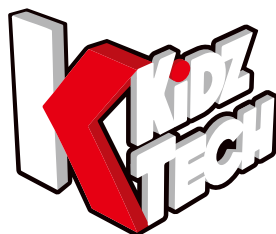


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Kidztech Holdings Limited

奇士達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6918)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue for FY2024 was approximately RMB218.8 million (FY2023: approximately RMB131.4 million), representing a significant increase of approximately 66.5%.
- Gross profit margin for FY2024 was approximately 8.4% (FY2023: approximately 11.4%), representing a decrease of approximately 3.0%.
- Loss for FY2024 was approximately RMB61.1 million (FY2023: loss of approximately RMB98.3 million), representing a decrease in loss of approximately 37.8%.
- Basic and diluted loss per Share for FY2024 was approximately RMB9.8 cents (FY2023: approximately RMB16.8 cents), representing a decrease in loss per share of approximately 41.7%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	2024 RMB'000	2023 RMB'000
Revenue	3	218,773	131,409
Cost of sales		<u>(200,440)</u>	<u>(116,383)</u>
Gross profit		18,333	15,026
Selling expenses		(7)	(1,619)
Administrative expenses		(33,609)	(35,090)
Net impairment losses on trade and other receivables		(31,403)	(40,736)
Other income and other gains/(losses), net		<u>(2,507)</u>	<u>(9,318)</u>
Loss from operation		(49,193)	(71,737)
Finance costs	6	<u>(11,606)</u>	<u>(19,621)</u>
Loss before tax		(60,799)	(91,358)
Income tax expense	7	<u>(284)</u>	<u>(6,936)</u>
Loss for the year	5	(61,083)	(98,294)
Other comprehensive income for the year			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>4,046</u>	<u>4,014</u>
Total comprehensive loss for the year		<u>(57,037)</u>	<u>(94,280)</u>
Loss for the year attributable to:			
— owners of the Company		(61,063)	(97,994)
— non-controlling interests		<u>(20)</u>	<u>(300)</u>
		<u>(61,083)</u>	<u>(98,294)</u>
Total comprehensive loss attributable to:			
— owners of the Company		(57,017)	(93,978)
— non-controlling interests		<u>(20)</u>	<u>(302)</u>
		<u>(57,037)</u>	<u>(94,280)</u>
Loss per share			
<i>Basic and diluted (RMB cents)</i>	9	<u>(9.8)</u>	<u>(16.8)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		159,237	141,596
Right-of-use assets		9,504	26,138
Intangible assets		—	73
Prepayments		9,739	14,091
		178,480	181,898
Current assets			
Inventories		19,291	24,545
Trade receivables	<i>10</i>	301,262	247,366
Prepayment and other receivables		82,553	137,654
Cash and cash equivalents		10,705	48,899
		413,811	458,464
Current liabilities			
Trade and other payables	<i>11</i>	139,981	136,731
Amount due to a related company		962	962
Contract liabilities		1,091	890
License fee payable		1,867	1,867
Bank and other borrowings	<i>12</i>	125,762	143,744
Lease liabilities		—	565
Current income tax liabilities		18,974	18,682
		288,637	303,441
Net current assets		125,174	155,023
Total assets less current liabilities		303,654	336,921

	<i>Notes</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Non-current liabilities			
Convertible bonds	<i>13</i>	12,908	—
Debentures	<i>14</i>	4,870	—
Deferred revenue		—	13
		<u>17,778</u>	<u>13</u>
NET ASSETS		<u>285,876</u>	<u>336,908</u>
Capital and reserves			
Share capital		562	562
Reserves		285,636	336,648
		286,198	337,210
Non-controlling interests		(322)	(302)
TOTAL EQUITY		<u>285,876</u>	<u>336,908</u>

NOTES

For the year ended 31 December 2024

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, raw materials and electronic parts.

Going concern

The Group incurred a loss for the year of approximately RMB61,083,000 during the year ended 31 December 2024 and, as at 31 December 2024, the Group had cash and bank balances amounted to approximately RMB10,705,000 while its current bank and other borrowings amounted to approximately RMB125,762,000. In view of these circumstances, the directors of the Company had given careful consideration to the impact of the current and anticipated future liquidity of the Group.

The validity of the Group to operate as a going concern is dependent upon the outcomes of the Group to (i) attain profitable and positive cash flows from operations by exploiting business development and implementing effective cost control measures, and to ensure timely recovery of the Group’s outstanding trade and other receivables; (ii) secure extensions of repayment terms with its banks and creditors; and (iii) a facility letter granted to the Company by an independent third party to provide an unsecured borrowings to the Group to an extent of HK\$30,000,000. Up to the date of the consolidated financial statements, the Company had drawn down HK\$4,000,000 from the above facility.

Based on the cash flow projections of the Group and having taken into the above measures, the directors of the Company consider that the Group will be able to realise its assets and discharge its liabilities and commitments in the normal course of business. Therefore, the consolidated financial statements of the Group have been prepared on a going basis.

2. Adoption of New and Revised HKFRS Accounting Standards

(a) Application of new and revised HKFRS Accounting Standards

The Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024, for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRS Accounting Standards in the current year had no material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of new and amendments to standards, which are not effective for the year ended 31 December 2024 and which have not been adopted in the consolidated financial statements. The Group has not early applied the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 — Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7 Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Int 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. Except for below, the amendments to standards are unlikely to have significant impact on the consolidated financial statements.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 will replace HKAS 1 “Presentation of financial statements”, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

3. Revenue

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customer within the scope of HKFRS 15		
Sales of toy cars	215,410	126,340
Procurement and selling of raw materials and electronic parts	3,363	5,069
	<u>218,773</u>	<u>131,409</u>

Disaggregation of revenue from contracts with customers:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Geographical markets		
Mainland China	2,898	—
Hong Kong	215,875	131,409
	<u>218,773</u>	<u>131,409</u>
Total	<u>218,773</u>	<u>131,409</u>
Major products		
Smart toy vehicles	215,410	126,340
Raw materials and electronic parts	3,363	5,069
	<u>218,773</u>	<u>131,409</u>
Total	<u>218,773</u>	<u>131,409</u>
Timing of revenue recognition		
At a point in time	<u>218,773</u>	<u>131,409</u>

4. Segment information

The Group is principally engaged in manufacturing and sales of toy cars and procurement and selling of raw materials and electronic parts. 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 loss 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	
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	2,898	—	175,848	178,611
Hong Kong	215,875	131,409	2,632	3,287
	218,773	131,409	178,480	181,898

Revenue from major customers

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	52,537	20,675
Customer B	48,025	30,082
Customer C	46,902	16,617
Customer D	38,619	18,657
Customer E*	N/A	22,297

* This customer did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2024.

5. Loss for the year

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Allowance for inventories (included in cost of sales)	1,712	8,569
Cost of inventories sold	198,728	107,814
Staff costs (including directors' emoluments)		
— Salaries, bonus and allowance	4,417	6,537
— Retirement benefits scheme contributions (<i>note</i>)	110	163
Depreciation and amortisation of property, plant and equipment, right-of-use assets and amortisation of intangible assets	11,544	15,060
Royalty expenses	5	1,453
Freight charge and transportation expenses	27	14
Auditor's remuneration		
— Audit services	670	1,000
— Non-audit services	100	100

Note: Contributions to the defined contribution retirement schemes by the Group for its employees are fully and immediately vested in the employees once the contributions are made. There are no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution. Hence, there is no such an issue whether forfeited contributions may be used by the Group to reduce the existing level of contributions.

6. Finance costs

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank borrowings	4,862	6,327
Interest expenses on other borrowings	3,302	7,995
Interest expenses on lease liabilities	11	199
Interest expenses on debentures	170	—
Imputed interest on convertible bonds	122	—
Others	3,139	5,100
	<u>11,606</u>	<u>19,621</u>

7. Income tax expense

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax — Hong Kong Profits Tax		
— Provision for the year	533	—
Current tax — PRC Enterprise Income Tax		
— Over-provision in prior year	(249)	(48)
Deferred tax	<u>—</u>	<u>6,984</u>
	<u>284</u>	<u>6,936</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 2024, 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 HK\$2,000,000 of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5% (2023: 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 2023. All the other PRC entities of the Group are subject to EIT at a rate of 25%.

8. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

9. Loss per share

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB61,063,000 (2023: RMB97,994,000) and the weighted average number of ordinary shares of 624,564,000 (2023: 583,661,618), in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the effect of the Company’s outstanding potential ordinary shares in relation to share options and convertible bonds are anti-dilutive for both years ended 31 December 2024 and 2023.

10. Trade receivables

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	356,774	316,546
Less: provision for impairment	<u>(55,512)</u>	<u>(69,180)</u>
	<u>301,262</u>	<u>247,366</u>

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Less than 30 days	48,449	35,171
31 days to 120 days	138,953	204,572
121 days to 1 year	142,772	19,333
1 year to 2 years	24,574	57,470
More than 2 years	<u>2,026</u>	<u>—</u>
	<u>356,774</u>	<u>316,546</u>

11. Trade and other payables

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables	54,395	49,946
Accrued other expenses	56,422	41,196
Payroll payable	2,627	3,803
Value-added tax and other tax payables	20,858	20,848
Other payables	—	171
Amounts due to shareholders (<i>note</i>)	<u>5,679</u>	<u>20,767</u>
	<u>139,981</u>	<u>136,731</u>

Note: The amounts due to shareholders are unsecured, non-interest bearing, and repayable on demand.

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Less than 30 days	2,928	879
31 days to 120 days	13,359	11,063
121 days to 1 year	425	1,411
1 year to 2 years	37,683	36,593
	<u>54,395</u>	<u>49,946</u>

12. Bank and other borrowings

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Bank loan (secured)	72,101	69,697
Other borrowings	53,661	74,047
	<u>125,762</u>	<u>143,744</u>

The borrowings are repayable as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
On demand or within one year	<u>125,762</u>	<u>143,744</u>

As at 31 December 2024, certain bank and other borrowings were secured by:

- Property, plant and equipment, and right-of-use assets with net book value approximately RMB27,866,000 (2023: RMB57,417,000);
- Shares of the Company held by certain shareholders of the Company; 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:

	2024	2023
Borrowing		
Fixed interest rate	<u><u>2.25%–18.00%</u></u>	<u><u>2.25%–18.00%</u></u>

13. Convertible bonds

The convertible bonds were issued on 20 December 2024. The bonds are convertible into ordinary shares of the Company at any time commencing from the issue date and till the fifth business day prior to the maturity date.

The bonds are convertible to an aggregate of 124,910,000 ordinary shares of the Company at HK\$0.160 per share. The maturity date is on the second anniversary of the issue date. If the bonds are not converted, they will be redeemed at par on 19 December 2026. Interest of 12% per annum will be settled with the outstanding principal at maturity date. The net proceeds received from the issue of the convertible loan bonds have been split between the liability element and an equity component, as follows:

	2024
	<i>RMB'000</i>
Nominal value of convertible loan bonds issued	18,788
Equity component	<u>(6,005)</u>
Liability component at date of issue	<u><u>12,783</u></u>

The interest charged for the year is calculated by applying an effective interest rate of 35.0% to the liability component for the 24 months period since the bonds were issued.

Movements of the liability component during the reporting period are as follows:

	2024
	<i>RMB'000</i>
At issuance of the instrument	12,783
Interest charged	122
Exchange re-alignment	<u>2</u>
Liability component at 31 December 2024	<u><u>12,908</u></u>

14. Debentures

As at 12 January 2024, the Company issued 1 tranche of debenture with an aggregate principal value of HK\$5,000,000. The debenture is unsecured, bearing interest rates of 4% per annum, and repayable on 11 January 2031. The carrying amount of the debenture is analysed as follows:

	2024 <i>RMB'000</i>
At issuance of the debenture	4,615
Interest charged	170
Exchange difference	85
	<hr/>
At 31 December 2024	4,870 <hr/> <hr/>
	2024 <i>RMB'000</i>
Represented by:	
Current portion	—
Non-current portion	4,870
	<hr/>
	4,870 <hr/> <hr/>

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 significantly increased by approximately 66.5% from approximately RMB131.4 million for the year ended 31 December 2023 to approximately RMB218.8 million for the year ended 31 December 2024 (“FY2024”). The significant increase in revenue was primarily due to the fact that the Group focused on Hong Kong export-oriented wholesalers to expand a diversified customer base in emerging Asian markets, and implemented the low gross profit sales strategy for product diversification externally, with an aim to develop a potential market growth point. In addition, certain stockpiled raw materials and electronic parts were sold to clients at low gross profit by the Group during the period, so as to speed up the inventory turnover, reduce the risk of overstocking and accelerate the flow of cash. As decided by the management, the sales of raw materials and electronic parts will be discontinued in 2025 as low gross profit sales are detrimental to the long-term development of the Company.

Analysis of revenue by product type is as follows:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Smart toys		
— Smart toy vehicles	215,410	126,340
Procurement and selling of raw materials and electronic parts	3,363	5,069
	<u>218,773</u>	<u>131,409</u>

Smart toys

Smart toy vehicles

The Group's smart toy vehicles increased year on year by approximately 70.5% as compared to the same period of the last year, which was mainly due to the adjustment of sales strategies by the Group, that is, developing emerging markets with export-oriented wholesalers in Hong Kong, in order to capture the opportunity for diversification, and new customer base in such regions as well as conduct a rush-release with a lower profit margin for products mainly comprising of full function radio controlled toy vehicles, which are manufactured in different scales. During FY2024, 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 are produced and sold for under the "kidztech" brand, and 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 2024, the Group did not record any revenue from smart interactive toys (during 2023: Nil).

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 2024, the Group did not record any revenue from traditional toys (during 2023: Nil). In light of the weak demand of domestic retail market for traditional toys in the PRC, the Group suspended the production and sales of traditional toys until the market conditions improve.

Brands

The Group's smart toys, traditional toys and smart hardware products are (i) branded with its "kidztech" brand; (ii) cobranded 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 our products.

Gross profit and gross profit margin

The Group's gross profit increased from approximately RMB15.0 million for FY2023 to approximately RMB18.3 million for FY2024, representing an increase of approximately 22.0%. The Group's gross profit margin decreased by approximately 3% from approximately 11.4% in FY2023 to approximately 8.4% in FY2024. It was mainly attributable to implementation of the low gross profit sales strategy by the Group to expand the emerging markets in Asia Pacific for attracting long-term high-quality customer groups, with an aim to develop a potential market growth point for us. In addition, in order to speed up the inventory turnover to reduce the risk, certain raw materials were sold to suppliers at low gross profit.

Loss for the year

The Group's net loss decreased from approximately RMB98.3 million for FY2023 to a net loss of approximately RMB61.1 million for FY2024. It was mainly attributable to the increase in sales revenue, as well as the decrease in net impairment losses on trade and other receivables and finance costs.

Selling expenses

The Group's selling expenses decreased from approximately RMB1.6 million for FY2023 to approximately RMB7 thousand for FY2024, which was primarily due to the fact that the freight expenses and market expenses were handled and paid by Hong Kong wholesalers.

Administrative expenses

The Group's administrative expenses decreased by approximately 4.3% from approximately RMB35.1 million in FY2023 to approximately RMB33.6 million in FY2024, which was mainly attributable to the further decrease in employee expenditure.

Taxation expense

Taxation expense of approximately RMB0.3 million in FY2024, representing a significant decrease from the taxation expense of approximately RMB6.9 million in FY2023, which was mainly due to the notable change of deferred taxation during the period.

Liquidity and financial resources

As at 31 December 2024, the Group's gearing ratio, which represents the Group's total borrowings divided by total equity, was approximately 44.0% (31 December 2023: 42.7%). As at 31 December 2024, the Group's total borrowings were approximately RMB125.8 million (31 December 2023: approximately RMB143.7 million) and the total equity was approximately RMB285.9 million (31 December 2023: approximately RMB336.9 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 1.4 as at 31 December 2024 (31 December 2023: approximately 1.5); 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 1.4 as at 31 December 2024 (31 December 2023: approximately 1.4).

As at 31 December 2024, the Group's cash and cash equivalents amounted to approximately RMB10.7 million (31 December 2023: approximately RMB48.9 million), representing a decrease of RMB38.2 million, which was mainly due to the purchase of plant, machinery and equipment.

Working capital

The average inventory turnover period of the Group was approximately 40.0 days in FY2024 (FY2023: approximately 55.5 days), generally remaining stable.

The Group's trade receivables increased from approximately RMB247.4 million as at 31 December 2023 to approximately RMB301.3 million as at 31 December 2024, which was mainly due to an increase of sales of the Group during the period. The Group's average turnover days of trade receivables decreased from approximately 332.0 days in FY2023 to approximately 296.0 days in FY2024.

The Group's prepayments and other receivables decreased from approximately RMB137.7 million as at 31 December 2023 to approximately RMB82.6 million as at 31 December 2024, which was mainly attributable to effective and due collection of other receivables during the period.

The Group's trade and other payables increased by approximately RMB3.3 million or approximately 2.4% from approximately RMB136.7 million as at 31 December 2023 to approximately RMB140.0 million as at 31 December 2024, mainly due to an increase in sales and relative increase in the amount of procurement of raw materials. The Group's average trade payable turnover days decreased from approximately 173.9 days in FY2023 to approximately 95.3 days in FY2024.

Bank and other borrowings

As at 31 December 2024, all the bank and other borrowings, amounting to approximately RMB125.8 million (31 December 2023: approximately RMB143.7 million), were repayable on demand and with fixed interest rate of 2.25% to 18.00%. The bank and other borrowings are predominantly denominated in RMB.

The weighted average effective interest rate as at 31 December 2024 was approximately 7.9% (31 December 2023: approximately 7.9%).

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 FY2024.

Future plans for material investments and capital assets

As at 31 December 2024, the Group did not have any other plans for material investments and capital assets.

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 2024, the total number of issued ordinary Shares of the Company was 624,564,000 with a par value of HK\$0.001 each (31 December 2023: 624,564,000 Shares).

Pledge of assets

As at 31 December 2024, certain bank and other borrowings of the Group were secured by property, plant and equipment.

Contingent liabilities

The Group did not have any significant contingent liability as at 31 December 2024 (31 December 2023: Nil).

Capital commitments

As at 31 December 2024, the Group had an aggregate capital commitment of approximately RMB13.1 million (31 December 2023: approximately RMB17.4 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 subsidiaries 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 these subsidiaries 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 2024, foreign exchange risk arose mainly from certain balances of the operating subsidiaries in Hong Kong which are denominated in USD. The Directors consider that no significant foreign exchange risk exists for the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group did not use any financial instruments for hedging purposes.

EVENTS AFTER THE REPORTING PERIOD

On 7 March 2025, the Company entered into a non-legally binding agreement with Shandong Enesoon New Material Technology Company Limited and Enesoon (Shenzhen) High-end Intelligent Equipment Company Limited for strategic cooperation in relation to capital investment operations, the establishment of a joint industrial investment fund, asset restructuring and merger, trusteeship and technology equity investment, which will enable the Company to carry out businesses in various development sectors, including the solar power generation industrial cluster, molten-salt energy storage technology matrix, intelligent equipment innovation system, and artificial intelligence application ecosystem. Details of the above are set out in the Company's announcement dated 10 March 2025.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 32 (2023: 27) full-time employees, of which, 5 of them were in Hong Kong and the rest of them were stationed in Shantou and Shenzhen, the PRC. The number of employees remained relatively stable.

The remuneration packages offered by the Group to its employees, including salaries, accidental insurance and allowances, depend 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 (the "**Share Option Scheme**"), details of which are set out in the section headed "Share Option Scheme" below of this annual report.

As required by the relevant PRC laws and regulations, the Group has participated in housing fund and various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans, under which contributions were made at specified percentages of the salaries of its employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of its business.

The Group has arranged for its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**") managed by an independent trustee. Under the MPF Scheme, the Group's company in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the Group's companies and its employees are subject to a cap of HK\$1,500 and thereafter contributions are voluntary. The Group's contributions to the defined contribution scheme are expensed as

incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

OUTLOOK

With the aim of further developing its business and continuing its growth and also taking into account the development of the current situation as well as the everchanging global geopolitics environment and 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) expanding the customer base and continuing to focus on development in Chinese market;
- continue to strengthen, expand and diversify its customer base by focusing on (i) the Hong Kong and 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 through outsourced part of production progress to suppliers/sub-contractors and improve its production efficiency;
- allocate more resources to expand sales of domestic and emerging Asian markets; and
- provide a more diversified product portfolio and services through cooperation opportunities in expanding into industrial sectors of high-end, artificial-intelligence, green related products and technologies.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY2024 (FY2023: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any member of the Group had purchased, sold or redeemed any of the Shares during FY2024.

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 FY2024, the Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”), 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 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 (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 the 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 the code provision C.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.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

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 enquiry, all Directors confirmed that they had complied with the Model Code during FY2024. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during FY2024.

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 audited 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 audited consolidated financial statements of the Group for FY2024. The audited annual results contained herein have been reviewed by and agreed with the Audit Committee.

SCOPE OF WORK OF INDEPENDENT AUDITOR

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 2024 as set out in this announcement have been agreed by the Company's auditor, McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2024:

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which mentions that the Group incurred a loss for the year of approximately RMB61,083,000 during the year ended 31 December 2024, and as at 31 December 2024, the Group had cash and bank balances amounted to approximately RMB10,705,000 while its current bank and other borrowings amounted to approximately RMB125,762,000. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcomes of the Group to (i) attain profitable and positive cash flows from operations; (ii) secure extensions of repayment terms with its banks and creditors to; and (iii) obtain the financial support from an independent third party as detailed in note 1 to the consolidated financial statements.

PUBLICATION OF AUDITED 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 FY2024 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, 31 March 2025

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

* *For identification purpose only*