KIDDIELAND

Kiddieland International Limited
童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3830

2021
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Shiu Kee Kenneth *(Chief Executive Officer)*
Ms. Lo Shiu Shan Suzanne
Ms. Sin Lo Siu Wai Sylvia
Mr. Lo Hung *(Chairman)*
Ms. Leung Siu Lin Esther

Independent Non-executive Directors

Mr. Man Ka Ho Donald
Mr. Cheng Dominic
Mr. Leung Kwok Wai Gary (appointed on 1 October 2020)
Ms. Tse Yuen Shan (resigned on 30 September 2020)

AUDIT COMMITTEE

Mr. Leung Kwok Wai Gary *(Chairman)*
(appointed on 1 October 2020)
Ms. Tse Yuen Shan *(Chairwoman)*
(resigned on 30 September 2020)
Mr. Man Ka Ho Donald
Mr. Cheng Dominic

REMUNERATION COMMITTEE

Mr. Cheng Dominic *(Chairman)*
Mr. Man Ka Ho Donald
Mr. Leung Kwok Wai Gary (appointed on 1 October 2020)
Ms. Tse Yuen Shan (resigned on 30 September 2020)
Mr. Lo Shiu Kee Kenneth

NOMINATION COMMITTEE

Mr. Man Ka Ho Donald *(Chairman)*
Mr. Cheng Dominic
Mr. Leung Kwok Wai Gary (appointed on 1 October 2020)
Ms. Tse Yuen Shan (resigned on 30 September 2020)

AUTHORISED REPRESENTATIVES

Mr. Lo Shiu Kee Kenneth
Mr. Cheung Ka Cheong

COMPANY SECRETARY

Mr. Cheung Ka Cheong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F, Bank of America Tower
12 Harcourt Road, Central, Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

http://www.kiddieland.com.hk

STOCK CODE

3830

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kiddieland International Limited ("**Kiddieland**" or the "**Company**"), I am pleased to present the fourth consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 April 2021 following the initial public offering in September 2017.

During the financial year, the world economy was severely hampered by the COVID pandemic. Major western countries such as the U.S., the U.K. and other European countries, have implemented prolonged lockdowns and closed borders amid the outbreaks, which in turn brought detrimental economic impacts. On the other hand, China became the first one to successfully control its outbreak. However, the labour shortage problem has been created as travel mobility is not encouraged by the local government, thus, our production plan and cost were affected.

Given the extraordinary circumstances, our sales team cannot attend any of the toys fair overseas during the financial year to introduce and promote our toy products physically and face to face to the potential customers around the world. Luckily, thanks for the hard work and efforts from all of our dedicated staffs, the Group's revenue for the year ended 30 April 2021 amounted to approximately HK$301.9 million, representing an increase of 9.3% over last year. Given the revenue downturns happened in the past five years, the Group's revenue level has started to change trend in financial year 2021.

The Group's net profit for the financial year 2021 was approximately HK$6.6 million as compared to net loss from ordinary course of business of approximately HK$6.2 million for last year. Excluding the extraordinary gain on disposal of PRC subsidiary amounted to approximately HK$170 million recorded in last year, this is the first time that the Group has recorded a net profit after tax from our normal course of business since listing.

Regarding the disposal of PRC subsidiary, 10% remaining cash proceeds of approximately HK$35.1 million has been received in March 2021. The Group's financial position and gearing ratio has been strengthened. Bank borrowing level has been kept at a low level as compared to the position in the past few years.

From a licensing perspective, a new license, Marvel has been acquired and started effective in year 2021. As an evergreen license and with excellent track records in the past, the Group strongly hopes and expects it to boost our sales level in the coming year.

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to all fellow Directors, management and our staff for their dedication and contribution to our Group's development. I would also like to thank all our shareholders, business partners, customers, suppliers and bankers for their trust and continuous support in the previous year.

Yours Faithfully

Lo Hung
Chairman

Hong Kong, 16 July 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As mentioned in "Outlook/future Prospects and Strategies" section in 2020 annual report, financial year 2021 was going to be one of toughest years that the management had ever seen in the last 20 years. When compared to the major incidents happened in the past few years, which have been mentioned in the past few annual reports, namely (i) the TRU Crisis; (ii) the Brexit in the U.K.; and (iii) the trade war between the U.S. and China, the negative effects and challenges generated from the outbreak of COVID-19 are even prolonged and universal. The three past events mentioned above were with regional characteristics, mainly adversely affected the economies of the U.S., China and the U.K., the COVID-19 pandemic is with global adverse effects.

Following by the slightly increase in the revenue for the first half of financial year 2021, it is unexpected that the sales performance for the second half of the year will have a dramatical increase. With low base effect, revenue for the second half of financial year 2021 has increased by 34.2% to approximately HK$78.9 million as compared to approximately HK$58.8 million for the corresponding period last year, which is closed to the sales level in the second half of financial year 2019.

The Group's revenue for the whole year was approximately HK$301.9 million, which has increased by 9.3% as compared to last year (2020: HK$276.3 million).

The increase in revenue was mainly attributed to the increase of revenue generated from North America which increased by 19.1% to approximately HK$192.8 million. Orders from several largest customers in that region had increased. On the other hand, revenue generated from Europe was relatively stable, giving that the revenue had a decreasing trend in the past few years.

Cost control, as mentioned in the last few interim and annual reports, becomes one of the management's focuses to improve the Group's overall profitability. The automation and restructuring have achieved initial success. In addition, subsidies provided from the government of People's Republic of China and Hong Kong became timely rain to the enterprises, especially those in labour-intensive manufacturing industry, like our company.

On the other side, since expenses in our Dongguan factory are mainly in RMB, the currency appreciation of RMB against US$, especially in the second half of the financial year has eroded part of our profitability. In addition, due to the COVID-19 pandemic, the price of raw materials hit the rock bottom in year 2020, however, it has been rebounded from the trough during the financial year 2021. Therefore, the effect of the cost control measures imposed by our management mentioned above has been offset.

The Group recorded a net profit of approximately HK$6.6 million for the year ended 30 April 2021 (2020: HK$163.8 million). Regarding the ordinary course of business, the net loss of last year was approximately HK$6.2 million. The net profit recorded by the Group this year was attributed to (i) the increase in revenue from North America; (ii) the drop in depreciation expenses; (iii) the reduction in selling and distribution expenses; (iv) the decrease in staff costs; and (v) the decrease in finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

As mentioned in Business Review, revenue generated from North America increased by 19.1% to approximately HK$192.8 million (2020: HK$161.9 million). Both average selling price and orders had increased. The increase was mainly attributed to revenue from a top developed country in the region and the switching of product mix to products with relatively high unit price, e.g., the licensed toys and 6V rechargeable battery powered ride-ons.

On the other hand, revenue generated from Europe slightly decreased by 0.6% to approximately HK$87.7 million (2020: HK$88.2 million). The sales orders from European markets had decreased while the average selling price had increased due to the change of their product mix to relatively high unit price products. The sluggish economy and city lockdowns in Europe kept affecting the sales performance in the region during the year. Luckily, the Brexit in the U.K. has come to an end, revenue generated from the U.K. and Ireland increased by 37.7% as compared to that in last year.

As a result of the above, the Group's overall revenue increased by 9.3% to approximately HK$301.9 million (2020: HK$276.3 million).

Gross profit

The Group's gross profit increased by 18.5% to approximately HK$53.2 million for the year (2020: HK$44.9 million). Although there was a 7.5% increase in cost of sales during the year, the increasing amplitude in revenue outweighs the range of the increase in cost of sales.

The increase was attributed to the increase in revenue discussed above while overall average production costs were relatively stable during the year. The depreciation expenses decreased during the year as some of the fixed assets were sold in the disposal of PRC subsidiary. In addition, there is an exemption for making contribution to the social insurance scheme for the employees in the PRC during the year 2020. On the other hand, the cost of raw materials, e.g., the plastic materials, had increased especially in the second half of the financial year. Secondly, due to the currency appreciation in RMB against US$, it partially erodes our profit margin as much of our cost is expensed in RMB. Therefore, the Group's gross profit margin for the year increased to 17.6% as compared to 16.2% of last year.

Other income and gains

Other income and gains of the Group decreased by 98.3% to approximately HK$3.5 million for the year (2020: HK$200.3 million). The significant decrease was mainly attributed to the disposal of PRC subsidiary completed on 12 November 2019, which the extraordinary gain before taxation amounted to approximately HK$197.2 million was recognised in last year.

Selling and distribution expenses

Selling and distribution expenses decreased by 9.2% to approximately HK$18.7 million for the year (2020: HK$20.6 million). The decrease was mainly attributable to (i) the reduction in commission expenses due to the decrease in proportion of commission-based sales during the year; and (ii) the decrease in logistics and warehousing expenses as the Group had executed an early shipment plan to ship extra inventories to our warehouse in the U.S. in last year in order to avoid paying potential additional import duties.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses, including the net impairment losses on financial assets, decreased by 8.0% to approximately HK$29.9 million for the year (2020: HK$32.5 million). The decrease was mainly attributed to the reduction in staff costs together with the government subsidies received relating to the Employment Support Scheme ("**ESS**") implemented by the Government of the HKSAR.

Finance costs

Net finance costs decreased by 77.6% to approximately HK$1.1 million for the year (2020: HK$4.9 million). The decrease was attributed to the dramatic decrease in average bank borrowings level after receiving the cash proceeds from the disposal of PRC subsidiary at the end of December 2019 and beginning of March 2021.

Income tax expenses

The Group's income tax expenses decreased by 98.7% to approximately HK$0.3 million for the year (2020: HK$23.4 million). If excluding the income tax expenses related to the disposal of approximately HK$27.2 million, the Group recorded income tax credits (net of tax expenses) of approximately HK$3.8 million in last year. The tax expenses for the year were mainly attributable to the net profit recorded in this year while the tax credits for last year were due to the net loss incurred in last year.

Net profit/(loss)

The Group recorded a net profit of approximately HK$6.6 million for the year (2020: HK$163.8 million). As mentioned above, due to the gain on disposal of the PRC subsidiary recognised, the Group had recorded a net profit of approximately HK$163.8 million for last year. If excluding the extraordinary gain mentioned, the net loss from ordinary course of business in last year was approximately HK$6.2 million. The net profit recorded this year was mainly attributed to (i) the 9.3% increase in sales mentioned above; (ii) the reduction in depreciation expenses; (iii) the decrease in commissions and logistics and warehousing expenses; (iv) the decrease in staff costs; and (v) the dramatic decrease in finance costs. It was partially offset by the increase in cost of raw materials and the currency appreciation of RMB mentioned above.

Inventories

Inventories as at 30 April 2021 were approximately HK$95.5 million, decreased from approximately HK$99.5 million as at 30 April 2020. Inventory turnover days for the year were 143.1 days (2020: 172.1 days). The decrease in stock level was primarily attributed to the increase in sales level in the last 3 months of the financial year as compared to the abnormal situation at the same period of last year due to the outbreak of COVID-19.

Trade receivables

Trade receivables as at 30 April 2021 were approximately HK$24.9 million, increased from approximately HK$16.9 million as at 30 April 2020. Trade receivables turnover days for the year were 25.3 days (2020: 28.0 days). The increase in trade receivables level was attributed to the increase in sales level in the last 3 months of the financial year as compared to the abnormal situation at the same period of last year due to the outbreak of COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and bills payables

Trade and bills payables as at 30 April 2021 were approximately HK$20.9 million, increased from approximately HK$15.9 million as at 30 April 2020. Trade and bills payables turnover days for the year were 27.0 days (2020: 29.4 days). The increase in trade and bills payables level was attributed to the increase in purchasing activity and production capacity in the last 3 months of the financial year as compared to the abnormal situation at the same period of last year due to the outbreak of COVID-19.

Other receivables

Other receivables as at 30 April 2021 decreased by 98.6% to approximately HK$0.5 million from approximately HK$36.5 million as at 30 April 2020. The other receivables balance as at 30 April 2020 included the 10% remaining balance payment of the disposal of PRC subsidiary of approximately HK$35.1 million. This 10% remaining balance has been settled during the year ended 30 April 2021.

Liquidity and financial resources

During the year ended 30 April 2021, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2021, cash and cash equivalents amounted to approximately HK$17.6 million (2020: HK$7.2 million). The increase was mainly due to the receipt of the 10% remaining balance of cash proceeds from the disposal of PRC subsidiary in March 2021. The current ratio of the Group, as calculated by the total current assets over the total current liabilities, was 2.5 as at 30 April 2021 (2020: 2.2).

As at 30 April 2021, the Group's net current assets were approximately HK$86.2 million (2020: HK$88.8 million). Total bank borrowings were approximately HK$11.4 million (2020: HK$43.1 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 7.4% (2020: 30.1%). All bank borrowings were subject to floating interest rates. As at 30 April 2021, the Group had undrawn banking facilities of approximately HK$230.7 million (2020: HK$224.4 million). The Group and the Directors will maintain the availability of bank facilities and negotiate with banks to increase the borrowings limit for working capital needs, if necessary.

FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases are mainly denominated in Hong Kong and US Dollar. And for production factory located in the PRC, expenses incurred there are denominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required.

As at 30 April 2021, the Group had not entered into any financial instrument for the hedging of foreign currency.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 April 2021, the Group employed 663 full-time management, administrative and production staff in Hong Kong and the PRC. The Group has seasonal fluctuations in the number of workers employed in its production plant while the number of management and administrative staff remains stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group is committed to achieving environmental sustainability and has implemented its Corporate Social Responsibility strategy across the organisation by embedding social responsibility into daily operations. The Group's production plant substantially complied with all applicable local and international environmental regulations.

The Group has installed solar panels as well as energy saving devices for injection machines at its factory in the PRC. The Group also encourages environmental protection practices such as setting up recycling bins, promoting using recycled papers and reducing energy consumption by switching off lightings and electrical appliances. The Group resolves to adopt and encourages practices that prevent or minimise pollution and optimise efficient use of energy and natural resources in order to provide employees with a safe and healthy working and living environment.

The Company's Environmental, Social and Governance Report is set out on pages 31 to 48 of this annual report.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment during the year.

CAPITAL COMMITMENTS

As at 30 April 2021, the Group did not have any commitments for acquisition of property, plant and equipment which have been contracted, but not provided for in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 April 2021, the Group had contingent liabilities in relation to irrevocable standby letter of credit of approximately HK$11.8 million. Save as aforesaid, the Group did not have any other significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

In September 2017, the Company completed the Global Offering and raised total net proceeds of approximately HK$81.4 million after deducting the listing expenses. Up to 30 April 2021, the Group has utilised approximately HK$80.1 million of the net proceeds from the listing according to the intended purposes, and approximately HK$1.3 million of the unused net proceeds were deposited in licensed banks in Hong Kong. Set out below is the intended use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 11 September 2017 (the "**Prospectus**"), utilised amount and unutilised amount of the net proceeds as at 30 April 2021.

Use of net proceeds	Amount planned to be used HK$'000	Amount utilised up to 30 April 2020 HK$'000	Amount utilised during the year ended 30 April 2021 HK$'000	Amount utilised up to 30 April 2021 HK$'000	Unutilised amount as at 30 April 2021 HK$'000	Expected timeline for utilising the remaining net proceeds
Diversification of product offerings by developing new products and further entering into licensing arrangements	42,200	(42,200)	–	(42,200)	–	
Strengthening sales and marketing of the Company's co-branded products and Kiddieland branded products	22,100	(15,514)	(5,257)	(20,771)	1,329	On or before 30 April 2022
Acquiring machinery and upgrading existing machinery	7,700	(7,700)	–	(7,700)	–	
Repair and maintenance of the factory, production tools and machinery	9,400	(9,400)	–	(9,400)	–	
Total	81,400	(74,814)	(5,257)	(80,071)	1,329	

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK/FUTURE PROSPECTS AND STRATEGIES

While it is widely believed that last year, with the COVID outbreak, business would be challenging, not many has imagined that 2021 would turn out to be an even more difficult year. The circumstances are unexpected and full of surprises and uncertainties. Since the pandemic many governments have aggressively introduced both monetary and fiscal policies to minimise the economic downturns. There are many long-term implications, and now manufacturers have the first-hand experience in feeling how inflation is heavily affecting business.

From the beginning of this year, the Company has started to suffer from substantial rises in raw material prices, ranging from plastics to paper, metal and electronic parts. Furthermore many suppliers in China have run into a shortage of workers, as travel mobility remains restricted. This is especially true when local governments have tightened their own entry policies to minimise the spread of the virus. As a result many workers are not leaving their home towns to find jobs in southern provinces. Even a substantial increase in wages is not enough to resolve the labour shortage problem. All of these measures have raised the production costs significantly during a time when customers are unwilling to absorb much of a price increase while they face their own unprecedented challenges.

Freight rates have escalated multiple times this year, and now customers are very much concerned about the transportation cost which was kept quite constant historically. The impact is particularly harsh for the Group's product line which is bulky in nature, and subsequently the freight factor is disproportionally higher compared to other toys. This phenomenon plays an inevitable role in diminishing the demand for ride-ons in the near term.

Many of these negative impacts are adversely affecting the Group's sales and profitability in the foreseeable future. Coupled with the new COVID delta variant which is now causing new health outbreaks in the U.K. and other countries, the management realises that the road ahead will only remain rough. The Directors' view remains cautious and conservative in the future prospects. None of these obstacles is going away any time soon, and the Group will embrace the many challenges with tightened cost controls, with the hope that a brighter outlook will be on the horizon.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Lo Shiu Kee Kenneth (盧紹基), aged 50, is one of the founders of our Group, an executive Director and the chief executive officer of our Company and is in charge of overseeing the overall business operation of our Group including sales and marketing activities of our Group, managing relationships with licensors and customers and is also responsible for managing licensing strategies and the production of our Group's production factory in Dongguan, Guangdong Province, the PRC. He has over 24 years of experience in the toy industry. He obtained a Master of Business Administration from Harvard University in 1998, a Master of Science in Engineering-Economic Systems from Stanford University in 1995, a Bachelor of Science in Engineering (Bioengineering) and a Bachelor of Science in Economics from University of Pennsylvania in 1993.

Mr. Kenneth Lo is son of Mr. Lo Hung, Chairman and executive Director, and Ms. Esther Leung, executive Director. Mr. Kenneth Lo is also brother of Ms. Suzanne Lo and Ms. Sylvia Lo, executive Directors.

Lo Shiu Shan Suzanne (盧紹珊), aged 48, is one of the founders of our Group, an executive Director of our Company and is responsible for determining the cost calculation and pricing of our products, handling factory audits and overseeing of purchase activities of raw materials for our Group's production factory in Dongguan, Guangdong Province, the PRC. She has over 18 years of experience in the toy industry. During the period from July 1999 to March 2002, she was a Senior Associate of the Assurance and Business Advisory Services Department at PricewaterhouseCoopers. She obtained a Bachelor of Commerce from McGill University in 1995.

Ms. Suzanne Lo is daughter of Mr. Lo Hung, Chairman and executive Director, and Ms. Esther Leung, executive Director. Ms. Suzanne Lo is also sister of Mr. Kenneth Lo and Ms. Sylvia Lo, executive Directors.

Sin Lo Siu Wai Sylvia (冼盧紹慧), aged 46, is one of the founders of our Group, an executive Director of our Company and is responsible for managing all design-related works in product development from concept to final production as well as liaising with licensors to ensure smooth operation at all stages of product development. She has over 21 years of experience in the toy industry. She obtained a Bachelor of Fine Arts and a Bachelor of Architecture from Rhode Island School of Design in 1998.

Ms. Sylvia Lo is daughter of Mr. Lo Hung, Chairman and executive Director, and Ms. Esther Leung, executive Director. Ms. Sylvia Lo is also sister of Mr. Kenneth Lo and Ms. Suzanne Lo, executive Directors.

Lo Hung (盧鴻), aged 77, is an executive Director and the Chairman of our Company and is primarily responsible for overseeing the daily operations of our Group's production factory in Dongguan, Guangdong Province, the PRC and managing the personnel related to product development including designers, prototype craftsmen, engineers and mould makers. He joined our Group on 29 May 2002 and has over 54 years of experience in the toy industry.

Mr. Lo Hung is the spouse of Ms. Esther Leung, executive Director, and father of Mr. Kenneth Lo, Ms. Suzanne Lo and Ms. Sylvia Lo, executive Directors.

Leung Siu Lin Esther (梁小蓮), aged 75, is an executive Director of our Company primarily responsible for managing the overall financials of our Group and monitoring the monthly shipments and inventory levels of our Group's production factory in Dongguan, the PRC. She joined our Group on 29 May 2002 and has over 50 years of experience in the toy industry. She graduated from the Nursing School of the Medical and Health Department in 1967 and became a registered nurse and midwife in Hong Kong in 1967 and 1969, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Esther Leung is the spouse of Mr. Lo Hung, Chairman and executive Director, and mother of Mr. Kenneth Lo, Ms. Suzanne Lo and Ms. Sylvia Lo, executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Man Ka Ho Donald (文嘉豪), aged 44, was appointed as an independent non-executive Director on 31 August 2017. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of our Company. Mr. Man is also an independent non-executive director of Icicle Group Holdings Limited (stock code: 8429). He was admitted as a solicitor of the Supreme Court of England and Wales in 2003 and has over 14 years of experience in the legal field. Mr. Man is currently a registered foreign lawyer at Ince & Co's Hong Kong office. Mr. Man is a director of Jardine Travel Limited and Eupo-Air (Holdings) Limited. He is also the chairman of Zheng Qi Charitable Foundation Limited. Mr. Man obtained a Bachelor of Science in Business Studies from The City University London (now known as City, University of London) in 1998.

Cheng Dominic (鄭子龍), aged 49, was appointed as an independent non-executive Director on 19 July 2018. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of our Company. He worked in Ernst & Young as Management Consultant before joining Airline Mechanical Co., Ltd in 1998 as Vice President of Operations. Currently, he is the general manager of AMC Technology Company Limited. Mr. Cheng obtained a Bachelor of Mathematics from The University of Waterloo in May 1994 and completed the certificate programme on production management held by The Hong Kong Management Association in July 1997.

Leung Kwok Wai Gary (梁國偉), aged 45, was appointed as an independent non-executive Director on 1 October 2020. He is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee of our Company. He has over 24 years of experience in financial industry. Mr. Leung co-founded Bali Securities Co. Ltd in 2009, a stock option market maker in The Stock Exchange of Hong Kong Limited with Sun Hung Kai Financial. The company is also involved in fund management and advisory services in the PRC. Currently, he is the principal of East Eagle Asset Management (type 4 and 9 SFC regulated). He is the holder of Chartered Financial Analyst and Financial Risk Manager. Mr. Leung obtained a Bachelor of Economics from The University of Sydney in 1996.

SENIOR MANAGEMENT

Cheung Ka Cheong (張家昌), aged 34, is the financial controller and company secretary of our Group. He has been a member of the Hong Kong Institute of Certified Public Accountants since October 2014. He joined our Group in February 2013 and is in charge of the accounts department and is responsible for overseeing the accounts department, preparing financial statements, maintaining relationship with bankers and responsible for all company secretarial works of our Group. Prior to joining our Group, he had worked in Hutchison Whampoa Properties Limited and Chen Hsong Holdings Limited (stock code: 0057). He has 12 years of experience in accounting and obtained a Bachelor of Business Administration (Honours) from City University of Hong Kong in 2008.

Chong Lai Nei (莊麗妮), aged 53, has been the sales director of our Group since she joined our Group on 20 March 2001. Prior to joining our Group, she worked as a merchandiser in Wave Imagination Limited from 1992 to 1993. During the period from 1993 to 1998, she worked as a sales executive in a toy manufacturing company and was later promoted as a sales manager. She has over 27 years of experience in the toy industry and is mainly responsible for the sales activities of our Group's products to customers in North America, Europe, Japan and Australia. She obtained a Master of Social Science in Money, Banking and Finance from University of Birmingham in 1992.

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 30 April 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacture and distribution of toys. The Company operates its business through two segments. Outdoor-and-sports Toy Segment is mainly engaged in the manufacture and distribution of ride-ons, rockers, trikes, scooters and walkers. Infant-and-preschool Toy Segment is mainly engaged in the manufacture and distribution of interactive playsets, activity toys, musical toys and action vehicles. The Company distributes its products within domestic market and to overseas markets.

The principal activities and other particulars of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2021 are set out in the consolidated statement of comprehensive income on page 54 of this annual report. .

FINAL DIVIDEND AND INTERIM DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 30 April 2021 and any interim dividend for the six months ended 31 October 2020.

DIVIDEND POLICY

The Company has adopted a Dividend Policy which allows the shareholders of the Company to share the profits of the Company whilst retaining adequate reserves for the Group's future growth. The declaration and amount of dividends shall be determined at the sole discretion of the Board. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and its subsidiaries;

(c) the Group's working capital and capital expenditure requirements as well as future expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business;

(f) restrictions under the laws of the Cayman Islands and the Company's articles of association (the "**Articles of Association**"); and

(g) other factors that the Board considers relevant.

The Board will continually review the Dividend Policy without guaranteeing that dividends will be paid in any amount for any given period.

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

For the purpose of determining the shareholders' eligibility to attend and vote at the annual general meeting (the "**AGM**") to be held on Friday, 24 September 2021, the register of members of the Company will be closed from Tuesday, 21 September 2021 to Friday, 24 September 2021, both days inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Monday, 20 September 2021.

BUSINESS REVIEW

Business review of the Group is provided in the Management Discussion and Analysis on page 4 of this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set on page 112 of this annual report.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds raised from the Global offering amounted to approximately HK$81.4 million. As at 30 April 2021, the net proceeds had been utilised according to the designated uses set out in the Prospectus. Details of the intended use, utilised amount and unutilised amount are set out on page 9 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 22 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity, note 23 and note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves are shown in note 23 to the consolidated financial statements.

DONATIONS

The Group did not make any charitable donations during the year ended 30 April 2021 (2020: Nil).

BANK LOANS

Details of bank loans and other borrowings of the Group as at 30 April 2021 are set out in note 25 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 April 2021 are set out in note 34 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers were as follows:

Sales	
— the largest customer	28.0%
— five largest customers in aggregate	51.1%
Purchases	
— the largest supplier	20.2%
— five largest suppliers in aggregate	45.6%

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

DIRECTORS

The Directors during the year ended 30 April 2021 and up to the date of this annual report are:

Executive Directors

Mr. Lo Shiu Kee Kenneth *(Chief Executive Officer)*
Ms. Lo Shiu Shan Suzanne
Ms. Sin Lo Siu Wai Sylvia
Mr. Lo Hung *(Chairman)*
Ms. Leung Siu Lin Esther

Independent Non-executive Directors

Mr. Man Ka Ho Donald
Mr. Cheng Dominic
Mr. Leung Kwok Wai Gary (appointed on 1 October 2020)
Ms. Tse Yuen Shan (resigned on 30 September 2020)

REPORT OF THE DIRECTORS

At the forthcoming annual general meeting of the Company, Mr. Lo Hung, Ms. Lo Shiu Shan Suzanne and Ms. Sin Lo Siu Wai Sylvia will retire in accordance with Article 108 of the Articles of Association and Mr. Leung Kwok Wai Gary, who has been appointed by the Board on 1 October 2020 as an independent non-executive Director, will retire in accordance with Article 112 of the Articles of Association, and being eligible, will offer themselves for re-election.

DIRECTORS', SENIOR MANAGEMENT'S AND COMPANY SECRETARY'S PROFILE

Profile details of the Directors of the Company, the senior management and company secretary of the Group are set out on pages 11 to 12 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of our executive Directors has entered into a renewal service agreement with our Company on 20 September 2020 for a further term of three years commencing from 21 September 2020 unless terminated in accordance with the terms of the renewal service agreement. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

In accordance with the renewal service agreements, each of our executive Directors is entitled to a discretionary performance bonus as may be determined by our Board at its absolute discretion having regard to the performance of the Group and the performance of the Director, subject to the review and approval of the remuneration committee of our Board. Each of Mr. Lo Shiu Kee Kenneth, Ms. Lo Shiu Shan Suzanne and Ms. Sin Lo Siu Wai Sylvia is also entitled to an end-of year bonus in an amount equal to the Director's prevailing monthly salary.

Mr. Man Ka Ho Donald, being the independent non-executive director, has signed a renewal letter of appointment with our Company on 20 September 2020 for a further term of three years commencing from 21 September 2020. Mr. Cheng Dominic has signed a letter of appointment with our Company on 18 July 2018 for a term of three years commencing from 19 July 2018 and further signed a renewal letter of appointment with our Company on 16 July 2021 for a further term of three years commencing from 19 July 2021. Mr. Leung Kwok Wai Gary has signed a letter of appointment with our Company on 30 September 2020 for a term of three years commencing from 1 October 2020 unless otherwise terminated in accordance with the terms of the letter of appointment. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association. The annual director's fee payable to each of the independent non-executive Directors under the respective letters of appointment is HK$60,000, effectively from 1 October 2020.

Further details of the executive Directors' service agreements and the independent non-executive Directors' letters of appointment are set out in the section headed "Particulars of Directors' service agreements and letters of appointment" of "Statutory and General Information" in the Prospectus.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set by the Board and reviewed by the remuneration committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Board and reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to its Directors and eligible employees, details of the scheme are disclosed under the section headed "Share Option Scheme" below.

RETIREMENT BENEFIT SCHEME

The Group operates Mandatory Provident Fund Schemes for the employees of the subsidiaries in Hong Kong. The employees of the subsidiaries in the People's Republic of China (the "**PRC**") are members of the retirement schemes organised by the government of the PRC. The PRC subsidiaries are required to contribute a certain percentage of payroll to the retirement schemes to fund the benefits.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 April 2021, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as the related party transactions as disclosed in note 32 to the consolidated financial statements, no Director and/or any of his/her connected entity had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the year ended 30 April 2021 are set out in note 32 to the consolidated financial statements.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

The Company has continuing connected transactions ("**CCTs**") (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) during the financial year, brief particulars of which are as follow:

Lease of office premises from Top Dragon

As reported in the announcement made on 26 May 2020, Kiddieland Toys Limited ("**Kiddieland Toys**"), a wholly-owned subsidiary of the Company, had on 26 May 2020 entered into a renewal tenancy agreement with Top Dragon Enterprise Investment Limited ("**Top Dragon**") in respect of the renewal of the leasing of a portion of 14th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong with a gross floor area of approximately 8,250 sq. ft. (the "**Tenancy Agreement**") for a term of 12 months from 1 June 2020 to 31 May 2021 at a rental of HK$480,000 per month, inclusive of rates, government rent, management fees and air-conditioning charges, payable in advance on the first day of each and every calendar month. Subsequent to the year-end date, Kiddieland Toys and Top Dragon have entered into the renewal tenancy agreement to further renew the term for one year from 1 June 2021 to 31 May 2022. The monthly rental rate has been decreased to HK$400,000 starting from 1 June 2021.

The total amount of rental paid by Kiddieland Toys to Top Dragon under the Tenancy Agreement for the year ended 30 April 2021 was HK$5,760,000.

As Top Dragon is owned as to 50% by each of Mr. Lo Hung (an executive Director of the Company) and his spouse, Ms. Leung Siu Lin Esther (also an executive Director of the Company), Top Dragon is regarded as a connected person of the Company within the meaning of the Listing Rules. Therefore, the Tenancy Agreement and the transactions contemplated thereunder constitute CCTs of the Company under the Listing Rules.

PricewaterhouseCoopers ("**PwC**"), Certified Public Accountants, the Company's independent auditor, was engaged to report on the Company's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PwC has issued a letter to the Board (with a copy provided to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in accordance with Rule 14A.56 of the Listing Rules and confirming that nothing has come to their attention that causes them to believe that the CCTs:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(iii) have exceeded the annual cap.

The independent non-executive Directors have reviewed the CCTs and confirmed that the CCTs have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

REPORT OF THE DIRECTORS

(c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 April 2021.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance (the "**SFO**") or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As of 30 April 2021, the interests and/or short positions of the Directors and/or the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules were as follows:

Long position in Shares of associated corporation — KLH Capital Limited ("KLH Capital")

Name of Director	Capacity	Nature of interests	Number of Shares (ordinary)	Approximate percentage of shareholding in KLH Capital
Ms. Sin Lo Siu Wai Sylvia	Beneficial owner	Personal	10,000	100%

Save as disclosed above, as at 30 April 2021, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 April 2021, the interests and short positions of substantial shareholders (other than the Directors and the chief executive of the Company) in the Shares or the underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares (ordinary)	Approximate percentage of shareholding in the Company
KLH Capital	Beneficial owner	750,000,000 (note)	75%

Note: Ms. Sin Lo Siu Wai Sylvia, being executive Director of the Company, hold 100% of the issued shares in KLH Capital.

Saved as disclosed above, as at 30 April 2021, the Company is not aware of any other party (not being a Director and the chief executive of the Company), who had interests or short positions in the Shares and underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The shareholders of the Company approved and adopted a share option scheme (the "**Share Option Scheme**") on 31 August 2017 (the "**Adoption Date**") to enable the Company to grant share options (the "**Option(s)**") to the Directors, employees or other selected participants as incentives and rewards for their contribution to the Group. The Share Option Scheme took effect on 21 September 2017 (the "**Listing Date**"). On 19 July 2018, the Group granted Share Options to certain selected employees which enable them to subscribe 20,000,000 ordinary Shares at an exercise price of HK$0.28 per Share.

REPORT OF THE DIRECTORS

During the year ended 30 April 2021, the details of the movement of Share Options granted by the Company to eligible persons are as follows:

			Number of Shares issuable under the Share Options granted						
Eligible persons	Date of grant	Exercisable period	Balance as at 1 May 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 30 April 2021	Exercise price per Share
									HK$
Continuous Contract Employees, excluding Directors	19 July 2018	(note (ii))	16,300,000	–	–	(2,200,000)	–	14,100,000	0.280
			16,300,000	–	–	(2,200,000)	–	14,100,000	

Notes:

(i) No Share Option was granted during the year ended 30 April 2021.

(ii) The above Share Options are exercisable from 19 July 2018 to 18 July 2021 (both days inclusive).

(iii) The closing price per Share as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange immediately before the date on which the Share Options were granted was HK$0.280.

(iv) The cash consideration paid by each of the eligible persons for the grant of Share Options was HK$1.00.

(v) None of the grantees above is a Director, chief executive or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them.

(vi) The fair value of the Share Options granted during the year determined by the Binomial Options Pricing Model was HK$0.066 per Share Option. The significant inputs into the model are as follows:

Share price at the grant date	HK$0.280
Exercise price	HK$0.280
Dividend yield	0%
Volatility	44%
Annual risk-free interest rate	1.98%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 750 days historical volatilities of comparable companies within the industry.

The aggregate fair value of the Share Options granted during the year ended 30 April 2019 amounted to HK$1,320,000 was recognised as employment benefit expense at the grant date together with a corresponding increase in equity. Such fair value is subject to a number of assumptions and with regard to the limitation of the Binomial Options Pricing Model.

REPORT OF THE DIRECTORS

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as our Board may approve from time to time.

The Board may, at its discretion, invite the following categories of participants (the "**Participant(s)**"):

(a) any Director, chief executive or employee (whether full-time or part-time) of each member of our Group;

(b) any discretionary objects of a discretionary trust established by any Director, chief executive or employee (whether full-time or part-time) of each member of our Group; and

(c) a company beneficially owned by any Director, chief executive or employee (whether full-time or part-time) of each member of our Group,

to take up Options granted to the Participant to subscribe for Shares pursuant to the terms of the Share Option Scheme (the "**Scheme**") to subscribe for Shares at a price determined in accordance with the Scheme.

In determining the basis of eligibility of each Participant, our Board would take into account such factors as our Board may at its discretion consider appropriate.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provision of the Share Option Scheme, and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

An offer of the grant of an Option ("**Offer**") shall be made to a Participant by letter (the date of which shall be deemed to be the date on which the grant of an Option (subject to acceptance by the Grantee) is made) in such form as our Board may from time to time determine (the "**Offer Letter**") specifying the number of Shares under the Option, the subscription price, the vesting schedule (if any), the conditions to vesting (if any), and the period to be determined by our Board at its absolute discretion and notified by our Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme (the "**Option Period**") and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An Offer must be made on a Business Day and shall remain open for acceptance by the Participant to whom an Offer is made for a period from the date of the Offer ("**Offer Date**") to such date as our Board may determine and specify in the Offer Letter (both days inclusive) (the "**Acceptance Period**"), provided that no such Offer shall be open for acceptance after the 10th anniversary from the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions thereof, whichever is earlier.

An Offer shall be deemed to have been accepted by the Grantee and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within the Acceptance Period. Such remittance shall in no circumstances be refundable or be considered as part of the subscription price.

REPORT OF THE DIRECTORS

Subject to any adjustments, the subscription price in respect of each Share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day;

(b) a price being the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the Shares where our Company has been listed for less than 5 business days as at the Offer Date); and

(c) the nominal value of a Share.

Unless otherwise determined by our Board and specified in the Offer Letter at the time of the Offer, there is neither any performance targets that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter by the Grantee (or his personal representative(s)) giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised.

Subject to the terms and conditions upon which such Option was granted, an Option may be exercised by the Grantee at any time during the Option Period.

The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme of the Company and/or any of its subsidiaries shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Initial Public Offering (such 10% being 100,000,000 Shares). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting.

REPORT OF THE DIRECTORS

The number of Shares subject to the Options to be granted to such Participant and the terms (including the subscription price) of the Options to be granted to such Participant shall be fixed before shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, our Company shall send a circular to our shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant) and such other information and the disclaimer as required under the Listing Rules.

A summary of the principal terms and conditions of the Share Option Scheme is set out in section headed "Share Option Scheme" of "Statutory and General Information" in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 30 April 2021.

EVENTS AFTER REPORTING PERIOD

As of the date of this report, there is no significant event occurring after 30 April 2021.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there has been sufficient public float of not less than 25% of the Company's issued Shares since the Listing Date and up to the date of this report as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 25 to 30 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 30 April 2021 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

Kiddieland International Limited
Lo Hung
Chairman

Hong Kong, 16 July 2021

CORPORATE GOVERNANCE REPORT

The Board of the Company is committed to promoting high standards of corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Throughout the year ended 30 April 2021, the Company has been in compliance with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code which applies to all Directors and all relevant employees who are informed that they are subject to its provisions. Having made specific enquiries to each of the Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 30 April 2021.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Company and its business by directing and supervising its affairs. Code provision A.2.1 stipulates that's the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of Chairman and Chief Executive Officer are held by Mr. Lo Hung and Mr. Lo Shiu Kee Kenneth respectively. The Chairman provides overall leadership and is responsible for effective functioning and leadership of the Board. The Chief Executive Officer focuses on business development and formulating strategic plans. The day-to-day management however has been delegated to the executive Directors.

The Board comprises eight Directors: five executive Directors and three independent non-executive Directors. One of the independent non-executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets regularly to review financial statements, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided in a timely manner. The company secretary keeps the minutes of Board meetings.

The Company has arranged appropriate insurance coverage for its Directors and officers.

During the year ended 30 April 2021, four board meetings and one general meeting were held.

CORPORATE GOVERNANCE REPORT

Attendance of individual Directors at the Board meeting and general meeting is listed below:

	Attendance
Mr. Lo Shiu Kee Kenneth	5/5
Ms. Lo Shiu Shan Suzanne	5/5
Ms. Sin Lo Siu Wai Sylvia	5/5
Mr. Lo Hung	5/5
Ms. Leung Siu Lin Esther	5/5
Mr. Man Ka Ho Donald	5/5
Mr. Cheng Dominic	4/5
Mr. Leung Kwok Wai Gary (appointed on 1 October 2020)	1/1
Ms. Tse Yuen Shan (resigned on 30 September 2020)	4/4

Mr. Lo Hung is the spouse of Ms. Leung Siu Lin Esther, while Mr. Lo Shiu Kee Kenneth, Ms. Lo Shiu Shan Suzanne and Ms. Sin Lo Siu Wai Sylvia are children of Mr. Lo Hung and Ms. Leung Siu Lin Esther.

The independent non-executive Directors are appointed for a specific term and are subject to the provisions of retirement by rotation as Directors under the Articles of Association.

Continuous professional development of Directors

Code provision A.6.5 of the CG Code provides that all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors have participated in continuous professional development to ensure that they are informed and aware of the amendments and updates of the Listing Rules, Hong Kong Companies Ordinance and the CG Code.

The Company has also continuously updated Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices and to assist the Directors in discharging their duties.

According to the records maintained by the Company, the Directors have participated in continuous professional development by attending external seminars and reading materials relating to the discharge of their duties and responsibilities and regulatory updates during the year.

Remuneration Committee

The remuneration committee was set up pursuant to a resolution of our Directors passed on 31 August 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. Our remuneration committee currently consists of four members, comprising three independent non-executive Directors and one executive Director, namely Mr. Cheng Dominic, who is the chairman of our remuneration committee, Mr. Man Ka Ho Donald, Mr. Leung Kwok Wai Gary and Mr. Lo Shiu Kee Kenneth.

CORPORATE GOVERNANCE REPORT

The primary duties of the remuneration committee are mainly (i) to develop a transparent policy in relation to remuneration; (ii) to review the remuneration policy and the structure relating to all Directors and senior management of our Group; (iii) to review performance- based remuneration payable to Directors and senior management of our Group; and (iv) to make recommendations on other remuneration-related arrangement, such as housing allowance and bonuses payable to Directors and senior management of our Group.

The committee met twice during the year ended 30 April 2021. Attendance of individual members is listed below:

	Attendance
Mr. Cheng Dominic	2/2
Mr. Man Ka Ho Donald	2/2
Mr. Lo Shiu Kee Kenneth	2/2
Mr. Leung Kwok Wai Gary (appointed on 1 October 2020)	0/0
Ms. Tse Yuen Shan (resigned on 30 September 2020)	2/2

After the year ended 30 April 2021, a meeting of the remuneration committee was held on 16 July 2021 with 100% attendance to review the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

The principal duty of the committee is to review and make recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management. In doing this, professional advice may be sought if considered necessary. No Director or any of their associates is involved in deciding their own remuneration.

Nomination Committee

The nomination committee was established by the Board pursuant to a resolution of our Directors passed on 31 August 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. Our nomination committee currently consists of three members, comprising all the independent non-executive Directors, namely Mr. Man Ka Ho Donald, who is the chairman of our nomination committee, Mr. Cheng Dominic and Mr. Leung Kwok Wai Gary.

The primary duties of the nomination committee are (i) to review the structure, size and composition of the Board on a regular basis; (ii) to make recommendations to our Board relating to the appointment and removal of Directors; (iii) to identify individuals suitably qualified to become members of the Board; and (iv) to assess the independence of our independent non-executive Directors.

The committee met twice throughout the year ended 30 April 2021. Attendance of individual members is listed below:

	Attendance
Mr. Man Ka Ho Donald	2/2
Mr. Cheng Dominic	2/2
Mr. Leung Kwok Wai Gary (appointed on 1 October 2020)	0/0
Ms. Tse Yuen Shan (resigned on 30 September 2020)	2/2

CORPORATE GOVERNANCE REPORT

After the year ended 30 April 2021, a meeting of the nomination committee was held on 16 July 2021 with 100% attendance to review the structure, size and composition of the Board, the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for re-election at the annual general meeting. The board diversity policy was also reviewed at the meeting.

Board Diversity Policy

The Board has adopted a board diversity policy in 2017 as it recognises the benefits of having diversity in the composition of the Board. It aims to achieve diversity of its Board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

The nomination committee will review this Policy from time to time and monitor its implementation.

Audit Committee

The audit committee was set up pursuant to a resolution of our Directors passed on 31 August 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. Our audit committee consists of three members, comprising all the independent non-executive Directors, namely Mr. Leung Kwok Wai Gary, who is the chairman of our audit committee, Mr. Man Ka Ho Donald and Mr. Cheng Dominic.

The primary duties of the audit committee include reviewing and supervising the financial reporting process and overseeing the audit process of our Group; overseeing the internal control procedures and corporate governance of our Group; supervising the internal control systems of our Group; and performing other duties and responsibilities as assigned by our Board.

The committee met twice throughout the year ended 30 April 2021. Attendance of individual members is listed below:

	Attendance
Mr. Leung Kwok Wai Gary (appointed on 1 October 2020)	1/1
Ms. Tse Yuen Shan (resigned on 30 September 2020)	1/1
Mr. Man Ka Ho Donald	2/2
Mr. Cheng Dominic	2/2

After the year ended 30 April 2021, a meeting of the audit committee was held on 16 July 2021 with 100% attendance to review this report, the Directors' report and the accounts for the year ended 30 April 2021 together with the annual results announcement, with a recommendation to the Board for approval.

AUDITOR'S REMUNERATION

For the year ended 30 April 2021, fees paid/payable to the auditors of the Group for audit and non-audit services amounted to approximately HK$1,080,000 and HK$429,000 respectively. The non-audit services mainly include interim review, tax compliance, internal control assessment, ESG reporting advisory.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to oversee and to ensure that sound and effective risk management and internal control systems are maintained on an on-going basis so as to safeguard the Group's assets and the interests of shareholders. The Board is responsible for reviewing the risk management and the internal control policies and has delegated the day-to-day management of internal control and operational risks to the executive Directors.

The Directors are satisfied with the effectiveness of the Group's internal controls and consider that the key areas of the Group's system of internal controls are reasonably implemented.

The internal controls should provide reasonable but not absolute assurance against material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting and ensure effective compliance with the Listing Rules and all other applicable laws and regulations.

The Group does not have an in-house internal audit function. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual results and interim results are announced in a timely manner. The independent auditor's report states the auditor's reporting responsibilities.

COMPANY SECRETARY

Mr. Cheung Ka Cheong is the company secretary of the Company. He is responsible for the company secretarial matters of our Group and assisting our Directors in implementation of and on-going compliance with internal control measures of our Group.

During the year ended 30 April 2021, Mr. Cheung has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event in which the Chairman and all Directors will make an effort to attend. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual Directors. In order to enhance minority shareholders' rights, all resolutions put to votes by shareholders at general meetings will be passed by poll. The poll results will be published on the websites of the Company and the Hong Kong Stock Exchange on the same date of the meetings. The Company's corporate communications including interim and annual reports, announcements and circulars as required under the Listing Rules are published on the websites of the Company and the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The Company established a shareholder communication policy in order to provide shareholders with information about the Company and to enable them to exercise their rights in an informed manner.

The Company has also established procedures on how shareholders can convene a special general meeting; procedures for putting forward proposals at a general meeting by a shareholder; and procedures for shareholders to propose a person for election as a Director.

Details of these procedures and policy are available under the Corporate Governance section of the Company's website at http://www.kiddieland.com.hk.

CONSTITUTIONAL DOCUMENTS

The Company's constitutional documents consist of its Amended and Restated Memorandum and Articles of Association, which was adopted by the Company on 31 August 2017 and became effective on 21 September 2017.

On behalf of the Board

Lo Hung
Chairman

Hong Kong, 16 July 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board recognises that it has an overall responsibility for the Environmental, Social and Governance ("**ESG**") strategy and reporting of the Group. The scope of this ESG report covers the operations of the Group in the design, development, manufacture and sale of a diverse portfolio of outdoor-and-sports toy products and infant-and-preschool toy products. It provides an overview of our key ESG performance in environmental protection, employment and labour practices, operating practices and community investment for the year ended 30 April 2021. There is no significant change in the scope and boundaries of this Report from that of the ESG report for the year ended 30 April 2020. This ESG report was prepared in accordance with the ESG Reporting Guide under Appendix 27 to the Listing Rules.

The Board has delegated the day-to-day responsibility of the implementation to the ESG Working Group (the "**Working Group**"). The Working Group is composed of senior management and core members from different departments of the Group and is responsible for facilitating the adoption of ESG strategies and policies throughout the Group. The Working Group reports to the Board on the implementation of ESG initiatives and the corresponding performance.

The Board regularly reviews the Group's ESG performance, examines and approves the Group's annual ESG report.

We engaged our stakeholders on an on-going basis to collect their views and expectations on our ESG performance and reporting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. The Group communicates with its stakeholders through various channels, shown as below.

Stakeholders	Communication Channels
Government and regulatory agency	• Annual reports, interim reports, ESG reports and other public information • Supervision and inspection
Shareholder and investor	• Annual general meetings and other general meetings of shareholders • Company website • Press releases/announcements • Annual reports, interim reports, ESG reports and other public information
Employee	• Training • Meetings • Performance evaluation • Survey
Customer	• Fax, email and telephone
Supplier	• Meetings • Site visit • Survey
Community	• Participation in community programmes • ESG reports

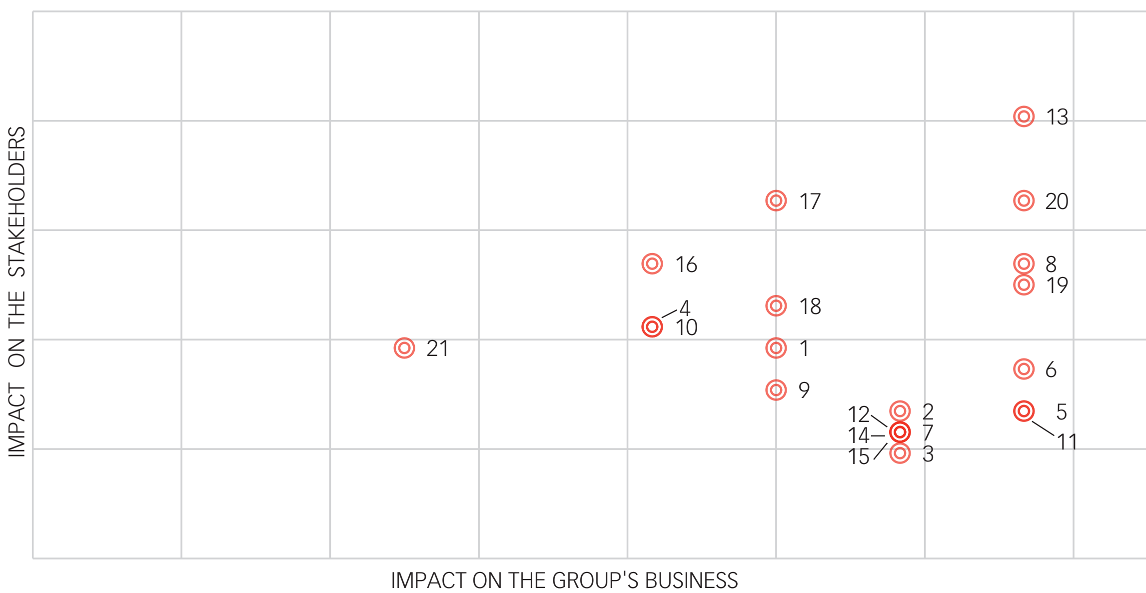
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The Group emphasises the participation of its stakeholders, including shareholders of the Company, staff, customers, suppliers, etc.. All of them have a substantial impact on the success of its business or activities.

The Group believes that stakeholder engagement has a significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group's strategy formulation and decision-making. A list of sustainability issues, which were potentially material to the Group, was decomposed in the context of its business and daily operation. A materiality assessment matrix was developed from the result of stakeholder engagement exercises conducted with internal stakeholders through an online survey. The materiality assessment and prioritisation took two dimensions into account. It included the importance of issues to stakeholders and the business. The issues that fall within the top right-hand corner have relatively higher significance to both stakeholders and the Group's business.

Materiality Matrix



1 Air Emissions
2 Wastewater and Wastes
3 Energy Efficiency
4 Water Efficiency
5 Raw Material Consumption
6 Environment and Natural Resources
7 Climate Change
8 Employment Practices
9 Diversity and Equal Opportunities
10 Anti-discrimination
11 Occupational Health and Safety
12 Development and Training
13 Child Labour and Forced Labour
14 Supply Chain Management
15 Advertisement and Labelling
16 Customers' Information and Privacy Protection
17 Customer Satisfaction
18 Intellectual Property
19 Product Safety and Quality
20 Anti-corruption
21 Community Investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL ASPECTS

The Group is passionate about protecting our planet and conserving its natural resources for future generations. The Group recognises the impact its business can have on the environment and is working hard to reduce its footprint. The Group also embraces sustainability challenges as opportunities to innovate and continuously improve our product design and the way the Group operates and the Group is inspired by the possibilities. We have established policies to manage air and Greenhouse Gas ("**GHG**") emissions, waste disposal and effluent discharge. For example, the Group has established the Environmental Management Handbook, which specified the vision of the Group on mitigation of environmental impact caused by its business operations as well as definition of duties responsible by each internal party regarding environmental management.

The Group strictly abides by the related laws and regulations, including the Environmental Protection Law of the People's Republic of China ("**PRC**"), the Environmental Impact Assessment Law of the PRC, the Rules on the Administration concerning Environmental Protection of Construction Projects, the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects, Rule on Classification for Environmental Impact Assessment of Construction Projects and Environmental Protection Tax Law of the PRC.

The Group has established an environmental management system with the "Environmental Management Working Group" to oversee all the environmental-related matters. The Group strives to follow its environmental objectives:

- Compliance with national environmental laws and regulations

  Comply with all the national laws, regulations and other applicable requirements related to production activities, products and services.

- Pollution prevention

  Raise the employees' awareness towards environmental protection and strengthen the environmental knowledge and skills of employees; strengthen the management of hazardous wastes; and establish an environmental management system with pollution prevention as the core.

- Promotion of clean production

- Creation of a harmonious environment for sustainable development

Emissions

Air Emissions

In the daily operations, the major air pollutant emission sources are activities in the spray paint booths, the burners used in the production plant and staff canteen. The exhaust gas contains paint ashes and volatile organic chemicals (VOCs) (e.g. Benzene, Toluene and Xylene, etc.), which are generated from the process of spray painting and pad printing. Besides, oil vapour is generated during cooking. Also, the burners and mobile vehicles emit inorganic air pollutants (sulphur oxides, nitrogen oxides and particulate matters) during combustion.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has implemented measures to ensure the emissions complying with the Level II requirement of the Integrated Emission Standard of Air Pollutant (GB16297–1996). To reduce the emissions from various activities, the Group has implemented emission control measures as follows:

Activities/Sources of Emissions	Emission Control Measures
Spraying	• The spray gun for painting is flushed in a designated wash station, which equipped with ventilation units with filter and activated carbon to remove the VOCs.
Dry milling process	• A dustless dry mill is used to reduce the dust.
Cutting process	• Regularly perform maintenance to equipment to ensure the operation is running properly, reduce the running heat of machine caused by bad maintenance. • The blade of the cutting machine is inspected regularly to ensure its sharpness.
Mobile vehicles	• Quarterly maintenance is performed to check if the engine oil is needed to replace, and the oil tank is required for cleaning. • Engine oil is replaced according to the distance travelled and the mileage record is maintained.

The air emissions[1] are as follows:

Air Emissions	2021 (tonnes)	2020 (tonnes)
Sulphur Oxides (SO_x)	**0.0934**	0.0604
Nitrogen Oxides (NO_x)	**0.2496**	0.1624
Particulate Matters (PM)	**0.00001**	0.0001
Benzene	**0.0001**	0.0001
Toluene	**0.0004**	0.0005
Xylene	**0.0002**	0.0002
Total VOCs	**0.0125**	0.0139
Total	**0.3562**	0.2376

For the year ended 30 April 2021, the total air emissions were 0.3562 tonnes, representing an increase of approximately 50% over last year (2020: 0.2376 tonnes). The increase in the total air pollutant emissions was attributed to the increase in usage of natural gas during the reporting period as there was an increase in demand of production after the lockdown triggered by the COVID-19 pandemic. Moving forward, the Group will continue monitoring the air pollutant emissions and implementing mitigation measures.

1 The inorganic air pollutant emission is estimated by making reference to "1st National Survey of Pollution Sources — Industrial Pollutants Emission Factors Handbook" and "Technical Guidelines for the Compilation of Emission Inventories of Air Pollutants from Road Vehicles (Trial)" by Ministry of Ecology and Environment of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas (GHG) Emissions

The Group is aware of potential physical and financial consequences of climate change on the business. These could include higher energy costs and more frequent extreme weather events that disrupt product supply chains. To minimise the contribution to greenhouse gas (GHG) emissions, the Group strives to reduce energy use across the business, and the related energy-saving measures are illustrated in the section headed "Use of Resources". To reduce fugitive emissions from refrigerants in air conditioners, measures are implemented as follows:

- Regular maintenance of air-conditioner, for instance, cleaning filter and compressor, check if any leakage of refrigerant
- Prefer purchasing air-conditioners with non-fluorinated refrigerant
- Replace air conditioners with high energy consumption, new air-conditioners are preferred to have the China Energy Label Level 1

For the year ended 30 April 2021, the total GHG emissions were 10,726.97 tonnes CO_2 equivalent, and its intensity was 0.004 tonnes CO_2 equivalent per unit of products. Scope 2 emissions were the primary source of total GHG emissions, accounting for approximately 92% of the total GHG emissions. The total GHG emissions had a slight increase of approximately 4% as compared to last year (2020: 10,268.71 tonnes CO_2 equivalent) which mainly attributable to the increase in electricity consumption during the reporting period due to an increase in demand of production after the lockdown triggered by the COVID-19 pandemic. There were no substantial changes in the GHG emission intensity. The GHG emissions by scope are as follows:

GHG Emissions[2]	2021 (tonnes CO_2 equivalent)	2020 (tonnes CO_2 equivalent)
Scope 1[3]	**863.75**	984.08
Scope 2[4]	**9,863.22**	9,284.63
Total	**10,726.97**	10,268.71
Intensity (per unit of products)	**0.004**[5]	0.004

[2] The calculation of greenhouse gas emissions is made reference to guidelines provided by "The Greenhouse Gas Protocol — A Corporate Accounting and Reporting Standards".

[3] Scope 1 refers to direct emissions from operations that are owned or controlled by the Group. It includes combustion of natural gas, unleaded petrol and fugitive emissions from refrigerant.

[4] Scope 2 refers to "Indirect energy" emissions resulting from internal consumption by the Group (purchased or acquired) of electricity, heating, cooling and steam. It includes indirect emissions from electricity purchased.

[5] The Group's total production volume was 2,412,841 units during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Wastes

Reducing wastes allows the Group to save money while shrinking its environmental impact. The Group's comprehensive waste policy requires managers at its operated facilities to document waste management practices and procedures and communicate them to all employees. Facilities must evaluate all hazardous and non-hazardous waste streams and maintain an up-to-date recycling plan that identifies materials to be recycled or reused, methods of collection, and recycling vendors. Recycle bins are set up in the production plant for collection of recyclable non-hazardous and hazardous wastes. The hazardous wastes are then treated through incineration; whilst remaining domestic wastes will be disposed to landfill.

All bins must be protected against leakage to prevent pollution to the environment. Employees are not allowed to dump, stack or discard wastes without authorisation. Qualified wastes treatment company is engaged in transportation, treatment, storage, disposal or recycling of hazardous and regulated wastes. Also, more environmental-friendly materials are used in the injection moulding to reduce the uses of chloroprene rubber and polybutadiene rubber.

For the year ended 30 April 2021, the total amount of hazardous wastes was approximately 2.75 tonnes, representing a slight increase of approximately 4% over last year (2020: 2.65 tonnes), yet the Group continues to pay close attention to the amount of hazardous wastes produced, ensuring that it will not exceed relevant regulatory limits. For the year ended 30 April 2021, the total amount of non-hazardous wastes was 46.20 tonnes, representing a decrease of approximately 7% over last year (2020: 49.50 tonnes).

The hazardous wastes and non-hazardous wastes produced are as follows:

Hazardous Wastes	2021 (tonnes)	2020 (tonnes)
Organic Solvent	**0.31**	0.29
Paint Residue	**0.40**	0.40
Sludge	**0.40**	0.43
Cloth and Gloves	**1.20**	1.20
Activated Carbon	**0.20**	0.20
Fluorescent Lamp	**0.05**	0.01
Wasted Oil	**0.19**	0.12
Total	**2.75**	2.65

Non-hazardous Wastes	2021 (tonnes)	2020 (tonnes)
Domestic Wastes	**46.20**	49.50

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Wastewater

Wastewater is generated from the process of rinsing metal surface and the water curtain system. All the wastewater is collected and discharged after appropriate treatment. We have installed new pipes, built wells and water volume measuring devices, in doing so, sewage water is flowed to centralised water purification system for treatment before discharging. For the year ended 30 April 2021, 542 tonnes (2020: 549 tonnes) of wastewater was treated and discharged according to the requirement of the local regulations. The indicators of the wastewater are as follows:

Wastewater Indicators	2021 (tonnes)	2020 (tonnes)
Chemical Oxygen Demand (COD)	**0.0075**	0.0132
Ammonia Nitrogen	**0.0036**	0.0189
Suspended Solid	**0.0078**	0.0120

In order to prevent water pollution to the surrounding environment by the wastewater, daily inspection of rainwater discharge ports is carried out. The ports are cleaned up timely to prevent sewage from entering the rainwater pipelines and vice versa.

Use of Resources

The Group is committed to conserving resources for the purposes of environmental and operating efficiency. To pursue the Group's environmental commitment, it implements multiple measures in enhancing energy efficiency.

The Group has established an energy management system to monitor and manage the use of resources. The Group aims to reduce its operating costs as well as our carbon footprints. To reduce energy consumption, the Group adopts plans and measures as follows:

- Maintenance of the machinery is carried out regularly to ensure proper functioning and their efficiencies. One of three transformers is shut down in the slack season

- Raising the employees' awareness of energy saving

- Improvement of the production process and management

- Reinforcement of the energy management

To save our energy consumption, we stop operating some of the equipment during slack seasons. It can achieve cost-saving of approximately HK$254,000 for a year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group formulates energy-saving plan annually and installed energy monitoring system. For the year ended 30 April 2021, the total energy consumption was 14,048,382.05 kWh, and its intensity was 5.82 kWh per unit of products. The total energy consumption and its intensity increased by approximately 16% and 23% respectively as compared to last year which mainly attributable to the increase in natural gas and electricity consumption. Energy consumption by energy type is as follows:

Energy Consumption Types	**2021 (kWh)**	2020 (kWh)
Petrol	**5,407.82**	32,127.11
Natural Gas	**1,778,334.23**	930,757.75
Electricity	**12,264,640.00**	11,096,720.00
Total	**14,048,382.05**	12,059,604.86
Intensity (per unit of products)	**5.82**[5]	4.72

While operations at the Group's facilities and offices are not water-intensive, water conservation is a focus area and part of its environmental management practices. The Group uses water primarily in restrooms and kitchens, with a small amount for irrigation and processes. Its water reduction efforts are modest since they can only generate minor improvements. Water is supplied by the third party, and there is no significant issue in sourcing water for the business operation. The Group requires managers at its operated facilities to manage water use and develop water conservation plans to reduce consumption, where appropriate. For the year ended 30 April 2021, 2,350 tonnes of water were reused before discharged, and the total water consumption was 177,179 m^3, and its intensity was 0.07 m^3 per unit of products. The total water consumption and its intensity decreased by approximately 24% and 22% respectively as compared to last year.

Water Consumption	**2021 (m^3)**	2020 (m^3)
Total	**177,179**	233,186
Intensity (per unit of products)	**0.07**[5]	0.09

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Apart from energy and water consumptions, the packaging material is one of the resources with significant consumption. For the year ended 30 April 2021, the total packaging material consumption was 1,869.93 tonnes, and its intensity was 0.0008 tonnes per unit of products. The total packaging material consumption and its intensity increased by approximately 11% and 14% respectively as compared to last year. The increase in packaging material consumption was mainly due to increase in sales volume of 6V rechargeable battery powered ride-ons during the reporting period. The consumption of packaging materials is as follows:

Packaging Materials	2021 (tonnes)	2020 (tonnes)
Carton Box	**911.99**	868.05
Coloured Box	**957.94**	812.13
Total	**1,869.93**	1,680.18
Intensity (per unit of products)	**0.0008**[5]	0.0007

The Environment and Natural Resources

The significant environmental and natural resources impacts of the Group's operations include exhaust and wastewater discharge, water resources and energy consumption. The Group pays much attention to the impacts of its operation on the environment and natural resources. The Group has established relevant management rules, including the "Environmental Protection Management Regulations" to enhance management and reduce the impacts on the environment and natural resources. The Group has established related procedures to mitigate the risks of pollution to the soil and underground water.

- The storage, transport and transfer of chemicals are strictly controlled. Relevant documentations and labelling of different chemicals are maintained properly.
- A sewage discharge system is properly maintained.
- Emergency response and environmental regulations related trainings are provided to different levels of employees timely to ensure minimal environmental impact when incidents occurred and keep up with the legislation changes in compliance of regulations.

Besides, initiatives implemented to mitigate the environmental impacts from the emissions and resource consumption are mentioned in the sections headed "Emissions" and "Use of Resources" in this ESG report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL ASPECTS

The Group is committed to maintaining a high level of corporate social governance as it is important for the Group in constructing a safe and healthy work environment as well as establishing product quality and social credibility. In the meantime, the Group devotes itself to preserve the sustainable development of its business and community. To promote this business model, the Group exhibits prudence in managing its operations and is cautious in executing decisions made by the management team.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group considers its employees as valuable assets. The Group strives to provide its employees with a decent working environment while providing opportunities for them to develop alongside the Group's growth. The Group adopts employment policies that comply with the related laws and regulations, including but not limited to the Employment Ordinance in Hong Kong, the Labour Law of the PRC, the PRC Employment Contract Law, the Implementing Regulations of the Employment Contract Law of the PRC, the Social Insurance Law of the PRC and the Regulations on the Administration of Housing Provident Fund.

Compensation, benefits and welfare

The Group offers competitive salary packages to the employees. The salary complies with local laws and regulations. As stipulated in our remuneration and compensation procedures, the Group has also established a compensation system for employees who are eligible to work overtime under the statutory definitions. They are compensated by overtime wages calculated in accordance to the Group's policy regarding employees' benefits and welfare. Besides, the Group makes contributions to social security scheme (pension, insurance for unemployment, medical, maternity and work-related injury as well as housing provident fund), consolation payment and healthcare subsidies for PRC employees. For employees in Hong Kong, the Group participates in the defined contribution scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees' basic salaries. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme. The Group also provides medical insurance and compensation insurance.

Equal opportunity in recruitment, promotion and dismissal process

The Group considers itself as an equal opportunity employer and does not unlawfully discriminate against employees or applicants for employment on the basis of an individual's race, colour, religion, creed, sex, national origin, age, disability, marital status, veteran status or any other status protected by applicable laws. Equal Opportunity Employment Policy applies to all terms, conditions and privileges of employment, including recruitment, hiring, placement, compensation, promotion, discipline and termination. The Group has stipulated clear definitions and instructions in its Employee Handbook regarding the dismissal of employees which enhance to mitigate the risk of occurrence on any unfair or unreasonable matters in this regard.

Working hours and rest period

As stipulated in our working hours, welfare and benefits policy, the Group's production plant in the PRC implements five-day work week, which also applies to the headquarter in Hong Kong. Employees enjoy statutory public holidays, annual leaves, maternity, marriage, bereavement, work-related injury and compassionate leaves. Overtime working hours are controlled within a reasonable limit and in accordance with the labour law. Normally, the overtime hours of an employee will not exceed 2 hours per day. Total overtime hours of an employee do not exceed 70 hours per month.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Diversity and anti-discrimination

With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Group has established a Board Diversity Policy to set out the approach to achieve diversity on the Board of directors of the Company. Selection of candidates will be based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

As mentioned in our Anti-Harassment Policy, the Group prohibits discrimination or harassment based on race, colour, religion, creed, sex, national origin, age, disability, marital status, veteran status or any other status protected by applicable laws. The Group has a grievance procedure in place to handle complaints relating to sexual harassment or discrimination.

The Group respects and protects the freedom of associations and the right of collective bargaining to ensure the operations of the Group complies with the local laws and regulations and the social responsibility standards. The Group assists the employees in electing of their own representatives and encourages them to communicate with the management about issues related to the rights and interests.

Health and Safety

The Group takes every reasonable precaution to ensure that employees have a safe working environment. Safety measures and rules are in place for the protection of all employees. The Group has formulated the "Health and Safety Management Procedure" to guarantee the health and safety of employees. The Group strictly abides by the local laws and regulations, for instance, Law of the PRC on Prevention and Control of Occupational Diseases and Production Safety Law of the PRC. The Group is committed to taking effective measures to prevent workers from injuries or illnesses in the workplace as follows:

- Conducting on-going training and circulating operation manuals of the production process and proper usage of protective equipment to enhance employees' awareness of safety and health issues at work
- Maintaining a bright, spacious, clean working environment and providing adequate and sanitary drinking water
- Providing effective personal protective equipment including first aid kits
- Ensuring that hazardous chemicals are properly labelled; smoking and naked flame are strictly prohibited in the storage area of such chemicals
- Conducting fire drills to verify the feasibility of emergency plans
- Periodically inspecting the hygiene and safety conditions of the production units, any potential risks or deficiencies identified will be reported to responsible departments of the Group for follow up actions and improvement
- Implementing a management system for managing overtime work and holiday arrangement to ensure that the employees have proper rest and are properly compensated for overtime work, if any

In order to prevent and mitigate safety and health issues, the Group has set up communication platform, including email and hotline for employees where they can complain or express their concerns over various aspects such as work arrangement, overtime compensation etc. on an anonymous basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Precautionary measures against COVID-19

To protect our employees from the threat of the COVID-19 pandemic, the Group strictly implemented the Health Advice on Prevention of COVID-19 in Workplace provided by the Centre for Health Protection. Preventive measures are as follows:

- Perform hand hygiene properly and frequently;
- Check body temperature regularly;
- All employees are required to wear masks at all times in workplaces;
- Keep appropriate social distance with others in common facilities; and
- Employees are encouraged to complete the vaccination course to help building good body immunity.

To mitigate the risks of employees from getting infected by COVID-19 and maintain healthy working environment, we have made effort on ensuring good ventilation of workplaces and keeping the environment clean including the maintenance of toilet hygiene.

Development and Training

The Group is cultivating a continuous professional development culture, we therefore, encourages employees to replenish their knowledge and acquire new skills to excel at their jobs to withstand the challenges of the modern competitive environment. It helps to boost the confidence of employees in improving efficiency and productivity. The Group has formulated "Employee Training and Development Policy" to encourage employees to participate in various training, including individual training sessions, employee coaching and mentoring, conference and on-the-job training. We also encouraged employees to consider multiple training methods such as workshops, e-learning, lectures, etc. to enhance the proactivity and capability of our employees in learning and understanding the deliverables of the trainings.

For the year ended 30 April 2021, our employees attended training and seminars covering different topics, including but not limited to quality assurance, VOCs emission control, waste control, fire protection, clean production, energy saving and sustainability matters.

Labour Standards

The Group establishes comprehensive recruitment procedures to prevent the employment of candidates under the age of 16. Human resources department is responsible for the reviewing of the applicants' personal information in accordance with relevant laws and regulations and labour management procedures to ensure the age of the employees are in line with the regulatory requirement. The Group will ensure that all new employees are employed at their own before their job commencement to ensure no forced labour by signing employment contracts with the new recruits. For employees aged 16 to 17, they are not allowed to work overtime or perform duties with potential hazards. The Group strictly abides by the Labour Law of the PRC, Provisions on the Prohibition of Child Labour, Law of the PRC on the Protection of Minors and other related labour laws and regulations to prohibit any child and forced labour employment. For the year ended 30 April 2021, the Group was not aware of any case of employment of forced labour or child labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also protects the freedom of employees and ensures the business activities comply with the national laws and regulations and the requirements of Business Social Compliance Initiative (BSCI) and The International Council of Toy Industries (ICTI). The Group does not engage in any form of enslavement, coercion, debt repayment, trafficking or involuntary labour. The Group ensures that employees are not subjected to inhuman or degrading treatment, corporal punishment, mental or physical stress. All disciplinary actions must be in written format and explained clearly to the affected employees.

OPERATING PRACTICES

Supply Chain Management

The Group has established "Supply Chain Management Policy" to demonstrate the commitment to corporate responsibility to the supply base. The Group established a framework to consider issues that are important to the business to minimise adverse impact to the environment, to a healthy and safe workplace, to the maintenance of fair and reasonable labour practices and to the content of materials supplied to the Group. The Group expects its suppliers to conduct their operations in a socially and environmentally responsible manner. Initial supplier assessment and annual evaluation process are carried out to assess the performance of the suppliers in various aspects, including the legal and regulatory compliance, environmental, health and safety, labour and human resource, employment practices, child labour and forced labour, freedom of association and information access.

Initial supplier assessment might include two possible approaches, (1) physical inspection, which is conducted jointly by the Quality, Engineering and the Procurement Department, suppliers' site visit will be arranged and the results will be documented on the Supplier Onsite Evaluation Form; (2) data evaluation, which the evaluation group will determine whether the supplier can be accepted as an approved supplier based on the information provided by the suppliers regarding their quality of materials supply and the future need of procurement.

The Group has also defined the roles of different departments when carrying out the annual evaluation process in the "Suppliers Evaluation Control Procedures". The Quality Department is responsible for quality checking based on previous relevant records; the Procurement Department is responsible for evaluating the delivery time, services, after sales services and price offered by the suppliers. The Procurement Department is required to post warnings to suppliers who failed the evaluation assessment for taking actions of improvement until they can pass the evaluation assessment, otherwise they will not be accepted as the Group's approved suppliers.

To manage the environmental and social impact of our products, we also prefer to procure carton boxes that are FSC[6] certified. Besides, a portion of our key plastic raw material suppliers have their greenhouse gas emission inventory disclosed and/or have greenhouse gas emissions reduction strategies in place.

---

[6] It refers to Forest Stewardship Council (FSC) certification. FSC certified products means products that have been sourced in an environmentally-friendly, socially responsible and economically viable manner.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

Product Health and Safety

The Group believes that the commitment to high quality and safety of the products is key to the Group's success and crucial to future prospects. The Group has established "Product Quality and Safety Policy" and places a strong emphasis on product quality and safety by implementing a range of quality control measures. In recognition of the quality in manufacturing processes, the production plant has obtained ISO 9001:2015 certification. Customers would also carry out factory audits in the production plant.

As a majority of the products are sold to the overseas markets, the Group is obliged to the relevant safety standards as required by the importing countries of the products. For example, the requirement under the American Society for Testing and Materials (ASTM) F963 Toy Standard, Consumer Product Safety Act, Federal Hazardous Substances Act, Consumer Product Safety Improvement Act and Child Safety Protection Act in United States (U.S.), and conformity assessment procedure as required by European Commission Enterprise and Industry Directorate as required by European Union (E.U.).

Quality Assurance

The Group's quality control staff are responsible for implementing our quality control procedures by inspecting the quality of raw materials, observing and checking our production process, performing tests on work-in-progress and finished products. We have established the "Product Quality Manual" to manage the entire quality control and assurance process starting from raw materials purchased to the inspection of finished goods before entering into the warehouse as inventory, which concern areas such as product safety, quality, laboratory testing, customers' requirement, specification, inspection, samples, and vendor responsibility.

Quality control in the production process

During production, to ensure that the products comply with the specifications and are free from defects, inspections are carried out at each stage of the production process. Production staff has the responsibility to perform self-quality checking. Quality control staff is stationed at each stage of the production process to screen out any raw materials that are not qualified as well as products which are defective and to ensure that the quality of the products satisfies the licensors' or customers' designs and specifications as well as the Group's stringent quality standards.

Quality control of the finished goods

Once a product has been fully assembled, it is subject to testing and checking in accordance with specified requirements. To maintain the high quality of products, full checking on all of the finished products is performed.

Only finished goods that passed the quality control checking are permitted to store in the respective warehouse as stocks; unsatisfactory products will be reworked until they reached the requisite standards. In addition, products are tested by the Group's internal laboratory and third-party laboratories.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Return Policy, After-sales Services and Complaint Handling

The Group provides three types of defective allowance to the customers: (i) a pre-set defective percentage based on the value of sales, such allowance would be deducted from the gross sales amount; (ii) defective allowance for the customers on actual basis after end customers return goods to stores; and (iii) return of a whole shipment of goods to the Group due to manufacturing defect.

Generally, request for a return of a large batch of defective products will only be handled upon written request to the Company within one month of the arrival of goods at the port of destination. Various factors will be considered and upon internal investigation, the customers will be informed whether the goods can be returned. Depending on the negotiation with the customers, the Group would bear all freight costs and any additional domestic logistics charges that are involved in the return of goods. In general, no product return or exchange by customers is allowed except for malfunctions of or manufacturing defects in the products, and in such case, product return or provision of spare parts will be arranged on a case-by-case basis.

To enhance customers' satisfaction with the products, the Group has service hotlines for handling inquiries or complaints from end customers in the U.S. and Canada. Most of the inquiries concern missing part and minor issues, which can be properly handled by the sales team in Hong Kong and the sales representatives. The Group would consider arranging goods return or providing spare parts for repair on a case-by-case basis.

Customer Privacy and Data Protection

The Group has established "Consumer Data Policy" to demonstrate its commitment to treat the information of customers (wholesalers, retailers and distributors) and end-users (ultimate customers) with the utmost care and confidentiality. With this policy, the Group ensures that it gathers, stores and handles data fairly, transparently and with respect towards individual rights. We ensure that the customers' data are collected for lawful purposes only, such data is processed by the Group within its legal and moral boundaries and is protected against any unauthorised or illegal access by internal or external parties.

Product Labelling

As stipulated in our "Product Quality and Safety Policy", for products sold in European Economic Area, a CE marking is affixed with a European Commission Declaration of Conformity prepared under E.U. Regulations. In addition, a warning for toys which might be dangerous is affixed to a product intended for a child under 36 months of age.

Marketing and Advertisement

The Group maintains a high sense of social responsibility in advertising and marketing to children around the world. The Group has established "Marketing to Children Policy" for maintaining ethical standards in marketing and advertising to children across all channels of communication as part of an advertising and marketing self-regulation program and also to adhere to local regulations and requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly abides by the laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. The details are as follows:

Location	Laws and Regulations
Hong Kong	• The Toys and Children's Products Safety Ordinance • The Toys and Children's Products Safety (Additional Safety Standards or Requirements) Regulation • The Sale of Goods Ordinance • The Personal Data (Privacy) Ordinance
The PRC	• The Patent Law of the PRC • The Product Quality Law of the PRC • The Trademark Law of the PRC
The E.U.	• The Toy Safety Directive 2009/48/EC • The Product Liability Directive 85/374/EEC • The Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation 2006 • The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations 2012 • The Waste Electrical and Electronic Equipment Regulations 2013 • The General Data Protection Regulation
The United Kingdom	• The General Product Safety Regulations 2015 • The Toys (Safety) Regulations 2011 • Consumer Protection Act 1987
The U.S.	• The Consumer Product Safety Act • The Consumer Product Safety Improvement Act of 2008 • The Child Safety Protection Act • The Federal Hazardous Substances Act • The Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code section 25249.5 et seq., commonly known as "Proposition 65") in California

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group is committed to maintaining the highest ethical standards and vigorously enforces the integrity of its business practices. We take a zero-tolerance approach to bribery and formulate "Anti-Bribery and Anti-Corruption Policy". The Group strictly abides by the local laws and regulations, including but not limited to Criminal Law of the PRC, Prevention of Bribery Ordinance in Hong Kong. The Group did not commit to any bribery and corruption incidents for the year ended 30 April 2021.

Under the policy, the Group and its employees are:

- Prohibited from offering, promising or paying a bribe of any kind;
- Prohibited from soliciting, accepting or receiving a bribe of any kind, including kickbacks, directly or indirectly;
- Prohibited from giving or offering anything of value to a public official or a private individual such as the personnel from the Group's business partner companies;
- Required to comply with the Group's guidelines and authorisation levels in relation to the giving and receipt of gifts and hospitality;
- Prohibited from making facilitation payments;
- Aware of and avoid situations that might cause personal conflict of interest; and
- Required to complete due diligence into all agents, representatives, suppliers, contractors, joint venture partners and all those with whom a business relationship is established in order to enable the Group to offer its services to its clients.

Regular training will also be made available to all business units in relation to anti-bribery and anti-corruption measures, and the details of the Group's procedures will be disseminated throughout the Group on a regular basis.

COMMUNITY INVESTMENT

The Group believes that community contribution is important for sustainable development as it helps to establish a harmoniums society. We aim to develop long-term relations with stakeholders based on mutual trust, respect and integrity. The Group strives to make contributions to various non-governmental organisations and encourage its employees to participate in volunteering services organised by local charities.

REGULATORY COMPLIANCE

For the year ended 30 April 2021, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group in the environmental and social areas.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Kiddieland International Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kiddieland International Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 54 to 111, which comprise:

- the consolidated statement of financial position as at 30 April 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 April 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter identified in our audit is summarised as follows:

- Impairment of inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of inventories	
Refer to notes 4(b) and 19 to the consolidated financial statements As at 30 April 2021, the Group had inventories amounted to approximately HK$95,541,000, net of provision for impairment of inventories of approximately HK$1,146,000. The Group is engaged in manufacturing and trading of plastic toy products that are targeting the toddlers' age group. The Group plans the production based on the actual and anticipated demand, market conditions and production efficiency but the unpredictable market volatilities could have severe impact on the manufacturing costs and marketability of the Group's products. Inventories are stated at the lower of cost and net realisable value. Management reviews the carrying values of inventories and determines the amount of provision for impairment with reference to the inventories ageing, confirmed sales orders and selling prices for inventories sold subsequent to the year end.	Our procedures in relation to management's assessments of the impairment of inventories include: • Understanding and evaluating the appropriateness of the basis adopted by management in estimating the level of provision for impairment of inventories by considering the inventories ageing as at 30 April 2021; the subsequent sales situation after year end; the confirmed orders on hand; and continuity of the Group's business; • Challenging and assessing the reasonableness of key assumptions used in the assessments by comparing the sales forecast and Group's business outlook against the Group's internal data and publicly available statistics information; • Testing the accuracy of inventories ageing on a sample basis by checking to the inventories receipt records; • Testing the inventories sold subsequent to the year end on a sample basis by checking to sales invoices and shipping documents and performing analysis to identify products with indication of slow moving and obsolescence;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area due to management's judgement in estimating the amount of provision for impairment.	• Testing the confirmed sales orders by checking to the purchase orders placed by the Group's customers on a sample basis; and • Comparing the carrying amounts of the inventories, on a sample basis, to their net realisable values by examining sales invoices and shipping documents for inventories sold subsequent to the year end to check the inventories were stated at lower of cost and net realisable value. Based on the procedures described, we considered management's judgement and estimates in relation to the provision for impairment of inventories to be supportable by the available evidence.

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Corporate Governance Report and Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 July 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 April	
		2021	2020
	Note	**HK$'000**	HK$'000
Revenue	*6*	**301,901**	276,321
Cost of sales	*9*	**(248,739)**	(231,423)
Gross profit		**53,162**	44,898
Other income	*7*	**686**	1,180
Other gains, net	*8*	**2,819**	199,165
Selling and distribution expenses	*9*	**(18,682)**	(20,600)
Administrative expenses	*9*	**(29,860)**	(32,376)
Impairment losses on financial assets, net	*3.1(b)*	**(55)**	(96)
Operating profit		**8,070**	192,171
Finance income		**56**	503
Finance expenses		**(1,200)**	(5,414)
Finance costs, net	*10*	**(1,144)**	(4,911)
Profit before taxation		**6,926**	187,260
Income tax expenses	*11*	**(327)**	(23,429)
Profit for the year		**6,599**	163,831
Other comprehensive income for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**3,692**	(4,498)
Reclassification of exchange reserves upon disposal of a subsidiary		**–**	6,163
Other comprehensive income for the year, net of tax		**3,692**	1,665
Total comprehensive income for the year		**10,291**	165,496
Basic and diluted earnings per share (HK cents)	*15*	**0.7**	16.4

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April	
		2021	2020
	Note	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**50,822**	47,647
Right-of-use assets	*17*	**4,480**	7,370
Intangible assets	*18*	**8,330**	19,268
Deferred income tax assets	*24*	**6,731**	7,145
Deposits and prepayments	*20*	**720**	1,629
		71,083	83,059
Current assets			
Inventories	*19*	**95,541**	99,537
Trade receivables	*20*	**24,935**	16,877
Other receivables, deposits and prepayments	*20*	**4,376**	38,462
Income tax recoverable		**–**	60
Cash and bank balances	*21*	**17,559**	7,221
		142,411	162,157
Total assets		**213,494**	245,216

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April	
		2021	2020
	Note	**HK$'000**	HK$'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	*22*	**100,000**	100,000
Other reserves	*23*	**6,242**	6,242
Exchange reserves	*23*	**2,948**	(744)
Retained earnings	*23*	**44,541**	37,942
Total equity		**153,731**	143,440
LIABILITIES			
Non-current liabilities			
Bank borrowings	*25*	**–**	19,706
Deferred income tax liabilities	*24*	**1,977**	2,189
Lease liabilities	*17*	**1,533**	4,028
Other payables	*27*	**–**	2,499
		3,510	28,422
Current liabilities			
Bank borrowings	*25*	**11,435**	23,426
Trade and bills payables	*26*	**20,862**	15,889
Accruals and other payables	*27*	**18,914**	28,425
Contract liabilities		**855**	519
Lease liabilities	*17*	**2,843**	638
Income tax payable		**1,344**	4,457
		56,253	73,354
Total liabilities		**59,763**	101,776
Total equity and liabilities		**213,494**	245,216

These consolidated financial statements on pages 54 to 111 were approved for issue by the Board on 16 July 2021 and were signed on its behalf.

Mr. Lo Shiu Kee Kenneth	**Ms. Lo Shiu Shan Suzanne**
Director	*Director*

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital *(note 22)* HK$'000	**Other reserves** *(note 23)* HK$'000	**Exchange reserves** *(note 23)* HK$'000	**Retained earnings** *(note 23)* HK$'000	**Total** HK$'000
At 1 May 2019	100,000	6,242	(2,409)	24,111	127,944
Profit for the year	–	–	–	163,831	163,831
Other comprehensive income/(loss):					
— Currency translation differences	–	–	(4,498)	–	(4,498)
— Reclassification of exchange reserves upon disposal of a subsidiary	–	–	6,163	–	6,163
	–	–	1,665	–	1,665
Total comprehensive income	–	–	1,665	163,831	165,496
Transactions with owners:					
— Dividends paid (note 14)	–	–	–	(150,000)	(150,000)
	–	–	–	(150,000)	(150,000)
At 30 April 2020	100,000	6,242	(744)	37,942	143,440
At 1 May 2020	**100,000**	**6,242**	**(744)**	**37,942**	**143,440**
Profit for the year	**–**	**–**	**–**	**6,599**	**6,599**
Other comprehensive income:					
— Currency translation differences	**–**	**–**	**3,692**	**–**	**3,692**
	–	**–**	**3,692**	**–**	**3,692**
Total comprehensive income	**–**	**–**	**3,692**	**6,599**	**10,291**
At 30 April 2021	**100,000**	**6,242**	**2,948**	**44,541**	**153,731**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Net cash generated from operations	29	**40,909**	34,129
Interest received		**56**	503
Interest paid		**(1,056)**	(5,056)
Income tax paid		**(3,179)**	(26,784)
Net cash generated from operating activities		**36,730**	2,792
Cash flows from investing activities			
Purchases of property, plant and equipment		**(12,344)**	(13,705)
Proceeds from disposal of property, plant and equipment	29	**52**	253
Net proceeds from disposal of a subsidiary	35	**32,001**	259,216
Settlements of liabilities arising from acquisitions of licenses		**(13,723)**	(8,694)
Net cash generated from investing activities		**5,986**	237,070
Cash flows from financing activities			
Proceeds from bank borrowings		**46,767**	264,521
Repayment of bank borrowings		**(79,898)**	(341,203)
Repayment of lease liabilities		**(802)**	(6,720)
Dividends paid		**–**	(150,000)
Net cash used in financing activities		**(33,933)**	(233,402)
Net increase in cash and cash equivalents		**8,783**	6,460
Effect on exchange rate differences		**121**	(212)
Cash and cash equivalents and bank overdrafts at beginning of the year		**7,220**	972
Cash and cash equivalents and bank overdrafts at end of the year	21	**16,124**	7,220

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

Kiddieland International Limited was incorporated in the Cayman Islands on 3 June 2016 as an exempted company with limited liability. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing and selling of plastic toy products.

The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following new and amended standards and interpretations for the first time for its annual period commencing on 1 May 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform

The new and amended standards and interpretations listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New and amended standards, improvements, interpretations and revised framework to existing standards not yet adopted

The following new and amended standards, improvements, interpretations and revised framework to existing standards are not effective for annual periods commencing on or after 1 May 2020 and have not been early adopted by the Group:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions[1]
Annual Improvements to HKFRSs 2018–2020	Interest Rate Benchmark Reform — Phase 2[1]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[2]
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use[2]
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[3]
HKFRS 17	Insurance Contracts[3]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[3]
HKAS 1 (Amendments)	Disclosure of Accounting Policies[3]
HKAS 8 (Amendments)	Definition of Accounting Estimates[3]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

Notes:

(1) Effective for annual periods commencing on or after 1 May 2021
(2) Effective for annual periods commencing on or after 1 May 2022
(3) Effective for annual periods commencing on or after 1 May 2023
(4) To be determined

The above accounting standards and interpretations have been published but are not mandatory for 30 April 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in statement of comprehensive income as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in statement of comprehensive income.

2.4 Separate financial statements

Investment in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investment in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is United States dollars ("**US$**"). The consolidated financial statements are presented in Hong Kong Dollar because the Directors considered that the headquarter of the Group is located in Hong Kong.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statements of comprehensive income within "Other gains, net".

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "Other gains, net".

(iii) Group companies

The results and financial position of all Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial positions presented are translated at the closing rate at the end of reporting period;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to statement of comprehensive income, as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Factories and buildings	2% or over the remaining period of the lease
Leasehold improvements	10% or over the remaining period of the lease
Plant and machinery	10%
Furniture and fixtures	20%
Office equipment	33%
Motor vehicles	33%
Moulds and tools	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains, net' in the consolidated statements of comprehensive income.

2.8 Prepaid operating leases

Prepaid operating leases are stated at cost less accumulated amortisation. Cost represents consideration paid for the use of land on which various factories and buildings are situated for a period of 50 years. Amortisation of prepaid operating lease is calculated on a straight-line basis over the period of leases.

2.9 Intangible assets

Separately acquired licenses are stated at the cost of minimum guaranteed license payments. The licenses have finite useful lives and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of licenses over the license terms of 6 months to 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

Regular way purchases and sale of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value and subsequently measurement at amortised cost using the effective interest method, less provision for impairment.

Financial assets at amortised cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in "other gains, net". Impairment losses are presented as separate line item in the statement of comprehensive income.

(d) Impairment

The Group assessed credit risk on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, the Company has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus, no loss allowance provision was recognised at 30 April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See note 2.12 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institution, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months alter the end of reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred income tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits

Pension obligations

The Group participates in a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The scheme is generally funded through payments to insurance companies or state/trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.22 Share-based payment

Share-based compensation benefits are provided to certain selected employees share option plan, under which the entity receives services from employees as consideration for equity instruments (shares or options) of the Group. The fair value of the employee services received in exchange for the grant of the shares and options is recognised as an expense. The total amount to be expensed is determined with reference to the fair value of the shares granted:

— including any market performance conditions (for example, the entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares to employee. The proceeds received net of any directly attributable transaction costs are credited directly to share capital and share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue from the sale of goods directly to the customers is recognised at the point that the control of the goods have passed to the customers, which is primarily upon the acceptance of the products by the customers. Revenue from sale of goods is recognised, net of value-added tax, allowances for estimated returns, sales incentives, rebates, and discounts. The customers have full discretions over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the goods.

The goods are always sold with sales incentives and discounts. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated sales incentives and discounts. Accumulated experience is used to estimate and provide for the discount, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (contra to the trade receivables) is recognised for expected discounts entitled to customers in relation to sales made until the end of each reporting period.

Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Other income

(a) Management fee income

Management fee income is recognised over the period when the service rendered.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Sundry Income

Sundry income is recognised at the point of time that Group's obligation is fulfilled and the right to receive payment is established.

2.26 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the followings:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.28 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are approved by the entities' shareholders or Directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest-rate risk and cash flow interest-rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market Risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong, the PRC and the U.S. with majority of the transactions settled in HK$, Renminbi ("**RMB**") and US$. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the respective entities' functional currencies. Since HK$ is pegged with US$, management is of the opinion that the foreign exchange risk arising from US$ is insignificant.

As at 30 April 2021, certain of the Group's trade and other receivables, cash and bank balances and trade and other payables are denominated in RMB other than the functional currency of the operating unit. If HK$ has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the year would have been approximately HK$25,000 (2020: HK$32,000) higher/lower.

(ii) Cash flow interest-rate risk

The Group has no significant interest-bearing assets except for bank balances, details of which are disclosed in note 21. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which are disclosed in note 25. The bank borrowings that are carried at floating rates expose the Group to cash flow interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest-rate risk.

As at 30 April 2021, if the interest rates on bank borrowings had been 50 basis points higher/lower, with all other variables held constant, the profit before income tax for the year would have been approximately HK$57,000 (2020: HK$216,000) lower/higher, mainly as a result of higher/lower interest expenses on floating-rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, trade receivables, other receivables and deposits. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group's financial assets are subject to the expected credit loss model. While cash at banks are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

To measure the expected credit losses, trade receivables have been grouped based on geographical locations, shared credit risk characteristics and ageing profiles. The expected loss rates are based on the payment profiles of sales over a specific period before each year end date and the corresponding historical credit losses experienced within the year. The historical loss rates are adjusted to reflect current and forward-looking information including industry outlook and forecasts. On that basis, the loss allowances for trade receivables as at 30 April 2020 and 2021 were determined as follows:

As at 30 April 2021	**Within 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Total**
Expected loss rate (%)	**0.03%**	**0.06%**	**5.98%**	**45.58%**	
Gross carrying amount — trade receivables (HK$'000)	**12,436**	**9,941**	**1,422**	**2,262**	**26,061**
Loss allowance (HK$'000)	**4**	**6**	**85**	**1,031**	**1,126**

As at 30 April 2020	Within 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Expected loss rate (%)	0.55%	0.61%	0.77%	84.04%	
Gross carrying amount — trade receivables (HK$'000)	5,610	6,608	3,633	7,047	22,898
Loss allowance (HK$'000)	31	40	28	5,922	6,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables (Continued)

The loss allowances for trade receivables as at 30 April 2020 and 2021 reconcile to the opening balance of loss allowances as follows:

	2021 HK$'000	2020 HK$'000
At beginning of the year	**6,021**	5,925
Provision for impairment	**55**	96
Write-off	**(4,950)**	–
At end of the year	**1,126**	6,021

Impairment losses on trade receivables are separately presented as "provision for impairment losses of financial assets" in the consolidated statements of comprehensive income. Trade receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

As at 30 April 2021, the Group has considered the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis for the year. To assess whether there is a significant increase in credit risk, the Group considered the actual or expected significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations. The Group determined the expected loss rate for other receivables was immaterial and no loss allowance for other receivables was recognised.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of property, plant and equipment, and payment for purchases of materials, operating expenses and dividends. The Group mainly finances its working capital requirements through internal resources and bank borrowings.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitor the utilisation of bank and other borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end dates). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand HK$'000	Within 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
As at 30 April 2021					
Trade and bills payables	**–**	**20,862**	**–**	**–**	**20,862**
Accruals and other payables	**–**	**12,478**	**–**	**–**	**12,478**
Bank borrowings	**11,435**	**–**	**–**	**–**	**11,435**
Lease liabilities	**–**	**3,056**	**1,560**	**–**	**4,616**
	11,435	**36,396**	**1,560**	**–**	**49,391**
As at 30 April 2020					
Trade and bills payables	–	15,889	–	–	15,889
Accruals and other payables	–	23,181	2,499	–	25,680
Bank borrowings	17,681	6,615	6,615	14,335	45,246
Lease liabilities	–	802	2,821	1,427	5,050
	17,681	46,487	11,935	15,762	91,865

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
As at 30 April 2021	**11,513**	**–**	**–**	**11,513**
As at 30 April 2020	17,748	–	–	17,748

As at 30 April 2021, the Group had total banking facilities of approximately HK$242,100,000 (out of which HK$230,665,000 was unutilised) granted by banks which are subject to annual review for renewal.

The Directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment having considered the values of the assets pledged to the banks. The Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position, plus net debt of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management *(Continued)*

The gearing ratios at each reporting period were as follows:

	2021 HK$'000	2020 HK$'000
Bank borrowings	**11,435**	43,132
Lease liabilities	**4,376**	4,666
Less: cash and bank balances	**(17,559)**	(7,221)
Net (cash)/debts	**(1,748)**	40,577
Equity	**153,731**	143,440
Total capital	**151,983**	184,017
Gearing ratio	**N/A**	22.1%

The decrease in the gearing ratio as at 30 April 2021 is due to repayments of bank borrowings during the year.

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including trade receivables, deposits and other receivables excluding prepayments and cash and bank balances, and the Group's current financial liabilities, including trade and bills payables, accruals and other payables, contract liabilities and bank borrowings, approximate their fair values due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

(a) Current and deferred income tax

The Group is subject to income taxes in different jurisdictions. Judgement is required in determining the provision for income taxes in different jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group operates mainly in Hong Kong, the PRC and the U.S. and has transactions with customers and suppliers in different countries. The Group's inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over the Group's profit allocation and its respective tax position across different jurisdictions. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax and income tax expense in the year in which such estimates is changed.

(b) Provision for impairment of inventories

The Group assesses annually whether any provision is required to reflect the carrying value of inventories, in accordance with the accounting policy stated in note 2.14. Net realisable values have been determined based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses. This estimation require the use of judgement.

(c) Useful lives and residual values of property, plant and equipment

Management estimates useful lives and residual values of its property, plant and equipment with reference to the Group's business model, its assets management policy, the industry practice, expected usage of assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in market. Depreciation expense would be significantly affected by the useful lives of the property, plant and equipment as estimated by management. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Impairment of financial assets

For trade receivables (excluding non-financial assets), the Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected loss allowance for all trade receivables (excluding non-financial assets). The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period. Management reassesses the provision at the end of each reporting period.

5 SEGMENT INFORMATION

The executive Directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in manufacturing and selling of plastic toy products. The chief operating decision-makers assess the business performance based on a measure of operating results. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — manufacturing and selling of plastic toy products.

The Group's revenue by geographical location, which is determined by the continent where the goods were delivered, is as follows:

	2021 **HK$'000**	2020 HK$'000
America	**193,765**	164,818
Europe	**87,743**	88,180
Asia Pacific and Oceania	**20,114**	23,109
Africa	**279**	214
	301,901	276,321

The Group's non-current assets (excluding deferred income tax assets and intangible assets) by geographical location, which is determined by the city/country in which the asset is located, are as follows:

	2021 **HK$'000**	2020 HK$'000
Hong Kong	**1,006**	2,398
The PRC	**55,016**	54,248
	56,022	56,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

For the year ended 30 April 2021, there was one (2020: one) customer which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from the customer is as follows:

	2021 HK$'000	2020 HK$'000
Customer A	**84,502**	74,293

The five largest customers accounted for approximately 51.1% (2020: 43.0%) of the revenue of the Group for the year ended 30 April 2021.

6 REVENUE

	2021 HK$'000	2020 HK$'000
Sales of goods	**301,901**	276,321

Sales of goods are recognised at the point in time as disclosed in note 2.24.

The Group has recognised following liabilities related to contracts with customers:

	2021 HK$'000	2020 HK$'000
Contract liabilities (sales of goods)	**855**	519

Revenue recognised that is included in the contract liabilities balance at the beginning of the year amounted to approximately HK$519,000.

7 OTHER INCOME

	2021 HK$'000	2020 HK$'000
Sales of scrapped materials	**524**	344
Sundry income	**162**	836
	686	1,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 OTHER GAINS, NET

	2021 HK$'000	2020 HK$'000
Exchange gain, net	**2,767**	1,726
Gain on disposal of a subsidiary, before taxation (note 35)	**–**	197,208
Net gain on disposal of property, plant and equipment	**52**	231
	2,819	199,165

9 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2021 HK$'000	2020 HK$'000
Auditor's remuneration		
— Audit services	**1,080**	1,130
— Non-audit services	**429**	465
Advertising and promotion expenses	**3,192**	2,362
Amortisation of intangible assets (note 18)	**12,112**	15,770
Bank charges	**1,189**	1,300
Commissions	**4,912**	6,731
Consumables	**6,384**	7,355
Cost of inventories sold (note 19)	**121,864**	107,032
Custom and declaration handling expenses	**1,380**	1,557
Depreciation of property, plant and equipment (note 16)	**11,297**	14,232
Depreciation of right-of-use assets (note 17)	**3,375**	6,898
Expenses for short-term and low-value operating leases	**7,083**	1,211
Licenses fees	**12,040**	7,246
Logistics and warehousing expenses	**15,412**	15,601
Other taxes	**2,504**	1,903
Product testing expenses	**1,013**	823
Provision for impairment of inventories (note 19)	**317**	516
Repair and maintenance expenses	**2,323**	1,554
Staff costs, including Directors' emoluments (note 12)	**72,888**	75,511
Subcontracting expenses	**1,015**	1,456
Utilities	**9,729**	9,546
Other expenses	**5,743**	4,200
	297,281	284,399

During the year ended 30 April 2021, the Group received subsidies of HK$2,052,000 (2020: Nil) from the Hong Kong government for paying wages and salaries of Hong Kong employees. In addition, the government of People's Republic of China exempted the employers in the PRC for making contribution for their employees to the government-supervised schemes in several months during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE COSTS, NET

	2021 HK$'000	2020 HK$'000
Finance income:		
Bank interest income	**56**	503
Finance expenses:		
Bank overdraft interest	**(7)**	(198)
Other bank borrowing interest	**(1,023)**	(4,885)
Interest on lease liabilities	**(170)**	(331)
	(1,200)	(5,414)
Finance costs, net	**(1,144)**	(4,911)

11 INCOME TAX EXPENSES

For the year ended 30 April 2021, Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit. The Group's subsidiaries in the PRC are subject to China corporate income tax at a rate of 25% (2020: 25%) on the estimated assessable profits. The Group's subsidiary in the U.S. is subject to U.S. corporate income tax at progressive tax rates ranged from 5% to 39% (2020: 5% to 39%) on the estimated assessable profit. Disposal of a subsidiary in the PRC is subject to China corporate income tax at a rate of 10% on the estimated taxable gain.

	2021 HK$'000	2020 HK$'000
Current taxation		
— Hong Kong profits tax	**253**	1,366
— China corporate income tax	**201**	29,884
— U.S. corporate income tax	**146**	11
	600	31,261
Deferred taxation		
— Origination and reversal of temporary differences	**(273)**	(7,832)
	(273)	(7,832)
Income tax expenses	**327**	23,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSES *(Continued)*

The difference between the actual income tax expenses charged to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before taxation can be reconciled as follows:

	2021 HK$'000	2020 HK$'000
Profit before taxation	**6,926**	187,260
Tax calculated at domestic tax rates applicable to profit in respective countries	**603**	26,641
Difference in applicable tax rate on the gain on disposal of a subsidiary	**–**	267
Income not subject to tax	**(553)**	(3,849)
Expenses not deductible for tax purpose	**368**	778
Tax losses not recognised	**205**	43
Over-provision in prior years	**(296)**	(451)
Income tax expenses	**327**	23,429

For the year ended 30 April 2021, the weighted average applicable tax rate was 4.7% (2020: 12.5%)

12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000
Wages, salaries and bonuses	**63,889**	62,431
Retirement benefit costs — defined contribution plan:		
Hong Kong	**522**	620
The PRC	**2,469**	4,803
Other benefits	**6,008**	7,657
	72,888	75,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Remunerations of the Directors are set out below:

	For the year ended 30 April 2021								
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing benefits HK$'000	Estimated monetary value of other benefits HK$'000	Employer's contribution to provident fund HK$'000	Remunerations paid or payable in respect of accepting office as Director HK$'000	Emoluments paid or payable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive Directors:									
Mr. Lo Hung	–	864	–	–	–	–	–	–	864
Ms. Leung Siu Lin Esther	–	864	–	–	–	–	–	–	864
Mr. Lo Shiu Kee Kenneth	–	1,989	–	114	–	18	–	–	2,121
Ms. Lo Shiu Shan Suzanne	–	1,404	–	–	–	18	–	–	1,422
Ms. Sin Lo Siu Wai Sylvia	–	1,404	–	109	–	18	–	–	1,531
Independent non-executive Directors:									
Ms. Tse Yuen Shan	21	–	–	–	–	–	–	–	21
Mr. Man Ka Ho Donald	56	–	–	–	–	–	–	–	56
Mr. Cheng Dominic	56	–	–	–	–	–	–	–	56
Mr. Leung Kwok Wai Gary	35	–	–	–	–	–	–	–	35
	168	6,525	–	223	–	54	–	–	6,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

Remunerations of the Directors are set out below:

	For the year ended 30 April 2020								
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing benefits HK$'000	Estimated monetary value of other benefits HK$'000	Employer's contribution to provident fund HK$'000	Remunerations paid or payable in respect of accepting office as Director HK$'000	Emoluments paid or payable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive Directors:									
Mr. Lo Hung	–	904	–	–	–	–	–	–	904
Ms. Leung Siu Lin Esther	–	904	–	–	–	–	–	–	904
Mr. Lo Shiu Kee Kenneth	–	2,136	170	–	–	18	–	–	2,324
Ms. Lo Shiu Shan Suzanne	–	1,467	120	–	–	18	–	–	1,605
Ms. Sin Lo Siu Wai Sylvia	–	1,496	120	–	–	18	–	–	1,634
Independent non-executive Directors:									
Ms. Tse Yuen Shan	50	–	–	–	–	–	–	–	50
Mr. Man Ka Ho Donald	50	–	–	–	–	–	–	–	50
Mr. Cheng Dominic	50	–	–	–	–	–	–	–	50
	150	6,907	410	–	–	54	–	–	7,521

None of the Directors or chief executives of the Company waived any emoluments during the year ended 30 April 2021 (2020: Nil). The emoluments shown above represent remunerations received from the Group by these executive Directors in their capacities as employees to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 30 April 2021 include three (2020: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2020: two) individuals during the year ended 30 April 2021 are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, commissions, bonuses, other allowances and benefits in kind	**2,233**	2,095
Employer's contribution to provident fund	**36**	36
	2,269	2,131

The emoluments of these individuals are within the following bands:

	Number of individual	
	2021	2020
Emoluments bands:		
HK$Nil – 1,000,000	**1**	–
HK$1,000,001 – 1,500,000	**1**	2
	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends declared and paid	–	150,000

During the year ended 30 April 2020, upon completion of the disposal of a subsidiary (note 35), the Company declared a special cash dividend of HK$0.15 per share, amounting to HK$150,000,000 in total, to the shareholders. The special cash dividend was fully paid on 7 February 2020.

No final dividend for the year ended 30 April 2021 was declared or paid by the Company (2020: Nil).

15 EARNINGS PER SHARE

(a) Basic earnings per share

	2021	2020
Profit attributable to owners of the Company (HK$'000)	6,599	163,831
Weighted average number of ordinary shares in issue (in thousand)	1,000,000	1,000,000
Basic earnings per share (HK cents)	0.7	16.4

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

(b) Diluted earnings per share

Diluted earnings per share for the year is the same as basic earnings per share as the potential ordinary shares in relation to the share options granted to the employees (note 28) are anti-dilutive and we do not assume any conversation or exercise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Factories and buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds and tools HK$'000	Moulds work-in-progress HK$'000	Construction in-progress HK$'000	Total HK$'000
As at 1 May 2019										
Cost	71,387	55,148	11,000	9,693	9,658	92,912	266,712	13,647	2,209	532,366
Accumulated depreciation	(51,179)	(17,349)	(10,689)	(9,204)	(9,483)	(84,102)	(231,027)	–	–	(413,033)
Net book value	20,208	37,799	311	489	175	8,810	35,685	13,647	2,209	119,333
Year ended 30 April 2020										
Beginning of the year	20,208	37,799	311	489	175	8,810	35,685	13,647	2,209	119,333
Addition	4,506	–	117	5	–	473	461	11,590	598	17,750
Depreciation (note 9)	(2,628)	(551)	(101)	(221)	(59)	(1,839)	(8,833)	–	–	(14,232)
Transfer upon completion	2,807	–	–	–	–	–	14,278	(14,278)	(2,807)	–
Disposal	–	–	(2)	(4)	–	(16)	–	–	–	(22)
Disposal of a subsidiary (note 35)	(21,912)	(37,248)	–	–	–	(612)	(12,594)	–	–	(72,366)
Written off	–	–	–	–	–	–	(256)	–	–	(256)
Exchange differences	(524)	–	(14)	(2)	(9)	(259)	(1,455)	(297)	–	(2,560)
End of the year	2,457	–	311	267	107	6,557	27,286	10,662	–	47,647
As at 30 April 2020 and 1 May 2020										
Cost	10,819	–	11,049	9,617	9,638	88,913	259,671	10,662	–	400,369
Accumulated depreciation	(8,362)	–	(10,738)	(9,350)	(9,531)	(82,356)	(232,385)	–	–	(352,722)
Net book value	2,457	–	311	267	107	6,557	27,286	10,662	–	47,647
Year ended 30 April 2021										
Beginning of the year	2,457	–	311	267	107	6,557	27,286	10,662	–	47,647
Addition	1,919	–	16	44	–	38	352	9,743	–	12,112
Depreciation (note 9)	(1,605)	–	(107)	(179)	(54)	(1,408)	(7,944)	–	–	(11,297)
Transfer upon completion	–	–	–	–	–	–	11,148	(11,148)	–	–
Exchange differences	187	–	17	4	7	308	1,263	574	–	2,360
End of the year	2,958	–	237	136	60	5,495	32,105	9,831	–	50,822
As at 30 April 2021										
Cost	12,960	–	11,128	9,672	8,707	88,680	273,205	9,831	–	414,183
Accumulated depreciation	(10,002)	–	(10,891)	(9,536)	(8,647)	(83,185)	(241,100)	–	–	(363,361)
Net book value	2,958	–	237	136	60	5,495	32,105	9,831	–	50,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	2021 HK$'000	2020 HK$'000
Cost of sales	**10,521**	13,496
Administrative expenses	**776**	736
	11,297	14,232

17 LEASES AND RIGHT-OF-USE ASSETS

The Group has lease contracts for leasehold land, factories and buildings, office premise, warehouse and staff quarter. The movements during the year are set out below:

	Leasehold land held in the PRC HK$'000	Factories and buildings, office premise, warehouse and staff quarter HK$'000	Total HK$'000
Net book value at 1 May 2019	12,330	5,968	18,298
Addition	–	8,173	8,173
Depreciation (note 9)	(199)	(6,699)	(6,898)
Disposal of a subsidiary (note 35)	(11,806)	–	(11,806)
Exchange differences	(325)	(72)	(397)
Net book value at 30 April 2020 and 1 May 2020	–	7,370	7,370
Addition	**–**	**–**	**–**
Depreciation (note 9)	**–**	**(3,375)**	**(3,375)**
Exchange differences	**–**	**485**	**485**
Net book value at 30 April 2021	**–**	**4,480**	**4,480**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES AND RIGHT-OF-USE ASSETS *(Continued)*

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 **HK$'000**	2020 HK$'000
Right-of-use assets		
Leasehold land, factories and buildings, office premise, warehouse and staff quarter	**4,480**	7,370
Lease liabilities		
Current	**2,843**	638
Non-current	**1,533**	4,028
	4,376	4,666

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2021 **HK$'000**	2020 HK$'000
Depreciation of right-of-use assets		
Leasehold land held in the PRC	**–**	(199)
Factories and buildings, office premise, warehouse and staff quarter	**(3,375)**	(6,699)
	(3,375)	(6,898)
Interest expenses (included in finance costs)	**(170)**	(331)
Expenses relating to short-term and low-value operating leases	**(7,083)**	(1,211)

The total cash outflows for leases in the year ended 30 April 2021 were approximately HK$6,090,000 (2020: HK$6,062,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	2021 HK$'000	2020 HK$'000
Licenses	**8,330**	19,268
Beginning of the year	**19,268**	11,853
Addition	**1,174**	23,185
Less: amortisation (note 9)	**(12,112)**	(15,770)
End of the year	**8,330**	19,268

Licenses represent minimum payments under license arrangement for non-exclusive rights of manufacturing toy products with specific cartoon icons and distributing to certain countries. Amortisation of intangible assets is charged to cost of sales.

19 INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**30,443**	23,624
Work-in-progress	**34,658**	37,628
Finished goods	**31,586**	39,114
Provision for impairment of inventories	**(1,146)**	(829)
	95,541	99,537

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$122,181,000 (2020: HK$107,548,000) which included a provision for impairment of inventories of approximately HK$317,000 (2020: HK$516,000) for the year ended 30 April 2021.

Movement of the Group's provision for impairment of inventories is as follows:

	2021 HK$'000	2020 HK$'000
Beginning of the year	**(829)**	(1,190)
Provision for impairment for the year (note 9)	**(317)**	(516)
Written off for the year	**–**	877
End of the year	**(1,146)**	(829)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Trade receivables	**26,061**	22,898
Less: loss allowance (note 3.1(b))	**(1,126)**	(6,021)
Trade receivables, net	**24,935**	16,877
Deposits	**839**	778
Prepayments	**3,712**	2,781
Other receivables	**545**	36,532
	5,096	40,091
Less: prepayments for property, plant and equipment and factory rental deposits classified as non-current assets	**(720)**	(1,629)
Current portion	**4,376**	38,462

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on geographical locations, shared credit risk characteristics and ageing profiles. Note 3.1(b) provides more details about the calculation of loss allowance.

The other classes within trade receivables and other receivables do not contain any impaired assets. The Group does not hold any collateral as security.

As at 30 April 2021, the expected credit losses for other receivables were immaterial, no loss allowance was made (2020: Nil).

The carrying amounts of trade receivables, other receivables, deposits and prepayments approximate their fair values.

The other receivables balance recognised as at 30 April 2020 included the 10% remaining balance payment of the disposal of PRC subsidiary of approximately HK$35,143,000. This 10% remaining balance has been settled during the year ended 30 April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

The gross carrying amounts of trade receivables, other receivables, deposits and prepayments are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
US$	**27,840**	23,297
HK$	**1,177**	935
RMB	**2,140**	38,756
Others	**–**	1
	31,157	62,989

The Group grants credit periods to customers ranged from 0 to 180 days. As at 30 April 2021, the ageing analysis of trade receivables in gross amount based on invoice date is as follows:

	2021 HK$'000	2020 HK$'000
Up to 3 months	**23,800**	15,851
Over 3 months	**2,261**	7,047
	26,061	22,898

Movement of the Group's provision for impairment of trade receivables is as follows:

	2021 HK$'000	2020 HK$'000
Beginning of the year	**(6,021)**	(5,925)
Provision for impairment for the year (note 3.1(b))	**(55)**	(96)
Written off for the year	**4,950**	–
End of the year	**(1,126)**	(6,021)

During the year ended 30 April 2021, the Group has written off a trade receivable balance for approximately HK$4,950,000 that was due from Toys "R" Us Inc. which had filed for Chapter 11 bankruptcy in September 2017. The balance has been fully provided for impairment during the year ended 30 April 2018. As there was no further recovery from Toys "R" Us Inc. and the Group considered the likelihood to recover the balance was remote and decided to write off the balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND BANK BALANCES

	2021 HK$'000	2020 HK$'000
Cash at banks	**17,323**	7,074
Cash on hand	**236**	147
	17,559	7,221
Maximum exposure to credit risk	**17,323**	7,074

Cash and bank balances are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
US$	**3,234**	4,967
HK$	**362**	1,373
RMB	**13,956**	875
Others	**7**	6
	17,559	7,221

As at 30 April 2021, cash and bank balances of approximately HK$2,093,000 (2020: HK$787,000) were held in the PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND BANK BALANCES *(Continued)*

Cash and cash equivalents include the followings for the purposes of the consolidated statement of cash flows:

	2021 **HK$'000**	2020 HK$'000
Cash at banks	**17,323**	7,074
Cash on hand	**236**	147
Bank overdrafts (note 25)	**(1,435)**	(1)
	16,124	7,220

22 SHARE CAPITAL

	2021		2020	
	Number of shares (in thousand)	**Nominal value HK$'000**	Number of shares (in thousand)	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At end of the year	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At beginning of the year and end of the year	**1,000,000**	**100,000**	1,000,000	100,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 OTHER RESERVES

	Share premium HK$'000	Share-based payment reserves HK$'000	Capital reserves HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2019	4,877	1,320	45	(2,409)	24,111	27,944
Profit for the year	–	–	–	–	163,831	163,831
Other comprehensive income/(loss):						
— Currency translation differences	–	–	–	(4,498)	–	(4,498)
— Reclassification of exchange reserves upon disposal of a subsidiary	–	–	–	6,163	–	6,163
	–	–	–	1,665	–	1,665
Total comprehensive income	–	–	–	1,665	163,831	165,496
Transactions with owners:						
— Dividends paid (note 14)	–	–	–	–	(150,000)	(150,000)
	–	–	–	–	(150,000)	(150,000)
At 30 April 2020	4,877	1,320	45	(744)	37,942	43,440
At 1 May 2020	**4,877**	**1,320**	**45**	**(744)**	**37,942**	**43,440**
Profit for the year	**–**	**–**	**–**	**–**	**6,599**	**6,599**
Other comprehensive income:						
— Currency translation differences	**–**	**–**	**–**	**3,692**	**–**	**3,692**
	–	**–**	**–**	**3,692**	**–**	**3,692**
Total comprehensive income	**–**	**–**	**–**	**3,692**	**6,599**	**10,291**
At 30 April 2021	**4,877**	**1,320**	**45**	**2,948**	**44,541**	**53,731**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses HK$'000	Decelerated tax depreciation HK$'000	Capital injection *(note (i))* HK$'000	Others HK$'000	Total HK$'000
Deferred income tax assets:					
At 1 May 2019	6,139	962	948	20	8,069
Credited/(charged) to consolidated statement of comprehensive income	5,784	(35)	(86)	21	5,684
Disposal of a subsidiary (note 35)	(6,607)	–	–	–	(6,607)
Exchange differences	–	–	–	(1)	(1)
At 30 April 2020 and 1 May 2020	5,316	927	862	40	7,145
(Charged)/credited to consolidated statement of comprehensive income	**(475)**	**80**	**(46)**	**27**	**(414)**
At 30 April 2021	**4,841**	**1,007**	**816**	**67**	**6,731**

	Accelerated tax depreciation HK$'000	Unremitted earnings *(note (ii))* HK$'000	Others HK$'000	Total HK$'000
Deferred income tax liabilities:				
At 1 May 2019	(3,900)	(437)	–	(4,337)
Credited to consolidated statement of comprehensive income	1,711	437	–	2,148
At 30 April 2020 and 1 May 2020	(2,189)	–	–	(2,189)
Credited/(charged) to consolidated statement of comprehensive income	**286**	**–**	**(74)**	**212**
At 30 April 2021	**(1,903)**	**–**	**(74)**	**(1,977)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DEFERRED INCOME TAX *(Continued)*

Notes:

(i) In the prior years, the Group injected certain machineries into Dongguan Kiddieland Industrial Co., Ltd.. According to the relevant rules in the PRC, the machineries are recognised at fair values at the time of injection for tax reporting purpose. Deferred income tax assets are recognised for the temporary differences arose.

(ii) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors, For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$2,450,000 (2020: HK$2,709,000) as at 30 April 2021, in respect of losses amounting to approximately HK$13,072,000 (2020: HK$14,261,000) as at 30 April 2021 as it is not certain that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

The expiry date of these tax losses are as follows:

	2021 HK$'000	2020 HK$'000
Expiring in year 2020	**–**	1,130
Expiring in year 2021	**3,055**	2,795
Expiring in year 2022	**86**	79
Expiring in year 2023	**103**	94
Expiring in year 2024	**104**	95
Expiring in year 2025	**103**	–
Without expiry date	**9,621**	10,068
	13,072	14,261

25 BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank overdrafts (note 21)	**1,435**	1
Bank borrowings, secured	**10,000**	43,131
	11,435	43,132
Less: non-current portion	**–**	(19,706)
Current portion	**11,435**	23,426

All borrowings and overdrafts are wholly repayable within 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BANK BORROWINGS *(Continued)*

The bank borrowings as at the end of reporting period are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
US$	–	7,681
HK$	11,435	35,451
	11,435	43,132

The following is a schedule of repayments of the bank borrowings in respect of the outstanding borrowings, based on the scheduled repayment terms set out in the loan agreements, as at the end of reporting period:

	2021 HK$'000	2020 HK$'000
Within 1 year	11,435	23,426
Between 1 to 2 years	–	5,968
Between 2 to 5 years	–	13,738
	11,435	43,132

The fair values of the bank borrowings approximate their carrying amounts, as the impact of discounting is not significant.

The weighted average effective interest rates for the year ended 30 April 2021 are as follows:

	2021 HK$'000	2020 HK$'000
Bank overdrafts	5.27%	5.75%
Bank borrowings, secured	2.09%	3.62%

The exposure of the Group's bank borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2021 HK$'000	2020 HK$'000
6 months or less	11,435	43,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BANK BORROWINGS *(Continued)*

The Group has the following undrawn bank borrowing facilities:

	2021 HK$'000	2020 HK$'000
Expiring within 1 year	**230,665**	224,419

As at 30 April 2021, the Group had total banking facilities of approximately HK$242,100,000 granted by banks and all of them are subject to annual review for renewal.

All bank facilities granted to the Group were guaranteed by the Company and banking facilities of approximately HK$215,100,000 were secured by properties owned by related companies (note 32(e)).

26 TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables based on invoice date is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	**10,545**	8,981
1 to 2 months	**9,445**	4,996
2 to 3 months	**430**	808
Over 3 months	**442**	1,104
	20,862	15,889

Trade and bills payables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
US$	**7,669**	3,577
HK$	**9,943**	8,983
RMB	**3,250**	3,329
	20,862	15,889

The carrying amounts of trade and bills payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 ACCRUALS AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Accrued expenses		
— Staff costs	**6,224**	5,022
— Utilities	**961**	631
— Freight expenses	**606**	362
— Professional services fees	**1,459**	1,203
— Licenses fees	**312**	154
— Interest expenses	**2**	27
Provision for employees' benefits		
— Other benefits	**212**	222
Licenses liabilities	**1,942**	14,491
Other accruals	**5,653**	6,995
Other payables	**1,543**	1,817
	18,914	30,924
Less: non-current portion	**–**	(2,499)
Current portion	**18,914**	28,425

The carrying amounts of accruals and other payables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
US$	**5,348**	17,033
HK$	**4,464**	2,128
RMB	**9,085**	11,752
Others	**17**	11
	18,914	30,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE-BASED PAYMENT EXPENSES

On 19 July 2018, the Group granted certain selected employees share options (the"**Share Options**") which enable them to subscribe 20,000,000 ordinary shares of the Company at an exercise price of HK$0.28 per share. The Share Options are fully vested on 19 July 2018 and are exercisable within three years from 19 July 2018 to 18 July 2021 (both days inclusive).

The weighted average fair value of the Share Options granted determined by using the Binomial Options Pricing Model was HK$0.066 per share option. The significant inputs into the model were annualised volatility of 44%, exercise multiple of 2.2 and expected dividend yield of 0%. The share-based payment expenses of HK$1,320,000 arising from the Share Options were fully charged to the consolidated statement of comprehensive income for the year ended 30 April 2019.

29 NET CASH GENERATED FROM OPERATIONS

	2021 **HK$'000**	2020 HK$'000
Profit before taxation	**6,926**	187,260
Adjusted for:		
Interest income	**(56)**	(503)
Interest expenses	**1,200**	5,414
Depreciation of property, plant and equipment (note 16)	**11,297**	14,232
Depreciation of right-of-use assets (note 17)	**3,375**	6,898
Amortisation of intangible assets (note 18)	**12,112**	15,770
Gain on disposal of property, plant and equipment (note 8)	**(52)**	(231)
Gain on disposal of a subsidiary (note 35)	**–**	(197,208)
Impairment losses on financial assets, net (note 3.1(b))	**55**	96
Provision for impairment of inventories (note 19)	**317**	516
	35,174	32,244
Changes in working capital:		
Decrease in inventories	**5,586**	12,474
(Increase)/decrease in trade receivables	**(8,054)**	8,414
Increase in other receivables, deposits and prepayments	**(352)**	(1,321)
Increase/(decrease) in trade and bills payables	**4,731**	(5,496)
Increase/(decrease) in accruals, other payables and contract liabilities	**3,824**	(12,186)
Net cash generated from operations	**40,909**	34,129

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2021 **HK$'000**	2020 HK$'000
Net book value	**–**	22
Net gain on disposal of property, plant and equipment	**52**	231
Proceeds from disposal of property, plant and equipment	**52**	253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NET CASH GENERATED FROM OPERATIONS *(Continued)*

(a) Net cash/(debt) reconciliation

This section sets out an analysis of net cash/(debt) at the end of reporting period and the movements in net cash/(debt) during the reporting period.

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents	**17,559**	7,221
Lease liabilities	**(4,376)**	(4,666)
Borrowings — repayable within one year (including bank overdrafts)	**(11,435)**	(23,426)
Borrowings — repayable after one year	**–**	(19,706)
Net cash/(debt)	**1,748**	(40,577)
Cash and liquid investments	**17,559**	7,221
Gross debt — fixed interest rates	**(4,376)**	(4,666)
Gross debt — variable interest rates	**(11,435)**	(43,132)
Net cash/(debt)	**1,748**	(40,577)

		Liabilities from financing activities			
	Cash and bank balances HK$'000	**Lease liabilities** HK$'000	**Bank overdrafts** HK$'000	**Borrowings due within 1 year** HK$'000	**Borrowings due after 1 year** HK$'000
Net debt as at 1 May 2019	19,392	6,928	18,420	116,063	3,750
Cash flows, net	(11,959)	(6,720)	(18,419)	(96,388)	19,706
Foreign exchange adjustments	(212)	(44)	–	–	–
Other non-cash movements	–	331	–	3,750	(3,750)
Addition of lease liabilities	–	4,171	–	–	–
Net debt as at 30 April 2020 and 1 May 2020	7,221	4,666	1	23,425	19,706
Cash flows, net	**10,217**	**(802)**	**1,434**	**(13,425)**	**(19,706)**
Foreign exchange adjustments	**121**	**341**	**–**	**–**	**–**
Other non-cash movements	**–**	**171**	**–**	**–**	**–**
Net debt as at 30 April 2021	**17,559**	**4,376**	**1,435**	**10,000**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 HK$'000	2020 HK$'000
Financial assets — at amortised cost:		
Trade receivables	**24,935**	16,877
Other receivables and deposits	**1,384**	37,310
Cash and bank balances	**17,559**	7,221
	43,878	61,408
Financial liabilities — at amortised cost:		
Trade and bills payables	**20,862**	15,889
Accruals and other payables	**10,536**	11,189
Licenses liabilities	**1,942**	14,491
Lease liabilities	**4,376**	4,666
Bank borrowings	**11,435**	43,132
	49,151	89,367

31 COMMITMENTS

(a) Capital commitments

At the end of each reporting period, the Group had the following capital commitments:

	2021 HK$'000	2020 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**–**	885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS

(a) Name of related parties

The Directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the year:

Name of related parties	Relationship with the Group
Mr. Lo Hung	Executive Director of the Company
Ms. Leung Siu Lin Esther	Executive Director of the Company
Mr. Lo Shiu Kee Kenneth	Executive Director of the Company
Ms. Lo Shiu Shan Suzanne	Executive Director of the Company
Ms. Sin Lo Siu Wai Sylvia	Controlling shareholder and executive Director of the Company
Esther & Victor Limited	Controlled by Mr. Lo Hung and Ms. Leung Siu Lin Esther
Top Dragon Enterprise Investment Limited	Controlled by Mr. Lo Hung and Ms. Leung Siu Lin Esther

(b) Transactions with related parties

	2021 HK$'000	2020 HK$'000
Rental expenses:		
Operating lease expense for office paid or payable to Top Dragon Enterprise Investment Limited (note (i))	**5,760**	5,760

Note:

(i) Office leasing expense was paid at terms mutually agreed with the relevant parties involved.

(c) Year-end balances with related parties

	2021 HK$'000	2020 HK$'000
Operating lease expense payable to:		
Top Dragon Enterprise Investment Limited	**480**	–

The carrying amounts approximate their fair values and are denominated in HK$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

Key management includes Directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	2021 **HK$'000**	2020 HK$'000
Wages, salaries and bonuses	**9,982**	11,024
Retirement benefits	**726**	528
Other benefits	**443**	240
	11,151	11,792

(e) Other arrangement

During the year ended 30 April 2021, two related companies, Esther & Victor Limited and Top Dragon Enterprise Investment Limited, pledged their properties to banks to make available to the Group's bank facilities of approximately HK$215,100,000 (2020: HK$240,551,000).

33 CONTINGENT LIABILITIES

As at 30 April 2021, the Group has contingent liabilities as follows:

	2021 **HK$'000**	2020 HK$'000
Irrevocable standby letter of credit	**11,821**	8,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES

Name of subsidiaries	Place of incorporation and kind of legal entity	Date of incorporation/ establishment	Principal business	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by the Company 2021	2020	Proportion of ordinary shares indirectly held by the Company 2021	2020
Kiddieland Group Limited	British Virgin Islands ("**BVI**"), limited liability company	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**100%**	100%	**–**	–
Kiddieland Trading Limited	BVI, limited liability company	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**–**	–	**100%**	100%
Kiddieland Manufacturing Limited	BVI, limited liability company	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**–**	–	**100%**	100%
Kiddieland Toys Limited	Hong Kong, limited liability company	7 May 2001	Sales and marketing of toys	10,000 ordinary shares of HK$1	**–**	–	**100%**	100%
Kiddieland Industrial Limited	Hong Kong, limited liability company	3 October 1997	Toys development, manufacturing activities and managing the production facilities in Tangxia, Dongguan, Guangdong Province, the PRC	10,000 ordinary shares of HK$1	**–**	–	**100%**	100%
Innotech & Associates Limited	Hong Kong, limited liability company	7 August 1998	Merchandising of production materials for toys and providing design services for all graphic design requirements in toys production	10,000 ordinary shares of HK$1	**–**	–	**100%**	100%
W. Great Worth Limited	Hong Kong, limited liability company	30 May 1997	Providing management services to our Group	10,000 ordinary shares of HK$1	**–**	–	**100%**	100%
Kiddieland Toy, Inc.	United States of America ("**U.S.**"), limited liability company	8 June 1999	Import and distribution of toy products in U.S.	60 ordinary shares of US$10	**–**	–	**100%**	100%
Kiddieland Toy Limited	England and Wales, limited liability company	29 December 1999	Representative office	100 ordinary shares of GBP1	**–**	–	**100%**	100%
Kiddieland Toys Limited B.V.	The Netherlands, limited liability company	23 October 2019	Representative office	100 ordinary shares of EUR1	**–**	–	**100%**	100%
東莞童夢園玩具有限公司 (Dongguan Kiddieland Toys Co., Ltd.)	People's Republic of China ("**PRC**"), limited liability company	18 June 2008	Sales of toy products in the PRC	HK$8,400,000	**–**	–	**100%**	100%
東莞精勵塑膠電子有限公司 (Dongguan Innotech Jingli Ltd.)	PRC, limited liability company	16 October 2018	Manufacturing of toy products	HK$41,500,000	**–**	–	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 DISPOSAL OF A SUBSIDIARY

On 12 November 2019, the Group completed its disposal of 100% equity interest in a wholly-owned subsidiary, Dongguan Kiddieland Industrial Co., Ltd., to a third party for a total consideration of approximately RMB327,790,000 (approximately HK$364,402,000) which included a cash consideration of approximately RMB324,190,000 (approximately HK$360,400,000) and a right-of-use asset of RMB3,600,000 (approximately HK$4,002,000) in relation to the lease of factory buildings. Part of the cash consideration amounted to RMB32,000,000 (approximately HK$35,574,000) would be settled in 18 months from the date of the share transfer agreement. The amount has been received during the year ended 30 April 2021.

The subsidiary was principally engaged in manufacturing of toys products, with its production and ancillary facilities located in Dongguan, the PRC. The net assets of the subsidiary being disposed of and the gain on the disposal are as follows:

	2020 HK$'000
Total consideration	364,402
Less: Net assets disposed of	
Property, plant and equipment (note 16)	(72,366)
Right-of-use assets (note 17)	(11,806)
Deferred income tax assets	(6,607)
Other receivables, deposits and prepayments	(3,455)
Income tax recoverable	(680)
Cash and cash equivalents	(906)
Trade payables	89
Accruals and other payables	1,191
	269,862
Less: Direct expenses	
Service fee and professional fees	(24,614)
Severance payment expenses	(34,528)
Duties and surcharges	(7,254)
Others	(95)
	203,371
Less: Reclassification of exchange reserves upon disposal of a subsidiary	(6,163)
Gain on disposal of a subsidiary, before taxation (note 8)	197,208
Income tax expenses	(27,229)
Gain on disposal of a subsidiary, net of tax	169,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 DISPOSAL OF A SUBSIDIARY *(Continued)*

An analysis of the cash flows in respect of the disposal is as follows:

	2021 HK$'000	2020 HK$'000
Cash consideration	35,574	324,826
Cash and cash equivalents disposed of	–	(906)
Direct expenses paid	(3,573)	(64,704)
Net proceeds from the disposal of a subsidiary	32,001	259,216

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2021 HK$'000	2020 HK$'000
ASSETS		
Non-current asset		
Investment in a subsidiary	37,020	37,020
Current assets		
Prepayments	205	216
Amounts due from subsidiaries	106,246	106,192
Cash and bank balances	172	173
	106,623	106,581
Total assets	143,643	143,601
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	100,000	100,000
Share premium	157,268	157,268
Share-based payment reserves	1,320	1,320
Accumulated losses	(115,109)	(115,148)
Total equity	143,479	143,440
LIABILITIES		
Current liability		
Accruals	156	161
Income tax payable	8	–
Total liabilities	164	161
Total equity and liabilities	143,643	143,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

	Share premium *(note(i))* HK$'000	Share-based payment reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2019	157,268	1,320	(24,811)	133,777
Profit for the year	–	–	59,663	59,663
Transactions with owners:				
— Dividends paid (note 14)	–	–	(150,000)	(150,000)
At 30 April 2020 and 1 May 2020	157,268	1,320	(115,148)	43,440
Profit for the year	**–**	**–**	**39**	**39**
At 30 April 2021	**157,268**	**1,320**	**(115,109)**	**43,479**

Note:

(i) Share premium of approximately HK$157,268,000 represented the difference between the carrying values of the Group subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof, less the share issuance costs.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years is as follows:

RESULTS

	Year ended 30 April				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**301,901**	276,321	289,049	320,396	367,146
Profit/(loss) before taxation	**6,926**	187,260	(8,832)	(16,308)	19,474
Income tax (expenses)/credits	**(327)**	(23,429)	(529)	2,584	3,110
Profit/(loss) for the year	**6,599**	163,831	(9,361)	(13,724)	22,584
Attributable to:					
Shareholders of the Company	**6,599**	163,831	(9,361)	(13,724)	22,584

ASSETS AND LIABILITIES

	As at 30 April				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Non-current assets	**71,083**	83,059	151,657	158,199	147,500
Current assets	**142,411**	162,157	169,389	182,767	254,613
Total assets	**213,494**	245,216	321,046	340,966	402,113
Equity and liabilities					
Total equity	**153,731**	143,440	127,944	140,810	143,932
Non-current liabilities	**3,510**	28,422	4,395	18,752	27,325
Current liabilities	**56,253**	73,354	188,707	181,404	230,856
Total liabilities	**59,763**	101,776	193,102	200,156	258,181
Total equity and liabilities	**213,494**	245,216	321,046	340,966	402,113

Notes:

(i) The summary of the consolidated results of the Group for the year ended 30 April 2017 and of the assets, equity and liabilities as at 30 April 2017 are extracted from the Prospectus.

(ii) The summary of the consolidated results of the Group for the four years ended 30 April 2018, 2019, 2020 and 2021 and of the assets, equity and liabilities as at 30 April 2018, 2019, 2020 and 2021 are extracted from the Company's published audited financial statements.