excluding inventories) at the respective dates divided by the total current liabilities at the respective dates, was approximately 1.5 as at 31 December 2020 (31 December 2019: approximately 1.1).

As at 31 December 2020, the Group's restricted cash and cash and cash equivalents amounted to approximately RMB1.0 million and RMB132.4 million, respectively (31 December 2019: approximately RMB1.0 million and RMB116.6 million, respectively).

In FY2020, net cash used in operating activities was approximately RMB14.5 million, net cash used in investing activities was approximately RMB63.9 million and net cash generated from financing activities was approximately RMB98.0 million.

In FY2019, net cash generated from operating activities was approximately RMB62.5 million, net cash used in investing activities was approximately RMB21.6 million and net cash used in financing activities was approximately RMB114.5 million.

Working capital

The average inventory turnover period of the Group was approximately 107.5 days in FY2020 (FY2019: approximately 86.3 days), which was primarily due to (i) the addition in inventory reserve and preparation for future growing orders as anticipated by the Group; and (ii) the considerable impact of COVID-19 on the inventory turnover.

The Group's trade receivables increased from approximately RMB60.2 million as at 31 December 2019 to approximately RMB77.8 million as at 31 December 2020, as the payment by customers was affected by the outbreak of COVID-19. The Group's average turnover days of trade receivables increased from approximately 83.4 days in FY2019 to approximately 85.1 days in FY2020.

The Group's trade and other payables increased by approximately RMB5.5 million or approximately 10.7% from approximately RMB51.1 million as at 31 December 2019 to approximately RMB56.6 million as at 31 December 2020. The Group's average trade payable turnover days increased from approximately 41.2 days in FY2019 to approximately 66.4 days in FY2020. The change was mainly due to the impact of COVID-19 which the Group had delayed part of the payment progress accordingly.

Bank and other borrowings

As at 31 December 2020, all the bank and other borrowings, amounting to approximately RMB155.9 million (31 December 2019: approximately RMB142.7 million), were repayable on demand.

The weighted average effective interest rate as at 31 December 2020 was approximately 4.7% (31 December 2019: approximately 6.1%).

Significant investments, material acquisitions and disposal of subsidiaries

Save for the investment made in relation to the new business of anti-epidemic products (details of which are set out in the sub-section headed "Anti-epidemic products" in this announcement), the Group did not have any significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures during FY2020.

Future plans for material investments and capital assets

As at 31 December 2020, the Group did not have any other plans for material investments and capital assets except for those disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus and "Impact of the Epidemic and Outlook" in this announcement.

Capital structure

The capital structure of the Group is mainly based on the equity attributable to Shareholders (including share capital and reserves). As at 31 December 2020, the total number of issued ordinary Shares was 520,886,000 condensed with a par value of HK\$0.001 each (31 December 2019: 431,600,000 Shares).

Pledge of assets

As at 31 December 2020, certain bank and other borrowings of the Group were secured by property, plant and equipment and restricted cash. Details of which are set out in note 12 to the consolidated financial statements as set out in this announcement.

Contingent liabilities

The Group did not have any significant contingent liability as at 31 December 2020 (31 December 2019: Nil).

Capital commitments

As at 31 December 2020, the Group had an aggregate capital commitment of approximately RMB23.7 million (31 December 2019: approximately RMB59.9 million).

Financial management and treasury policy

The financial risk management of the Group is the responsibility of the Group's treasury function at its head office. The Group adopted prudent funding and treasury management policies while maintaining an overall healthy financial position. The Group's source of funding was raised by cash generated from operating activities and bank borrowings. The Group's treasury policies mainly include managing capital liquidity and yield to safeguard the healthy development of the principal businesses of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Group is from time to time considering various alternatives including but not limited to financial institution borrowings, non-financial institution borrowings, bonds issuance, etc.

Foreign exchange exposure

The Group's operating subsidiary incorporated in Hong Kong operates with most transactions being settled in US dollars ("USD"), except for certain transactions which are denominated in Hong Kong dollars ("HK\$") or other currencies. The functional currency of this subsidiary is USD. The Group's operating subsidiaries incorporated in the PRC operate in the PRC and their functional currency is Renminbi ("RMB"). As at 31 December 2020, foreign exchange risk arose mainly from certain intra-group transactions and balances of the operating subsidiaries in the PRC which are denominated in USD and the accrual of the Listing expenses which are denominated in HK\$. The Directors consider that no significant foreign exchange risk exists for the Group.

LISTING AND USE OF PROCEEDS

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing date (i.e. 18 March 2020). The net proceeds (after deducting related underwriting fees and commissions and expenses payable in connection with the global offering) raised by the Company from the Listing and prior to the partial exercise of the over-allotment option were approximately HK\$81.2 million (based on the final offer price of HK\$1.38 per Share). Due to the issue and allotment of Shares pursuant to the partial exercise of the over-allotment option on 3 April 2020, an additional net proceeds of approximately HK\$1.2 million were raised.

For FY2020, the proceeds were utilised consistent with that disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 28 February 2020, details of which are set out below:

	Intended use of net proceeds <i>HK\$ million</i> <i>(approximate)</i>	Amount utilised <i>HK\$ million</i> <i>(approximate)</i>	Amount not yet utilised <i>HK\$ million</i> <i>(approximate)</i>	Expected timing of usage <i>(Note)</i>
Funding the planned expansion of the new production plant	58.4	32.3	26.1	By the end of 2021
Maintaining and strengthening relationship with existing customers, and acquiring or investing in downstream companies	15.8	1.0	14.8	By the end of 2021
General replenishment of working capital and other corporate purpose	8.2	8.2	–	–
Total	82.4	41.5	40.9	

Note: The expected timeline for utilising the unutilised proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 665 (2019: 821) full-time employees, of which, 26 of them were in Hong Kong and the rest of them were stationed in Shantou and Shenzhen, the PRC.

The remuneration packages offered by the Group to its employees, including salaries, accidental insurance and allowances, depending on their job nature. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of the Group’s business.

The Group has implemented training programmes for its employees to meet different job requirements, such as training on production procedures for its staff at its production department. It is believed that these initiatives have contributed to the increased productivity of employees of the Group. The Group has also adopted a share option scheme to reward, among others, its employees for their contribution to the Group.

IMPACT OF THE EPIDEMIC AND OUTLOOK

Due to the outbreak of COVID-19, the Group's operations were being affected and will still be subject to further development of the outbreak of COVID-19 and government advice or restrictions. The Directors will continue to assess the impact of the epidemic on the Group's operation and financial performance and closely monitor and manage the Group's exposure to the risks and uncertainties in connection therewith. The Group will take appropriate measures as necessary and inform the Shareholders and potential investors of the Company as and when necessary.

On the other hand, with the aim of further developing its business and continuing its growth and also taking into account the development of the current epidemic situation and the intense relations between China and the United States, the Group will implement the following strategies:

- continue to prioritise and focus on overseas market by (i) maintaining and strengthening relationship with its existing direct overseas customers; and (ii) staying alert to the epidemic, while expanding the customer base and continuing to prioritise and focus on overseas markets;
- continue to strengthen, expand and diversify its customer base by focusing on (i) the PRC Export-Oriented Wholesalers; and (ii) the PRC retailers;
- diversify its product offerings through continuous development of new products and global licensing strategy;
- expand its production capacity and improve its production efficiency; and
- allocate more resources to expand domestic sales.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.018 per Share for FY2020 (FY2019: Nil), amounting to approximately HK\$9,375,948 (equivalent to approximately RMB7,894,548), which represents approximately 33% of the Company's net profit for FY2020. The proposed final dividend is subject to approval by the Shareholders at the annual general meeting of the Company (the “AGM”) to be held on 27 May 2021. Upon Shareholders' approval, the proposed final dividend will be paid on or around 18 June 2021 to Shareholders whose names appear on the register of members of the Company on 4 June 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 May 2021.

Subject to the approval of Shareholders at the AGM, the proposed final dividend will be payable on or around Friday, 18 June 2021 to Shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 4 June 2021, and the register of members of the Company will be closed from Thursday, 3 June 2021 to Friday, 4 June 2021, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 2 June 2021 for registration.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Shares were first listed on the Main Board of the Stock Exchange on the Listing date. Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Shares during the period from the Listing date and up to 31 December 2020 (the “Period”).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability of the Company. During the Period, the Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code in Appendix 14 (the “**CG Code**”) to the Rules (the “**Listing Rules**”) Governing the Listing of Securities of the Stock Exchange, save and except the deviation as follows:

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yu Huang is currently the chairman of the Board and the chief executive officer of the Group. Mr. Yu Huang has been responsible for the overall management of the Group since the establishment of the Group. The Board believes that the current structure enables the Group to make and implement business decisions swiftly and effectively which promotes the Group’s development in line with other strategies and business direction. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired because of the diverse background and experience of the executive Directors, non-executive Director and independent non-executive Directors. Further, the audit committee of the Company (the “**Audit Committee**”), which consists of independent non-executive Directors, has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance. In order to maintain good corporate governance and to fully comply with code provision A.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman of the Board and chief executive officer separately.

Further, Mr. Pui Lik Leung Kenny, an executive Director, sold an aggregate of 300,000 Shares on 22 July and 23 July 2020. These transactions took place during the blackout period under rule A3(a)(i) of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) without notification to the chairman of the Company. The non-compliance was not deliberate and completely unintentional and was merely due to unfamiliarity of Mr. Pui Lik Leung Kenny with the requirements under the Model Code (the “**Non-compliance Incident**”). The Non-compliance Incident was immediately identified by the Company and such change of interest was subsequently disclosed on 27 July 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiry, all Directors confirmed that they have complied with the Model Code during the Period save for the Non-compliance Incident. The Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Period. The Company has paid due regard to the Non-compliance Incident and in order to prevent the occurrence of similar incidents, the Company had by then immediately reminded all Directors again the dealing restriction during the blackout period and the importance of complying with the Listing Rules in their dealings of the Shares and in particular the importance of giving written notice and obtaining written acknowledgement prior to conducting any intended dealings. The Company will also provide further briefings to develop and refresh the Directors' knowledge and enhance their awareness of good corporate governance practices.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee has reviewed with the management of the Company these annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for FY2020.

SCOPE OF WORK OF ZHONGHUI ANDA 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 FY2020 as set out in this announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for FY2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kidztech.net). The annual report of the Company for FY2020 will be despatched to the Shareholders and published on the aforesaid websites in due course.

By order of the Board
Kidztech Holdings Limited
Yu Huang
Chairman

Shantou, 25 March 2021

As at the date of this announcement, the Board comprises Mr. Yu Huang, Mr. Pui Lik Leung Kenny and Mr. Ni Yanlong as executive Directors, Ms. Zheng Jingyun as the non-executive Director, and Mr. He Weidong, Ms. Liu Man and Ms. Zhao Weiwei as independent non-executive Directors.

** For identification purpose only*