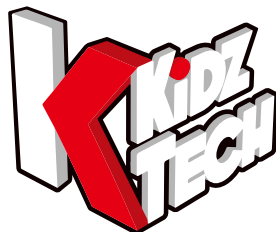


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Kidztech Holdings Limited

奇士達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6918)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue for FY2021 was approximately RMB284.3 million (FY2020: approximately RMB295.9 million), representing a decrease of approximately 3.9%.
- Gross profit margin for FY2021 was approximately 30.4% (FY2020: approximately 33.8%), representing a decrease of approximately 3.4%.
- Profit for FY2021 was approximately RMB27.6 million (FY2020: approximately RMB24.1 million), representing an increase of approximately 14.5%.
- Basic and diluted earnings per Share for FY2021 was approximately RMB5.3 cents (FY2020: approximately RMB4.8 cents per share), representing an increase of approximately 10.4%.

RESULTS

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of Kidztech Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has not been completed. In the meantime, the board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the unaudited consolidated annual results of the Group for the year ended 31 December 2021 (“**FY2021**”) together with the comparative figures for the year ended 31 December 2020 (“**FY2020**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	<i>Notes</i>	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Revenue	3	284,287	295,913
Cost of sales		(197,894)	(195,750)
Gross profit		86,393	100,163
Selling expenses		(13,616)	(18,107)
Administrative expenses		(40,259)	(45,031)
Net impairment losses on trade receivables		(2,610)	(6,823)
Other income		16,043	11,219
Profit from operation		45,951	41,421
Finance costs	6	(12,171)	(8,474)
Profit before tax		33,780	32,947
Income tax expenses	7	(6,193)	(8,804)
Profit for the year attributable to the owners of the Company	5	27,587	24,143
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		4,729	(2,957)
Other comprehensive income/(loss) for the year		4,729	(2,957)
Total comprehensive income for the year attributable to the owner of the Company		32,316	21,186
Earnings per share			
<i>Basic and diluted (RMB cents per Share)</i>	9	5.3	4.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

	<i>Notes</i>	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		165,811	172,638
Right-of-use assets		33,772	36,870
Intangible assets		2,673	7,199
Deferred income tax assets		3,841	3,536
Prepayments		52,095	58,015
		258,192	278,258
Current assets			
Inventories		23,238	50,270
Trade receivables	<i>10</i>	117,194	77,819
Prepayment and other receivables		92,841	130,740
Restricted cash		—	1,035
Cash and cash equivalents		286,512	132,424
		519,785	392,288
Current liabilities			
Trade and other payables	<i>11</i>	139,870	56,583
Amount due to a related company		962	962
Contract liabilities		1,895	955
License fee payable		1,020	3,651
Bank and other borrowings	<i>12</i>	158,601	155,890
Lease liabilities		3,277	2,671
Current income tax liabilities		17,671	15,139
		323,296	235,851
Net current assets		196,489	156,437
Total assets less current liabilities		454,681	434,695

	2021	2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Non-current liabilities		
Deferred revenue	1,029	1,747
Deferred tax liabilities	2,487	2,487
Lease liabilities	3,080	5,320
License fee payable	—	1,599
	<u>6,596</u>	<u>11,153</u>
NET ASSETS	<u>448,085</u>	<u>423,542</u>
Capital and reserves		
Share capital	467	467
Reserves	447,618	423,075
	<u>448,085</u>	<u>423,542</u>
TOTAL EQUITY	<u>448,085</u>	<u>423,542</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 (the “**Share(s)**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 March 2020 (the “**Listing**”).

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 2021. 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

	2021 <i>RMB’000</i> (unaudited)	2020 <i>RMB’000</i> (audited)
Sales of toy cars	284,287	290,515
Sales of anti-epidemic products	—	5,398
	<u>284,287</u>	<u>295,913</u>

Disaggregation of revenue from contracts with customers:

Segment	Car Toys	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Geographical markets		
Mainland China	191,665	194,090
Out of Mainland China	92,622	101,823
Total	<u>284,287</u>	<u>295,913</u>
Major products		
Smart toy vehicles	166,586	185,762
Smart interactive toys	13,138	27,222
Traditional toys	104,563	77,531
Anti-epidemic products	—	5,398
Total	<u>284,287</u>	<u>295,913</u>
Timing of revenue recognition		
At a point in time	<u>284,287</u>	<u>295,913</u>

Sales of toy cars

The Group sells toy cars 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	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Mainland China	191,665	194,090	244,787	269,966
Outside of Mainland China	92,622	101,823	9,563	4,756
	<u>284,287</u>	<u>295,913</u>	<u>254,350</u>	<u>274,722</u>

Revenue from major customers

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Customer A	N/A*	33,265
Customer B	N/A*	31,368
Customer C	<u>N/A*</u>	<u>N/A*</u>

* The customer contributed less than 10% of total revenue during FY2020 and/or FY2021.

5. PROFIT FOR THE YEAR

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Raw materials and goods used	119,467	117,628
Staff costs (including directors' emoluments)		
– Salaries, bonus and allowance	34,804	45,398
– Retirement benefits scheme contributions	1,308	1,130
Depreciation of property, plant and equipment, right-of-use assets and amortisation expenses of trademark and software	21,950	21,422
Royalty expenses	6,232	9,743
Listing expenses for the Listing	—	12,450
Subcontracting charges	31,601	6,955
Freight charge and transportation expenses	1,917	3,328
Auditor's remuneration for audit services	1,550	1,600
	<u>119,467</u>	<u>117,628</u>

6. FINANCE COSTS

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Interest expenses on bank borrowings	6,628	5,342
Interest expenses on other borrowings	3,815	2,039
Interest expenses on lease liabilities	523	367
Interest expenses on license fee payables	82	296
Others	1,123	430
	<u>12,171</u>	<u>8,474</u>

7. INCOME TAX EXPENSES

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Current tax — Hong Kong Profits tax — Provision for the year	—	202
Current tax — PRC Enterprise Income Tax — Provision for the year	6,584	6,759
Deferred tax	(391)	1,843
	<u>6,193</u>	<u>8,804</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 2021, 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% (2020: 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 DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK\$0.018 per ordinary share).

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Final – Nil (2020: HK\$0.018) per ordinary share	—	9,376

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 RMB27,587,000 (2020: RMB24,143,000) and the weighted average number of ordinary shares of 520,886,000, 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 FY2021 and FY2020.

10. TRADE RECEIVABLES

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Trade receivables	134,107	91,848
Less: provision for impairment	<u>(16,913)</u>	<u>(14,029)</u>
	<u>117,194</u>	<u>77,819</u>

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

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Less than 30 days	62,331	25,764
31 days to 120 days	55,500	39,033
121 days to 1 year	6,681	19,050
1 year to 2 years	7,012	6,845
More than 2 years	<u>2,583</u>	<u>1,156</u>
	<u>134,107</u>	<u>91,848</u>

Reconciliation of loss allowance for trade receivables:

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
At 1 January	14,029	8,485
Increase in loss allowance for the year	2,610	6,823
Amounts written off	—	(1,129)
Exchange difference	274	(150)
	<u>16,913</u>	<u>14,029</u>
At 31 December	<u>16,913</u>	<u>14,029</u>

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 2021					
Weighted average expected loss rate	7.93%	10.59%	22.65%	47.76%	
Receivable amount (<i>RMB'000</i>)	<u>62,331</u>	<u>55,500</u>	<u>6,681</u>	<u>9,595</u>	<u>134,107</u>
Loss allowance (<i>RMB'000</i>)	<u>4,943</u>	<u>5,877</u>	<u>1,513</u>	<u>4,580</u>	<u>16,913</u>
At 31 December 2020					
Weighted average expected loss rate	6.83%	10.59%	22.65%	47.76%	
Receivable amount (<i>RMB'000</i>)	<u>25,764</u>	<u>39,033</u>	<u>19,050</u>	<u>8,001</u>	<u>91,848</u>
Loss allowance (<i>RMB'000</i>)	<u>1,760</u>	<u>4,133</u>	<u>4,315</u>	<u>3,821</u>	<u>14,029</u>

11. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Trade payables	81,057	19,021
Accrued other expenses	24,868	12,590
Accrued listing expenses	—	10,660
Payroll payable	5,067	4,305
Value-added tax and other tax payables	28,878	9,303
Refund liabilities	—	704
	<u>139,870</u>	<u>56,583</u>

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

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Less than 30 days	19,680	3,783
31 days to 120 days	21,834	6,711
121 days to 1 year	27,251	4,851
1 year to 2 years	9,515	3,097
More than 2 years	2,777	579
	<u>81,057</u>	<u>19,021</u>

12. BANK AND OTHER BORROWINGS

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
Bank loans	64,823	97,295
Other borrowings	93,778	58,595
	<u>158,601</u>	<u>155,890</u>
Analysed as:		
Secured	158,601	155,890
Unsecured	—	—
	<u>158,601</u>	<u>155,890</u>

The borrowings are repayable as follows:

	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (audited)
On demand or within one year	<u>158,601</u>	<u>155,890</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 2021, 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:

	2021 (unaudited)	2020 (audited)
Borrowing fixed-rate	<u>5.17%–9.10%</u>	<u>5.17%–9.10%</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 3.9% from approximately RMB295.9 million for FY2020 to approximately RMB284.3 million for FY2021. In light of the outbreak of the coronavirus disease 2019 (“**COVID-19**”), the focus in different major markets was adjusted 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.

Analysis of revenue by product type is as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Smart toys		
– Smart toy vehicles	166,586	185,762
– Smart interactive toys	13,138	27,222
Traditional toys	104,563	77,531
Anti-epidemic products	—	5,398
	<u>284,287</u>	<u>295,913</u>

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 FY2021, 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 FY2021, 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 FY2021, (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.

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.

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 will continue to look for collaboration opportunities with other well-known brands and apply for licensed rights of renowned toy and entertainment character in due course to improve the marketability of its products.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately RMB100.2 million for FY2020 to approximately RMB86.4 million for FY2021, representing a decrease of approximately 13.8%. The Group's gross profit margin decreased by approximately 3.4% from approximately 33.8% in FY2020 to approximately 30.4% in FY2021. 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 increased by approximately 14.5% from approximately RMB24.1 million for FY2020 to approximately RMB27.6 million for FY2021. The Group's net profit margin increased from approximately 8.2% for FY2020 to approximately 9.7% for FY2021. The increase in net profit and net profit margin was due to the decrease in the Group's one-off expenses for the Listing.

Selling expenses

The Group's selling expenses decreased by approximately 24.9% from approximately RMB18.1 million for FY2020 to approximately RMB13.6 million for FY2021, which was primarily due to the decrease in freight expenses, which was mainly because the Group took the initiative to control the number of orders in the European and American markets, leading to a shift of its sales to the Chinese and Asian markets.

Administrative expenses

The Group's administrative expenses decreased by approximately 10.4% from approximately RMB45.0 million in FY2020 to approximately RMB40.3 million in FY2021, which was mainly attributable to the decrease in the Group's sales and one-off Listing expenses.

Taxation

Income tax expenses decreased by approximately 29.5% to approximately RMB6.2 million in FY2021 from approximately RMB8.8 million in FY2020, which was due to the decrease in profit of the Group.

The Group's effective tax rate in FY2021 was approximately 18.3% (FY2020: approximately 26.7%), which was mainly because of the decrease in the deferred income tax in FY2020.

Liquidity and financial resources

As at 31 December 2021, the gearing ratio, which represents the Group's total borrowings divided by total equity, was approximately 35.4% as at 31 December 2021 (31 December 2020: 36.8%). As at 31 December 2021, the Group's total borrowings were approximately RMB158.6 million (31 December 2020: approximately RMB155.9 million) and the total equity was approximately RMB448.1 million (31 December 2020: approximately RMB423.5 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 1.6 as at 31 December 2021 (31 December 2020: approximately 1.7); 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 2021 (31 December 2020: approximately 1.5).

As at 31 December 2021, the Group's restricted cash and cash and cash equivalents amounted to nil and approximately RMB286.5 million, respectively (31 December 2020: approximately RMB1.0 million and RMB132.4 million, respectively).

Working capital

The average inventory turnover period of the Group was approximately 67.8 days in FY2021 (FY2020: approximately 107.5 days), which was primarily due to the fact that the Group was committed to enhancing its control over the production as a result of the lingering impact of the COVID-19 pandemic to accelerate the turnover of its inventories, leading to a lower risk exposure while decreasing its inventory level in 2021.

The Group's trade receivables increased from approximately RMB77.8 million as at 31 December 2020 to approximately RMB117.2 million as at 31 December 2021, 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 85.1 days in FY2020 to approximately 125.2 days in FY2021.

The Group's trade and other payables increased by approximately RMB83.2 million or approximately 147.2% from approximately RMB56.6 million as at 31 December 2020 to approximately RMB139.8 million as at 31 December 2021. The Group's average trade payable turnover days increased from approximately 40.9 days in FY2020 to approximately 92.3 days in FY2021. 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 2021, all the bank and other borrowings, amounting to approximately RMB158.6 million (31 December 2020: approximately RMB155.9 million), were repayable on demand.

The weighted average effective interest rate as at 31 December 2021 was approximately 6.6% (31 December 2020: approximately 4.7%).

Significant investments, material acquisitions and disposal of subsidiaries

The Group did not have any significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures during FY2021.

Future plans for material investments and capital assets

As at 31 December 2021, the Group did not have any other plans for material investments and capital assets except for those disclosed in the sections headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 28 February 2020 (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 of the Company (the "**Shareholders**") (including share capital and reserves). As at 31 December 2021, the total number of issued ordinary Shares was 520,886,000 with a par value of HK\$0.001 each (31 December 2020: 520,886,000 Shares).

Pledge of assets

As at 31 December 2021, 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 2021 (31 December 2020: Nil).

Capital commitments

As at 31 December 2021, the Group had an aggregate capital commitment of approximately RMB17.5 million (31 December 2020: approximately RMB23.7 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 2021, 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.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this announcement.

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 FY2021, the proceeds were utilised consistent with that disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, details of which are set out below:

	Intended use of net proceeds <i>HK\$ million</i>	Unutilised proceeds as at 31 December 2020 <i>HK\$ million</i>	Amount utilised during the year <i>HK\$ million</i>	Unutilised proceeds as at 31 December 2021 <i>HK\$ million</i>	Expected timing of usage (Note)
Funding the planned expansion of the new production plant	58.4	26.1	16.4	9.7	By the end of 2022
Maintaining and strengthening relationship with existing customers, and acquiring or investing in downstream companies	15.8	14.8	0	14.8	By the end of 2022
General replenishment of working capital and other corporate purpose	8.2	—	—	—	—
Total	82.4	40.9	16.4	24.5	

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 2021, the Group had 535 (2020: 665) full-time employees, of which, 20 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 include 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 material changes in the global geopolitics environment as well as the international order, 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 Chinese market, where the COVID-19 pandemic is under good control;
- 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 sales of domestic and Asian markets.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY2021 (FY2020: HK\$0.018 per ordinary share).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Shares during FY2021.

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 FY2021, 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 on the Stock Exchange, save and except the deviation as follows:

Pursuant to code provision C.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 C.2.1 of the CG Code is appropriate in such circumstance. In order to maintain good corporate governance and to fully comply with code provisions 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 enquiries, all Directors confirmed that they have complied with the Model Code during FY2021. The Company is not aware of any non-compliance of the Model Code by the senior management of the Group during FY2021.

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 unaudited 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 unaudited consolidated financial statements of the Group for FY2021. The unaudited results have been agreed with the Audit Committee.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for FY2021 has not been completed due to travel restrictions in force in parts of the PRC, temporary closure of the Hong Kong office of the Company due to COVID-19 outbreak and quarantine measures imposed by the relevant authorities to combat the COVID-19 outbreak. The unaudited annual results contained herein have not been agreed with the Company’s auditor as required under Rule 13.49(2) of the Listing Rules, and therefore, may be subject to adjustments and changes. An announcement relating to the audited results will be made when the auditing process has been completed by the Company’s auditors in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by and agreed with the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for FY2021 as agreed by the Company's auditors and explanations on the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATION OF UNAUDITED 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 FY2021 will be despatched to the Shareholders and published on the aforesaid websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Kidztech Holdings Limited
Yu Huang
Chairman

Shantou, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Yu Huang, Mr. Zhu Qiang and Ms. He Minhua as executive Directors, Ms. Zheng Jingyun as the non-executive Director, and Mr. He Weidong, Ms. Wang Shiling and Mr. Gong Lan as independent non-executive Directors.

* *For identification purpose only*