

kidsland international holdings limited

凱知樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2122)



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environmental, social & governance report

ABOUT THIS REPORT

Kidsland International Holdings Limited ("Kidsland", the "Group" or "we") is principally engaged in the retail and wholesale of toys and infant products in Mainland China and is engaged in the retail of toys in Hong Kong. The Group is the largest toy retailer and distributor in Mainland China.

Our strong financial performance is bolstered by longstanding, collaborative relationships with world-renowned brand owners. As of 31 December 2019, our brand portfolio comprises 20 international brands.

The Group was listed on the Main Board of Hong Kong Stock Exchange in November 2017, and published its first Environmental, Social and Governance ("ESG") report in 2018. The purpose of the report was not only to communicate our management approaches and performances with our stakeholders, but also to provide the Group with an opportunity to assess, monitor and review our activities in relation to sustainable development, and our impact on the societies and environments in which we operate. This report builds on the foundation laid since 2018 as we seek to develop our ESG reporting to meet the needs of our stakeholders and grow our business responsibly.

Scope and reporting period

For the publication of our third ESG report, '2019 Environmental, Social and Governance Report', we have continued to follow the requirements of the Environmental, Social and Governance Reporting Guide ("Environmental, Social and Governance Guide") in Appendix 27 to the Listing Rules.

The scope of this report covers the Group's environmental, social and governance performance for our wholly-owned operations in Mainland China and Hong Kong including our offices and retail locations. We have strived to improve our disclosures for this reporting cycle by consulting a third party during the preparation of the report. A comprehensive overview of our disclosures is included in the report's HKEX Content Index on pages 13–17. Corporate governance was disclosed more in depth in the Group's 2019 Annual Report in accordance with Appendix 14 of the Main Board Listing Rules.

This report covers the period of 1 January 2019 to 31 December 2019 (the "Reporting Period").

Materiality

ESG aspects are discussed regularly within the Group by the board and senior management in accordance with their importance in managing the risks and opportunities the Group is exposed to. Due to the nature of our business as a branded toy distributor, we have determined that social aspects of our operations are the most material, but also recognise that all businesses have a role to play in mitigating their impact on the environment. This report therefore communicates the social and environmental aspects we determine to be the most material, informed by the advice of a third-party consultant whom we commissioned to review information disclosed in our previous ESG Report.

ESG AT KIDSLAND

To achieve our goal of becoming the central hub for popular and trendy toy items from around the world and the go-to partner for international toy brands when entering into the Mainland China market, we must ensure that brands and customers instil and maintain trust in our company.

For Kidsland, this means growing our business responsibly by ensuring our operations have the policies and procedures in place to support our employees and protect the environment. Through measuring and monitoring our progress we aim to maintain and develop the robust management approaches that will enable us to practice good governance. As a result, we hope to enjoy sustained growth through long-term relationships as the partner and employer of choice.



OUR PEOPLE

Kidsland aims to provide our staff with a supportive workplace built with a culture of respect and dignity that enables employees to provide excellent service to our customers. We have a Kidsland Staff Manual that is applied across operations to create a fair working environment and to ensure consistent practices.

Prepared and maintained by our Human Resources Department in Mainland China and senior management in Hong Kong, the Staff Manual is aligned with the local labour laws of Mainland China and Hong Kong and includes key corporate policies. Newly recruited staff are provided with a softcopy of the manual which they are required to review during on-boarding to familiarise themselves with the Group's operations and employment and labour practices. In the event of changes to local labour laws, the aforementioned parties collaborate to update the manual and share the revised copy with all staff.

Staff profile

		Mainland China	Hong Kong
Total workforce		2,032	91
Py amployment type	Full time	2,032	41
By employment type	Part time	0	50
Pv gondor	Male	259	47
By gender	Female	1,773	44
	30 or below	431	70
	31–40	899	17
By age group	41–50	682	4
	51–60	18	0
	above 60	2	0
Pu amplavaa cataganu	Management	101	15
By employee category	General staff	1,931	76





TOTAL STAFF BY GENDER

TOTAL STAFF BY AGE GROUP



Hong Kong



EMPLOYEE TURNOVER¹

As is the nature of the retail industry, we experience high turnover, in particular within our Mainland China operations. In response, we take proactive measures to monitor the reasons staff leave the Group through individual exit interviews and look to use this information to strengthen our approach to human resources to help with staff retention.

		Mainland China		Hong Kong	
		No. of staff	%	No. of staff	%
Total		794	39%	25	27%
	Male	153	59%	9	19%
By gender	Female	641	36%	16	36%
	30 or below	256	59%	23	33%
	31–40	326	36%	2	12%
By age group	41-50	154	23%	0	0%
	51-60	58	322%	N/A	N/A
	above 60	0	0%	N/A	N/A

Employment and employee welfare

We strive to be an employer of choice to enable us to sustain business development and be the go-to partner for international toy brands in Mainland China. We comply with all relevant laws and regulations related to employment. Also, the Group is committed to attracting and retaining talented staff by creating a supportive working environment that provides employees with a range of benefits and an agreeable work-life balance.

Equal opportunity and non-discrimination

Equal opportunity and non-discrimination practices underscore the culture we seek to promote in our offices and retail spaces. Kidsland welcomes candidates from different backgrounds and adheres to the Codes of Conduct required by our business partners by:

- Ensuring there is no discrimination directly or indirectly, in employment decisions, including hiring, promotion, dismissal, wages and access to benefits on ground of race, colour, sex, language, religion, political or other opinion, age, national, social or ethnic origin, property, sexual orientation, birth health status, trade union membership, mental or physical disability, or other status must not be engaged in or supported;
- Guaranteeing that no employee is subjected to mandatory health tests that have no relevance to the job function; and
- Providing equal benefits and opportunities to vulnerable groups, such as migrant workers, which may be subject to less protection by national law as national workers.

¹ The employee turnover rate is calculated by the total number of staff that left in 2019 divided by the total number of staff under respective categories as of the end of 2019.



Salary, benefits and retirement

We offer our employees competitive remuneration based on their scope of work, job responsibilities and individual performance, and reward employee performance that contributes to the Group's success. In addition to basic salary, employees are entitled to benefits including social and medical insurance in Mainland China, medical insurance in Hong Kong, and family-friendly policies such as marriage leave, maternity and paternity leave, compassionate leave and funeral leave.

The Group also offers overtime pay and all perquisites and allowances required by government. Overtime requests are made in advance, and eligible requests are supported with benefits such as transportation allowance, compensated leave and overtime pay.

The Group participates in retirement benefit schemes in Mainland China and Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees.

Development and training

The professional development of our employees not only ensures that our workforce is equipped with the skills to meet the expectations of our customers but also demonstrates our willingness to invest in our employees. The Group provides training on trade skills, techniques and management skills for staff at each level of our company structure and in various departments depending on operational needs. Our employees are also encouraged to study for professional qualifications and further their education. The Group provides reimbursement for job-specific examinations such as CPA qualification for accounting.

All of our employees receive initial training for their roles and ongoing on-the-job training covering topics such as product knowledge for sales assistants, supply chain management for office employees, and strategic planning for our management. To foster a harmonious workplace for our dedicated staff, we also organise corporate team building activities to enhance their understanding and cooperation with the team. The following tables summarise Group training data at the corporate level only, which includes staff orientation, training on topics like management skills, product knowledge and trade skills. Sales Assistant training is excluded in the below tables.



EMPLOYEES TRAINED

		Mainland China		Hong Kong	
		No. of staff	%*	No. of staff	%*
All staff		196	10%	32	35%
Dy gondon	Male	92	36%	21	45%
By gender	Female	104	6%	11	25%

* The percentage employee trained is calculated by the total number of employees trained (excluding employees receiving sales assistant training in Mainland China operations) in 2019 divided by the number of staff under respective category as of the end of 2019.

AVERAGE TRAINING HOURS PER EMPLOYEE#

		Mainland China	Hong Kong
All staff		4.6	8.8
By gender	Male	16.8	11.2
	Female	2.8	6.3
	Management	15.9	16.7
By employee category	General	4.0	7.2

The average training hours per employee is calculated by the total number of training hours (excluding sales assistant training in Mainland China operations) in 2019 divided by the total number of staff under respective category as of the end of 2019.

To incentivise our employees, reward excellence and enhance staff morale, a transparent and fair appraisal system is operated by our Remuneration Committee and the Group's management. Carried out annually, the employee performance evaluation process provides the basis upon which management can decide on promotion of staff and salary revisions. Performance management is a complete system as well as an ongoing process, which includes the following key phases:





Health and safety

Minimising work-related accidents and providing a safe and secure working environment for all employees are of paramount importance to the Group. We abide by all relevant national laws and regulations in Mainland China and Hong Kong and have established a Logistic Management Manual to provide standard procedures and guidance for its employees, so as to avoid hazards and dangers in the workplace.

The Logistic Management Manual, maintained by our Human Resources Department and senior management in Mainland China and Hong Kong respectively, includes safety practices on a variety of operational aspects including fire safety, heavy object transportation, and operation of machinery amongst others. The manual is communicated to all staff upon joining the company. Management highlight the contents of the manual to staff upon observation of unsafe practise to increase safety awareness. Our Administration Department also regularly circulates updated information relating to health and safety practices, and places posters in common areas to remind our staff.

The Group takes occupational health and safety seriously and will not tolerate the flagrant disregard of safety protocols. Verbal warnings are issued in the event that an employee conducts unsafe working practices that pose a danger to themselves or others. For serious violations, disciplinary action may be taken.

During the Reporting Period, the Group had no non-compliance with laws and regulations in relation to employees' health and safety. The Group also had no work-related deaths recorded in 2019. However, one work injury incidence occurred within our Mainland China operation. After investigation, the case was confirmed as being accidental and was unrelated to non-compliance to safety procedures and local regulations. A total of 60 days was lost due to the injury.

Prevention of forced and child labour

The Group supports and abides by all regulations aimed at eradicating child labour. In our area of operations this includes Mainland China Labor Law and Hong Kong Employment Ordinance. The Group is not engaged in any form of child labour. To prevent inadvertent hiring of child labour, age verification is conducted using official identification before confirmation of employment.

Moreover, the Group forbids any form of forced labour, or modern forms of slavery such as trafficking. Forcing employees to work excessive overtime, confiscation of travel/identification documents, deposits or compensation are subtle forms of forced labour and are against the Group's policy.

During the Reporting Period, the Group had no non-compliance with laws and regulations in relation to the prevention of child labour or forced labour.



SUPPLY CHAIN MANAGEMENT AND PRODUCT QUALITY CONTROL

The Group sources its goods from established international brand owners whose manufacturing operations must comply with stringent international standards in terms of product quality, protection of consumer rights, anti-piracy, environmental protection and social impact. We enhance our supply chain management by nurturing long-term relationships with our suppliers, particularly those who also prioritise sustainability performance.

The production processes of the goods sourced from our suppliers are governed by local regulations such as the China Compulsory Certification (CCC), which sets out the specifications and safety restrictions for our toy products procurement in Mainland China. This mandates that the valid certificates and test reports are produced to verify product quality. Other product testing that shows compliance with other equivalent national standards is also in place.

ANTI-CORRUPTION

The Group complies with global anti-bribery and corruption laws, takes a zero-tolerance approach to bribery and corruption and observes to the strictest applicable anti-bribery and corruption laws, regulations and other rules (both global and local) including but not limited to, the U.S. Foreign Corrupt Practices act 1977 and the UK Bribery Act 2010 ("ABC Laws").

The Group has in place internal control systems, and has engaged an independent advisory firm to review it to ensure its robustness. The Group's senior management and Audit Committee meet regular to maintain their oversight to the ethical standards.

During the Reporting Period, the Group had not violated any laws or regulations in relation to corruption, bribery, extortion, fraud and money laundering.

ETHICAL MARKETING

The Group prides itself on placing a high value on the relationship we have with our customers. Through our Staff Manual we have committed to ethically marketing to consumers and respecting them as individuals. We prohibit our employees from manipulating or falsely advertising to potential consumers. For the Group's online operations and marketing activities, we have standard information technology procedures in place to protect the data collected.



THE ENVIRONMENT

The Group acknowledges the threats of climate change and realises that we have responsibilities to better manage our energy use to reduce greenhouse gas (GHG) emissions. As a company providing products for the newest generation, we are keenly aware that our continued success depends upon our generation taking environmental responsibility seriously. We are committed to reducing our impact on the environment. Since our key operations comprise retail shops and offices, we strive to minimise environmental footprint through energy conservation and waste reduction. The following sections disclose the Group's approaches and data on energy consumption, GHG emissions data and waste.

Engaging our staff to promote green practices

Owing to our business nature, our staff are key to helping us minimise our environmental footprint. All employees are required to consider their impact on the environment through measures such as reducing paper use and energy use. We also encourage our staff to identify areas of our operations that could benefit from additional environmental initiatives including waste reduction, recycling rates, water management, renewable energy, reusable materials and greener supply chains, and report these to management for feasibility assessment and potential adoption.

Energy and greenhouse gas (GHG) emissions²

Energy consumption and GHG emissions at the Group are mainly contributed by electricity consumption in retail shops and office and thus we only report on the indirect energy use and indirect GHG emissions (Scope 2) of the Group.

In shops, apart from engaging with our employees, the Group is actively working with our stakeholders to implement energyefficient operating practices. The Group's offices are equipped with energy efficient appliances including computers and air conditioners whenever possible. Additionally, the group actively promotes green office practices to our staff such as switching off computers or turning them to sleep mode after duty, and turning off the air conditioners off before leaving the office.

The following charts summarise the energy consumption and GHG emissions of the Group during the Reporting Period.

Remarks:

i. The calculations exclude Hong Kong Office because it shares office with other companies and separate electricity bills are not provided.

ii. Scope 1 refers to direct GHG emissions from sources resulted from activities such as stationery and mobile fuel combustion and GHG emissions from equipment and systems, which are not applicable to the Group's operations. Only Scope 2 GHG emissions will be accounted as it refers to the consumption of purchased electricity.

iii. For Mainland China operations, GHG emissions associated with electricity purchased are calculated using the GHG Protocol Tool for Energy Consumption in China (Version 2.1) issued by Greenhouse Gas Protocol and the 100-year Global Warming Potentials, provided by the Intergovernmental Panel on Climate Change (IPCC) in its Fifth Assessment Report (CO₂: 1, CH₂: 28, N₂O: 265).

iv. For Hong Kong stores, GHG emissions associated with electricity purchased are based on latest available emission factors provided by power companies.



ENERGY CONSUMPTION AND INTENSITY

In 2019, the Group's total energy consumption is 5,521,635 kWh with an overall consumption intensity of 48.6 kWh/m² gross floor area. 98% of energy consumption belongs to stores, offices and warehouses in Mainland China, which is proportional to the revenue between Mainland China and Hong Kong. However, when considering energy intensity, our Mainland China stores were more energy efficient when compared with those in Hong Kong.



2019 Energy Consumption (kWh)

2019 Energy Intensity (kWh/m² gross floor area)





The Group's total GHG emissions for the reporting year is 4,828 tonnes CO_2e , with an overall emission intensity of 43 kg CO_2e/m^2 gross floor area. As with energy consumption, Mainland China operations contributed to 98% of the Group's GHG emissions. Going forward, we will continue to work on ways to reduce energy consumption, improve energy efficiency, and align our efforts with those of the responsible local and global businesses committed to GHG reduction.





2019 Emission Intensity (kg CO₂e/m² gross floor area)



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Waste management

Being a distributor and retailer of the branded toy products at the downstream of the supply chain, in general, our operating activities involve a minimal generation of waste. Even so, we strive to manage our waste by adopting the principles of 3Rs – Reduce, Reuse and Recycle, through which we prioritise minimising the amount of waste generated, repurposing the materials when possible, and diverting the waste from landfills through recycling.

Carton boxes most commonly used as packaging material in protecting our products while being transported from our suppliers. As such, carton boxes are the most substantial waste generated at our warehouses. In an effort to avoid these carton boxes going to landfills, when possible, we reuse the boxes for transporting products to our stores. In case the boxes are not in good condition from suppliers or have gone through a number of delivery cycles, they will be sent to credible contractors for recycling. In 2019, 77 tonnes of carton boxes have been recycled. For stores, carton boxes and other waste are handled by property management or landlords and hence we are unable to obtain relevant data.

Paper is the major waste generated by our offices. In 2019, Mainland China and Hong Kong offices consumed 4.3 tonnes³ of paper. We are exploring ways to adopt the methods of reduction, reuse and recycling at our office and will include our progress in future reports.

COMMUNITY INVOLVEMENT

Community involvement at Kidsland is guided by our General Guidance on Corporate Social Responsibility (CSR). This policy outlines six types of CSR initiatives including corporate philanthropy, community volunteering, cause promotions and socially responsible business practices amongst others.

The Group has organically developed community involvement focus areas that relate to our business model in the areas of children and health care. We encourage all staff to give back to the community by volunteering, donating or sponsoring local events. In addition to leveraging our resources and store network to organise tours and workshops for educational and leisure purposes, during the reporting year, we have supported the following key initiatives:

Stepping Stones	In January 2019, Kidsland donated RMB20,000 to Shanghai Stepping Stones and sponsored painting supplies such as crayons and paints to three local schools. Stepping Stones is a non-profit organisation in Shanghai. With a vision to improve Mainland China's rural education, Stepping Stones will use the donation to fund Stepping Stones future projects.
China Social Welfare Foundation	We donated nearly RMB1.7 million worth of materials to the China Social Welfare Foundation ("CSWF") in 2019. Since 2016, Kidsland has sponsored 51 organisations under CSWF for over RMB3 million worth of products.
TJPA Care Project	Since 2019, Kidsland joined the annual TJPA Care Project organised by the China Toy & Juvenile Products Association. To support the Association's charitable projects and activities, Kidsland donated a total of RMB50,000 worth of toys and products. On 12 September 2019, we also participated in a charity event for rural kindergartens in Inner Mongolia.

Led by the example of the involvement of members of the Group's senior management in community affairs, Kidsland have contributed in-kind support to local organisations in supporting the community. Our Chairman and CEO, Mr. Lee Ching Yiu, is the Director 2019/2020 of Tung Wah Group of Hospitals.

Remark: The weight of paper is calculated by: The number of pages printed according to the printer's meter x 5g (the weight of 80gsm A4-sized paper)



HKEX CONTENT INDEX

Aspects, Disclosures, KPIs	Description	Page Number/Remarks
A. Environmental		
A1 Emissions		
General disclosure	Information on: (a) the policies; and	The Group is developing our environmental policy and will disclose in future reports.
	(a) the policies, and	The Group is not aware of any material non-
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	compliance with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
A1.1	The types of emissions and respective emissions data.	P.9
		Energy consumption and GHG emissions at the Group are mainly contributed by electricity consumption in retail shops and offices and thus we only report on the indirect energy use and indirect GHG missions (Scope 2) of the Group.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.11
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group does not generate major hazardous waste in its operations.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.12
A1.5	Description of measures to mitigate emissions and results achieved.	P.9
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.12



Aspects, Disclosures, KPIs	Description	Page Number/Remarks		
A2 Use of Resources				
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	The Group is developing our environmental policy and will disclose in future reports.		
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P.10		
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Due to the nature of our business, water is not considered a material issue.		
A2.3	Description of energy use efficiency initiatives and results achieved.	P.9		
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Due to the nature of our business, water is not considered a material issue.		
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P.12		
A3 The Environment a	A3 The Environment and Natural Resources			
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Due to the nature of our business, the Group's activities do not have significant impacts on the environment and natural resources.		
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.			



Aspects, Disclosures, KPIs	Description	Page Number/Remarks
B. Social		
B1 Employment		
General disclosure	Information on:	P.2–5
	(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer	The Group is not aware of any material non- compliance with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.
	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti- discrimination, and other benefits and welfare.	
B1.1	Total workforce by gender, employment type, age group and geographical region.	P.2–3
B1.2	Employee turnover rate by gender, age group and geographical region.	P.4
B2 Health and Safety		
General disclosure	Information on:	P.7
	(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer	The Group is not aware of any material non- compliance with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.
	relating to providing a safe working environment and protecting employees from occupational hazards.	
B2.1	Number and rate of work-related fatalities.	There were no work-related fatalities during the Reporting Period.
B2.2	Lost days due to work injury.	There was one injury during the Reporting Period which resulted in sixty lost days.
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.7



Aspects, Disclosures, KPIs	Description	Page Number/Remarks	
B3 Development and	Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P.5–6	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Р.6	
B3.2	The average training hours completed per employee by gender and employee category.	P.6	
B4 Labour Standards			
General disclosure	Information on:	P.7	
	(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer	The Group is not aware of any material non- compliance with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.	
	relating to preventing child and forced labour.		
B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.7	
B4.2	Description of steps taken to eliminate such practices when discovered.	There were no incidences during the reporting period. The Group's management approach protects it from such incidents.	
B5 Supply Chain Management			
General disclosure	Policies on managing environmental and social risks of the supply chain.	Currently the Group does not have any policies on managing environmental and social risks of the supply chain. We will start considering these risks in our supply chain management policies. Progress will be disclosed in future reports.	



Aspects, Disclosures, KPIs	Description	Page Number/Remarks
B6 Product Responsib		
General disclosure	Information on:	P.8
	(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer	The Group is not aware of any material non- compliance with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.
	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
B7 Anti-corruption		
General disclosure	Information on:	P.8
	(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer	The Group is not aware of any material non- compliance with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.
	relating to bribery, extortion, fraud and money laundering.	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There were no concluded legal cases regarding corrupt practices brought in the Group during the Reporting Period.
B8 Community Invest	ment	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P.12
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P.12



(Stock Code: 2122)