

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

POP MART

POP MART INTERNATIONAL GROUP LIMITED

泡泡瑪特國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9992)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

ANNUAL RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2021	2020	Change
	<i>RMB'000</i>	<i>RMB'000</i>	(%)
Revenue	4,490,651	2,513,471	78.7%
Gross profit	2,758,624	1,594,108	73.1%
Operating profit	1,149,812	718,783	60.0%
Profit before income tax	1,171,191	707,403	65.6%
Profit for the year	854,567	523,312	63.3%
Profit for the year attributable to owners of the Company	854,339	523,505	63.2%
Non-IFRS adjusted net profit	1,001,635	590,506	69.6%
Basic earnings per share (RMB)	0.62	0.44	40.9%
Diluted earnings per share (RMB)	0.62	0.44	40.9%

The board of directors (the “**Board**”) of Pop Mart International Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”). The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of annual results, and has been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) issued by the International Auditing and Assurance Standards Board (“**IAASB**”). Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board (the “**Audit Committee**”). Unless otherwise stated, the financial data of the Company are presented in Renminbi (“**RMB**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2021	2020
		RMB'000	RMB'000
Revenue	3	4,490,651	2,513,471
Cost of sales	4	<u>(1,732,027)</u>	<u>(919,363)</u>
Gross profit		<u>2,758,624</u>	<u>1,594,108</u>
Distribution and selling expenses	4	(1,106,078)	(630,069)
General and administrative expenses	4	(557,509)	(279,967)
(Provision for)/reversal of impairment on financial assets		(1,435)	398
Other income	5	54,425	45,420
Other gains/(losses) – net	6	<u>1,785</u>	<u>(11,107)</u>
Operating profit		<u>1,149,812</u>	<u>718,783</u>
Finance income	7	28,609	1,953
Finance expenses	7	<u>(21,246)</u>	<u>(10,946)</u>
Finance income/(expenses) – net	7	<u>7,363</u>	<u>(8,993)</u>
Fair value changes of convertible redeemable preferred shares		–	(6,260)
Share of profit of investments accounted for using the equity method		<u>14,016</u>	<u>3,873</u>
Profit before income tax		<u>1,171,191</u>	<u>707,403</u>
Income tax expense	8	<u>(316,624)</u>	<u>(184,091)</u>
Profit for the year		<u>854,567</u>	<u>523,312</u>
Profit for the year attributable to:			
– Owners of the Company		854,339	523,505
– Non-controlling interests		<u>228</u>	<u>(193)</u>
		<u>854,567</u>	<u>523,312</u>

		Year ended 31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
Other comprehensive loss			
Items that may be reclassified to profit or loss			
– Currency translation differences		<u>(12,629)</u>	<u>(25,726)</u>
Items that will not be reclassified to profit or loss			
– Currency translation differences		<u>(102,926)</u>	<u>(13,050)</u>
Other comprehensive loss for the year, net of tax		<u>(115,555)</u>	<u>(38,776)</u>
Total comprehensive income for the year		<u>739,012</u>	<u>484,536</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		738,816	484,604
– Non-controlling interests		196	(68)
		<u>739,012</u>	<u>484,536</u>
Earnings per share for profit attributable to owners of the Company			
– Basic (expressed in RMB per share)	<i>10</i>	0.62	0.44
– Diluted (expressed in RMB per share)	<i>10</i>	0.62	0.44
		<u>0.62</u>	<u>0.44</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		366,281	238,325
Intangible assets		134,032	92,731
Right-of-use assets		609,517	287,799
Investments accounted for using the equity method		61,539	50,380
Financial assets at fair value through profit or loss		328,688	16,900
Prepayments and other non-current assets		30,727	6,177
Deferred income tax assets		35,553	23,087
		<hr/>	<hr/>
Total non-current assets		1,566,337	715,399
		<hr/>	<hr/>
Current assets			
Trade receivables	11	171,334	78,334
Other receivables		154,939	90,781
Inventories		788,829	225,369
Prepayments and other current assets		353,580	177,918
Financial assets at fair value through profit or loss		20,544	–
Restricted cash		3,353	3,263
Cash and cash equivalents		5,264,710	5,680,235
		<hr/>	<hr/>
Total current assets		6,757,289	6,255,900
		<hr/>	<hr/>
Total assets		8,323,626	6,971,299
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	As at 31 December	
		2021	2020
		RMB'000	RMB'000
Equity			
Share capital		923	923
Shares held for Share Award Scheme		(15)	(16)
Other reserves		5,023,583	5,189,115
Retained earnings		<u>1,793,691</u>	<u>939,352</u>
Equity attributable to owners of the Company		<u>6,818,182</u>	<u>6,129,374</u>
Non-controlling interests in equity		<u>1,824</u>	<u>1,628</u>
Total equity		<u>6,820,006</u>	<u>6,131,002</u>
Liabilities			
Non-current liabilities			
License fees payables		46,371	27,934
Lease liabilities		<u>364,543</u>	<u>147,050</u>
Total non-current liabilities		<u>410,914</u>	<u>174,984</u>
Current liabilities			
Trade payables	12	266,098	115,804
License fees payables		86,004	58,880
Other payables		266,902	202,297
Contract liabilities		119,624	83,941
Lease liabilities		256,909	144,724
Current income tax liabilities		<u>97,169</u>	<u>59,667</u>
Total current liabilities		<u>1,092,706</u>	<u>665,313</u>
Total liabilities		<u>1,503,620</u>	<u>840,297</u>
Total equity and liabilities		<u>8,323,626</u>	<u>6,971,299</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Pop Mart International Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 9 May 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the product design and development and sale of pop toys in the People’s Republic of China (the “**PRC**”) and certain overseas countries and regions. The ultimate holding company of the Company is GWF Holding Limited (formerly known as Grant Wang Holding Limited), which is controlled by Mr. Wang Ning and his spouse, Ms. Yang Tao.

Pursuant to a written resolution of all shareholders of the Company (the “**Shareholders**”) passed on 23 November 2020, conditional upon the share premium account of the Company being credit as a result of the issuance of new shares pursuant to the Global Offering, the directors of the Company (the “**Director**”) were authorized to capitalize an amount of USD112,128 towards paying up in full at par of 1,121,278,635 ordinary shares of USD0.0001 par value each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on the business day preceding 11 December 2020 (“**Capitalization Issue**”).

On 11 December 2020, the Company has successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the year presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) *Compliance with IFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS**”) issued by International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are carried at fair value.

(iii) *New and amended standards adopted by the Group*

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, *Interest Rate Benchmark Reform –Phase 2*
IFRS 4 and IFRS 16

The Group also elected to adopt the following amendments early:

Amendment to IFRS 16

COVID-19-Related Rent Concessions beyond 30 June 2021

The amendments stated above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published but are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE AND SEGMENT INFORMATION

Management determines the operating segments based on the reports reviewed by the chief operating decision-makers (“CODM”) that are used to make strategic decisions. The Group’s revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the sales of pop toys to external customers, which are considered as one segment. The Group’s principal market is the PRC and its sales to overseas customers contributed to less than 10% of the total revenue. Accordingly, no geographical information is presented.

Breakdown of revenue by business lines is as follows:

	Year ended 31 December	
	2021 RMB’000	2020 RMB’000
Revenue from contracts with customers		
Revenue from online sales	1,879,189	951,875
Revenue from retail store sales	1,673,386	1,002,054
Revenue from roboshop sales	469,803	328,679
Revenue from wholesales	444,817	207,386
Revenue from conventions	23,456	23,477
Total	4,490,651	2,513,471

	Year ended 31 December	
	2021 RMB’000	2020 RMB’000
Revenue		
Point-in-time	4,490,651	2,505,509
Over-time (i)	–	7,962
Total	4,490,651	2,513,471

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
Revenue recognised on a gross basis	4,490,651	2,511,843
Revenue recognised on a net basis (ii)	–	1,628
Total	4,490,651	2,513,471

- (i) All original contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.
- (ii) Certain revenue generated from consignment sales of third-party brand products in the Group's retail store and at the conventions hosted by the Group is recognised on a net basis when the Group acts as an agent in the transactions and does not take inventory risk or have latitude in establishing prices for the products.

For the years ended 31 December 2021 and 2020, no revenue derived from transactions with a single customer represent 10% or more of the Group's total revenue.

4 EXPENSES BY NATURE

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories included in cost of sales	1,445,001	748,452
Employee benefit expenses	669,725	242,963
Depreciation of right-of-use assets	221,698	142,940
Depreciation on property, plant and equipment	161,834	66,682
Advertising and marketing expenses	157,552	92,171
Transportation and logistics expenses	141,259	110,061
E-commerce platform service charges	123,895	81,262
Design and license fees	104,674	62,721
Expenses relating to short-term leases and variable leases not included in lease liabilities	86,318	43,620
Amortisation of intangible assets	51,470	36,221
Taxes and surcharges	30,680	20,634
Cost of moulds with useful lives within one year	17,155	7,460
Commissions to roboshop partners	6,674	13,179
Auditor's remuneration	4,500	3,000
Impairment of inventory	1,318	2,095
Listing expenses	–	44,024
Convention cost	–	18,408
Expense relating to re-designation of ordinary shares to preferred shares	–	16,910
Others	171,861	76,596
Total	3,395,614	1,829,399

5 OTHER INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
License fees income	37,656	18,695
Government grants (i)	15,353	26,412
Promotion service fees	740	–
Others	676	313
	<hr/>	<hr/>
Total	54,425	45,420
	<hr/> <hr/>	<hr/> <hr/>

- (i) The amounts represent government grants related to income which are received from the local government for the contribution to the local economic growth. These grants are recognised in consolidated statement of profit or loss and other comprehensive income upon the receipt. There are no unfulfilled conditions or contingencies relating to these grants.

6 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in fair value of financial instruments at fair value through profit or loss	15,262	1,153
Donation	(10,896)	(11,527)
Exchange loss	(3,302)	(1,655)
Others	721	922
	<hr/>	<hr/>
Total	1,785	(11,107)
	<hr/> <hr/>	<hr/> <hr/>

7 FINANCE INCOME/(EXPENSES) – NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
– Interest income	28,609	1,953
Finance expenses		
– Interest expenses on lease liabilities and license fees payables	(21,246)	(10,946)
	<hr/>	<hr/>
Finance income/(expenses) – net	7,363	(8,993)
	<hr/> <hr/>	<hr/> <hr/>

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current income tax	329,090	190,959
– Hong Kong profits tax	73	4,104
– The Mainland China corporate income tax	329,017	186,855
Deferred income tax	(12,466)	(6,868)
Income tax expense	316,624	184,091

(a) Cayman Island and BVI Income Tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to the Cayman Island income tax pursuant to the current laws of the Cayman Islands. The group entity incorporated or registered under the Business Companies Act of British Virgin Islands (“BVI”) are exempted from BVI income tax pursuant to the current laws of the BVI.

(b) Hong Kong Profits Tax

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entities will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate 16.5%. Hong Kong profits tax has been provided at the rate of 16.5% on the Group’s estimated assessable profit for the year ended 31 December 2021 (2020: 16.5%).

(c) Mainland China Corporate Income Tax (“CIT”)

The income tax provision of the Group in respect of operations in the Mainland China has been calculated at the tax rate of 25% on the estimated assessable profit for the years ended 31 December 2021 (the year ended 31 December 2020: 25%), based on the existing legislation, interpretations and practices in respect thereof.

A group entity has been granted certain tax concessions to small scale entities by tax authorities in the mainland China PRC whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

(d) Mainland China Withholding Tax (“WHT”)

According to the applicable Mainland China tax regulations, dividends distributed by a company established in the Mainland China to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be 5%.

As at 31 December 2021, the aggregate undistributed earnings of the Group’s subsidiaries incorporated in the Mainland China are RMB1,715,409,000 (as at 31 December 2020: RMB935,668,000). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future, and that the Company has the ability to control the timing of the distribution from these subsidiaries. Accordingly, despite an assessable temporary difference on such retained earnings exists, no deferred income tax liability has been recognised in the consolidated financial statements.

9 DIVIDENDS

Pursuant to a resolution passed on 1 June 2021, the shareholders of the Company approved a final dividend of RMB14.94 cents per ordinary share of the Company, amounting to RMB205,832,000 (which are net of the dividend of RMB3,687,000 attributable to the shares held for Share Award Scheme) for the year ended 31 December 2020. During the year ended 31 December 2021, the dividends paid amounted to RMB208,834,000, including RMB202,473,000 paid for the final dividend for the year ended 2020 and RMB6,361,000 paid for the interim dividend for the six months ended 30 June 2020.

As at 31 December 2021, the remaining balance of unpaid dividends amounting to RMB10,596,000 was recorded in other payables in the consolidated financial statements.

The Board recommended the payment of a final dividend of RMB15.24 cents per ordinary share of the Company issued for the year ended 31 December 2021, representing an aggregate amount of RMB213,655,000 based on the total issued share capital of the Company as of the date of this announcement. In the event of change in the total issued share capital of the Company before the record date for dividend payment, dividends will be distributed per share and the total distribution amount will be adjusted accordingly.

The proposed dividend payment is subject to the approval by the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting (the “AGM”) to be held on 1 June 2022 and is payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People’s Bank of China on 1 June 2022. Upon Shareholders’ approval, such dividend will be paid on 23 June 2022 to the Shareholders whose names shall appear on the register of members of the Company on 10 June 2022.

The proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of distributable reserves for the year ending 31 December 2022.

10 EARNINGS PER SHARE

Following the completion of the Capitalization Issue on 11 December 2020 as disclosed in Note 1, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2020 has been retrospectively adjusted.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the year ended 31 December 2021 and 2020.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB’000)	854,339	523,505
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (Thousands)	1,377,954	1,194,709
Basic earnings per share (expressed in RMB per share)	<u>0.62</u>	<u>0.44</u>

(b) Dilute earnings per share

The calculation of diluted earnings per share for the years ended 31 December 2021 and 2020 is set out below:

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	854,339	523,505
Adjustment for fair value changes on redeemable and convertible preferred shares (RMB'000)	<u>–</u>	<u>6,260</u>
Profit used to determine diluted earnings per share (RMB'000)	854,339	529,765
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (in thousands)	1,377,954	1,194,709
Adjustment for		
– Restricted Shares granted and assumed vested (in thousands)	873	–
– assumed conversion of convertible redeemable preferred shares (in thousands)	<u>–</u>	<u>16,514</u>
Weighted average number of shares for diluted earnings per shares (in thousands)	1,378,827	1,211,223
Dilute earnings per share (expressed in RMB per share)	0.62	0.44

For the year ended 31 December 2021, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be granted and assumed vested under the Post-IPO Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding shares granted under the Post-IPO Share Award Scheme (defined as the "Restricted Shares"). The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Restricted Shares.

For the year ended 31 December 2020, diluted earnings per share is calculated based on the profit for the year attributable to owners of the Company after adjustment for fair value changes on redeemable and convertible preferred shares and the weighted average number of ordinary shares outstanding after adjustment for conversion of convertible redeemable preferred shares.

11. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables (a)		
– Third parties	120,273	61,311
– Related parties	<u>54,255</u>	<u>19,288</u>
Subtotal	174,528	80,599
Less: provision for impairment allowance (b)	<u>(3,194)</u>	<u>(2,265)</u>
Total trade receivables	171,334	78,334

- (a) For trade receivables from retail store sales, roboshop sales and online sales, the amounts are usually settled in cash, by credit/debit cards or through online payment platforms. For wholesale transactions, trade receivables are settled within the credit terms as agreed in sales contracts. The majority of these wholesalers are with credit terms of 30 to 90 days. Certain customers with good history and long-term relationship are extended preferential credit terms of up to 180 days.

An aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	162,250	67,736
3 months to 6 months	10,476	11,477
Over 6 months	1,802	1,386
Total	174,528	80,599

- (b) Movements in allowance for impairment of trade receivables is as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January	2,265	2,933
Provision for/(reversal of) impairment allowance	929	(668)
As at 31 December	3,194	2,265

12 TRADE PAYABLES

The credit terms of merchandise payables granted by the suppliers are usually current to 180 days. At 31 December 2021 and 2020, the aging analysis of the merchandise payables based on invoice date is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	99,606	31,355
30 to 90 days	122,444	44,736
90 to 180 days	19,447	20,604
Over 180 days	24,601	19,109
Total	266,098	115,804

13 CONTINGENCY

On 28 August 2020, Beijing Pop Mart received a court summons dated 19 August 2020 in relation to a claim brought by Golden Eagle International Retail Group (China) Co., Ltd. (“**Golden Eagle International**”) as a shareholder on behalf of Nanjing Pop Mart at the Jiangsu Nanjing Intermediate People’s Court against Beijing Pop Mart, alleging, among others, that Beijing Pop Mart had breached an investment cooperation agreement dated 29 April 2014 which was entered into among Golden Eagle International, Mr. Wang Ning and other then shareholders of Beijing Pop Mart. Pursuant to the claim, Golden Eagle International claimed that (i) Beijing Pop Mart should cease to operate the claimed stores in certain exclusive areas; and (ii) Beijing Pop Mart should return an amount of approximately RMB117.2 million to Nanjing Pop Mart, which represents the alleged gross profits obtained by Beijing Pop Mart for the year ended 31 December 2019 from operating the claimed stores in the exclusive areas.

On 17 June 2021, the first hearing of the above case was held, and the major proceedings were the collection and verification of further information provided by Golden Eagle International and the Group. The case will continue to be heard in subsequent sessions before a judgement is made by the court. As at the date of this announcement, the above case is still in process.

No provision in relation to this claim has been recognised in the consolidated financial statements for the years ended 31 December 2021 and 2020, as the Mainland China legal adviser of the Company advised that the claim brought by Golden Eagle International is groundless, the likelihood that the claim will be decided in favour of Golden Eagle International is very low, the risk exposure of the Group from the claim is minimal and the claim will not have a material adverse impact on the Group’s operations and financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a pioneer and key promoter of pop toy culture in China, despite affected by the recurrence of COVID-19 pandemic, we still maintain fast growth of our business and experienced a year-on-year increase of 78.7% in revenue in 2021. At the same time, we accumulated 19.58 million registered members. We strategically focus on the further development of our pop toy business to consistently implement our long-term established strategy and development direction. We remained to regard artists development, IP operation, consumer access and pop toy culture promotion as our major business focuses.

Artists Development and IP Operation

IP operation as well as creative designs are essential to our products, and the key driving forces for the development of Pop Mart. We continuously enrich our types of IP and launch products of diversified styles to meet the demands of different groups of customers. During the year, the proportion of revenue from our top IPs was more evenly distributed, and maintained a substantial growth. 2021 was a year in which the creation of Molly marked its 15th anniversary, and Molly continues to be a fan favourite and its revenue is growing steadily. In 2021, revenue generated from Molly amounted to RMB705.1 million, representing a year-on-year increase of 97.6%. The scale of Molly's fans has been gradually enlarged, the influence of the IP continued to increase, and the life cycle and commercial value of the IP are well extended through a series of operations such as continuous launch of new products, cross-border and co-branded collaborations and themed exhibitions. In 2021, revenue generated from Dimoo and SKULLPANDA amounted to RMB566.7 million and RMB595.3 million respectively, representing a year-on-year increase of 79.8% and 1,423.8% as compared to that of 2020. Meanwhile, our in-house design team PDC (Pop Design Center) has also launched numerous popular IPs, including Sweet Bean, which contributed a revenue of RMB161.5 million in 2021, representing a year-on-year increase of 458.1%; and HIRONO, introduced to the public in October, 2021, with a unique design style, gaining a wide range of appeal and contributed a revenue of RMB52.2 million.

We have been committed to promoting the development of pop toy market, and constantly experimenting with product innovation. During the year, we officially launched our high-end pop toy product line, namely the "MEGA Collection", which received enthusiastic popularity from the market and generated total revenue of RMB178.1 million. Since the launch of SPACE MOLLY x SpongeBob co-branded model, we had introduced 9 1000% SPACE MOLLY products of the "MEGA Collection" series, attracting over 8.70 million customers to participate in the draws for purchasing opportunities.

Consumer Access

– *Offline channels*

In 2021, we opened 106 new physical stores in Mainland China. The number of physical stores increased from 187 as at the end of 2020 to 288¹ as at the end of 2021. In 2021, we opened 510 new roboshops in Mainland China. The number of roboshops increased from 1,351 as at the end of 2020 to 1,861 as at the end of 2021. As of the end of 2021, we accumulated 7 stores and 9 roboshops in Hong Kong, Macau, Taiwan and overseas. Through holding overseas online pop toy convention, attending DesignerCon in the US, Dubai Expo and other global conventions, Pop Mart received brand recognition by customers from diversified cultural backgrounds.

– *Online channels*

Pop Draw is a mini program independently invented and developed by us on WeChat platform, aiming to create fun and interesting shopping experience. In 2021, revenue amounted to RMB898.0 million, representing a year-on-year increase of 92.6%. In 2021, revenue from JD.com flagship store was RMB143.2 million, representing a year-on-year increase of 296.0%. Our Tmall flagship store recorded revenue of RMB598.9 million in 2021, representing a year-on-year increase of 47.5%. We have ranked top in sales within the toy category during Tmall Singles Day shopping festival for the third consecutive year.

– *Member operation*

By continuously expanding our channels and enhancing our IP portfolio, and through omni-channel member operation, the scale of user digitalization grew rapidly. As of 31 December 2021, the total number of registered members increased from 7.40 million as at the end of 2020 to 19.58 million, among which 12.18 million were newly registered members. In 2021, the sales contributed by our members represent 92.2% of total sales, with a repeat purchase rate of 56.5%² from our members.

Pop Toy Culture Promotion

In order to better promote pop art and culture, Pop Mart has established an art promotion institution, inner flow in 2021, which aims to provide a broader range of more trendsetting art works for the young generation through joint production of high-end art derivatives with global galleries and artists and development of art derivatives for collection purpose such as prints, sculptures, pop toys and household products. In November 2021, inner flow debuted at the 9th ART021 Shanghai Contemporary Art Fair and exhibited the paintings and sculptures of the Company's artists including LANG, Meiying (沒影), Yin Yue (殷越), Ma Ke (馬軻), Zeng Jianyong (曾健勇), Sun Yitian (孫一鈿) and Ashley Wood.

In July 2021, Pop Mart jointly established the Peking University Research Center for Business and Arts with Guanghua School of Management of Peking University, aiming to cultivate outstanding talents in the cultural and creative industries and promote the research in pop culture and new consumption sector in China and industry exchanges.

¹ In 2021, due to the expiration of the lease and other commercial reasons, we closed 5 stores

² The proportion of members who made purchase for 2 times or more in 2021

As a global brand of pop toys, Pop Mart has accelerated the promotion of pop toy culture overseas in the past year. In October 2021, Pop Mart made appearance at Expo 2020 Dubai, to show pop toy arts for visitors from all over the world as the “licensed supplier of the souvenir shop of China Pavilion in Expo 2020 Dubai”. In the same month, Pop Mart participated in the MCM London Comic Con with pop toy series of MEGA COLLECTION, SKULLPANDA Ancient Castle and others exhibited attracting a lot of attention from the mass of European fans. In November 2021, Pop Mart made appearance at DesignerCon, a pop art convention of the United States, to exhibit IP figures created by Chinese native designers, such as Dimoo, SKULLPANDA, Yuki and Hirono, which were enthusiastically welcomed by overseas visitors.

Adhering to the brand concept of “To Light Up Passion and Bring Joy”, in December 2021, Pop Mart jointly set up the “POP MART Philanthropic Aesthetic Education Center” with China Foundation for Poverty Alleviation to provide aesthetic education venues and training course support for teachers and students of schools in certain areas, and promote the development of aesthetic education in rural schools.

FINANCIAL REVIEW

Sales revenue

Revenue of the Company increased from RMB2,513.5 million in 2020 to RMB4,490.7 million in 2021, representing a year-on-year increase of 78.7%.

Revenue by channels

Revenue of the Company is generated from the following channels: 1. retail stores; 2. roboshops; 3. online channels; and 4. wholesale channels and others. The following table sets out the Company’s revenue by channels in 2021 and 2020:

	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Revenue <i>RMB'000</i>	Gross profit margin	Proportion of revenue	Revenue <i>RMB'000</i>	Gross profit margin	Proportion of revenue
Retail stores	1,673,386	61.9%	37.3%	1,002,054	62.0%	39.9%
Online channels	1,879,189	64.2%	41.8%	951,875	66.4%	37.9%
Roboshops	469,803	68.8%	10.5%	328,679	72.3%	13.1%
Wholesales and others	468,273	41.2%	10.4%	230,863	44.7%	9.1%
– Mainland China	330,920	42.9%	7.4%	156,691	42.8%	6.1%
– Outside Mainland China	137,353	37.2%	3.0%	74,172	48.8%	3.0%
Total	4,490,651	61.4%	100.0%	2,513,471	63.4%	100.0%

- **Retail stores.** Revenue from retail store sales increased by 67.0% year on year from RMB1,002.1 million in 2020 to RMB1,673.4 million in 2021, primarily due to the effective control of the domestic epidemic in 2021 with all retail stores remaining normal operation, while the severe epidemic in early 2020 having a significant impact on retail store sales. There was net addition of 108 new stores in 2021. As of 31 December 2021, there were a total of 295 retail stores.

- **Roboshops.** Revenue from roboshop sales increased by 42.9% from RMB328.7 million in 2020 to RMB469.8 million in 2021, primarily due to the effective control of the domestic epidemic in 2021 with all roboshops remaining normal operation, while the severe epidemic in early 2020 having a significant impact on roboshops; and the addition of 519 roboshops in 2021. As of 31 December 2021, there were a total of 1,870 roboshops.
- **Online channels.** Revenue from online sales increased by 97.4% year-on-year from RMB951.9 million in 2020 to RMB1,879.2 million in 2021. The table below sets forth a breakdown of revenue from online sales.

	For the year ended 31 December 2021		For the year ended 31 December 2020		Increase
	Revenue (RMB' 000)	Proportion of revenue	Revenue (RMB' 000)	Proportion of revenue	
Pop Draw	898,014	47.8%	466,364	49.0%	92.6%
Tmall flagship store	598,865	31.9%	406,110	42.7%	47.5%
JD.com flagship store	143,229	7.6%	36,173	3.8%	296.0%
Other online channels	239,081	12.7%	43,228	4.5%	453.1%
Total	1,879,189	100.0%	951,875	100.0%	97.4%

Online revenue of Pop Mart was derived from Pop Draw, Tmall flagship store, JD.com flagship store and other online channels. In particular, revenue from Pop Draw increased by 92.6% from RMB466.4 million in 2020 to RMB898.0 million in 2021; revenue from Tmall flagship store increased by 47.5% from RMB406.1 million in 2020 to RMB598.9 million in 2021; revenue from JD.com flagship store increased by 296.0% from RMB36.2 million in 2020 to RMB143.2 million in 2021. The increase in online channels in 2021 was primarily due to the stronger brand influence, the increase in members, and the increase in sales of Pop Draw and Tmall flagship store and the expansion of new channels in 2021.

- **Wholesales and others.** Revenue from wholesales and others primarily includes revenue from wholesales and others in Mainland China and overseas. Revenue from wholesales and others increased by 102.8% from RMB230.9 million in 2020 to RMB468.3 million in 2021. In particular, revenue from wholesales and others in Mainland China increased by 111.2% from RMB156.7 million in 2020 to RMB330.9 million in 2021, primarily due to the increase in revenue generated from our distributor Nanjing Golden Eagle Pop Mart Trading Co., Ltd., which accounted for 53.6% of total revenue generated from distributors in Mainland China; and revenue from wholesales and others outside Mainland China increased by 85.2% from RMB74.2 million in 2020 to RMB137.4 million in 2021, primarily due to the expansion in overseas markets as well as the brand promotion in different countries overseas.

Revenue by IPs

Pop Mart brand products are our major product type. Revenue from brand products, which contributed 88.6% of our total revenue as of 31 December 2021, increased by 86.2% from RMB2,136.2 million in 2020 to RMB3,977.8 million in 2021.

Pop Mart brand products consist mainly of propriety IPs, exclusive licensed IPs and non-exclusive licensed IPs. Breakdown of revenue by IPs is as follows.

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Revenue (RMB' 000)	Proportion of revenue	Revenue (RMB' 000)	Proportion of revenue
Pop Mart brand products	3,977,797	88.6%	2,136,196	85.0%
Propriety IPs	2,586,827	57.6%	979,940	39.0%
– Molly	705,098	15.7%	356,918	14.2%
– SKULLPANDA	595,256	13.3%	39,065	1.6%
– Dimoo	566,735	12.6%	315,248	12.5%
– Bunny	167,883	3.7%	60,915	2.4%
– Sweet Bean	161,526	3.6%	28,941	1.2%
– Other propriety IPs	390,329	8.7%	178,853	7.1%
Exclusive licensed IPs	770,507	17.2%	711,904	28.3%
– The Monsters	304,431	6.8%	204,828	8.1%
– PUCKY	182,245	4.1%	300,009	11.9%
– Other exclusive licensed IPs	283,831	6.3%	207,067	8.3%
Non-exclusive licensed IPs	620,463	13.8%	444,352	17.7%
External procurement and consignment	442,886	9.9%	368,400	14.6%
Others	69,968	1.5%	8,875	0.40%
Total	4,490,651	100.0%	2,513,471	100.0%

- **Propriety IPs.** Propriety IPs are our major product type, primarily including Molly, SKULLPANDA, Dimoo, Bunny, and others. The proportion of revenue from propriety IPs increased from 39.0% in 2020 to 57.6% in 2021, representing a significant increase in revenue contribution. Revenue from propriety IPs increased by 164.0% from RMB979.9 million in 2020 to RMB2,586.8 million in 2021, primarily due to the increased revenue contribution from sales of Molly, SKULLPANDA and Dimoo.
- **Exclusive licensed IPs.** Revenue from exclusive licensed IPs increased by 8.2% from RMB711.9 million in 2020 to RMB770.5 million in 2021, primarily due to the revenue contribution from The Monsters.
- **Non-exclusive licensed IPs.** Revenue from non-exclusive licensed IPs increased by 39.6% from RMB444.4 million in 2020 to RMB620.5 million in 2021, primarily due to the sales of new series of products and the increase in new IPs.

Revenue by geographic regions

The Company's revenue by geographic regions is mainly from offline channels, which mainly include retail stores and roboshops.

- **Retail stores.** The table below sets forth the Company's revenue from retail stores by geographic regions for 2021 and 2020:

City tier	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Number of retail stores	Revenue from retail stores (RMB'000)	Number of retail stores	Revenue from retail stores (RMB'000)
First-tier cities ³	113	797,520	81	499,210
New first-tier cities ⁴	84	479,902	56	289,139
Other cities ⁵	98	395,964	50	213,705
Total	295	1,673,386	187	1,002,054

- **Roboshops.** The table below sets forth the Company's revenue from roboshops by geographic regions for 2021 and 2020:

City tier	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Number of roboshops	Revenue from roboshops (RMB'000)	Number of roboshops	Revenue from roboshops (RMB'000)
First-tier cities	553	145,851	447	119,667
New first-tier cities	594	153,223	453	107,149
Other cities	723	170,729	451	101,863
Total	1,870	469,803	1,351	328,679

Costs of sales

Our costs of sales increased by 88.4% from RMB919.4 million in 2020 to RMB1,732.0 million in 2021, primarily due to the increase in revenue from business expansion. The increase of costs of sales was primarily due to (1) the increase in costs of goods from RMB748.5 million in 2020 to RMB1,445.0 million in 2021, which was mainly due to the increase in sales and the increase in the unit cost of goods; (2) design and license fees increased from RMB62.7 million in 2020 to RMB104.7 million in 2021, which was mainly due to the increase in revenue generated from our brand products; and (3) depreciation of property, plant and equipment increased from RMB19.9 million in 2020 to RMB76.4 million in 2021, which was mainly due to the increase in the number of our products and the additions of the product series resulting to the increase in moulds, thus the increase in depreciation expense generated.

³ Refer to first-tier cities in Mainland China, including Beijing, Shanghai, Guangzhou and Shenzhen

⁴ Refer to new first-tier cities in Mainland China, including Chengdu, Chongqing, Hangzhou, Wuhan, Xi'an, Zhengzhou, Qingdao, Changsha, Tianjin, Suzhou, Nanjing, Dongguan, Shenyang, Hefei and Foshan

⁵ Refer to cities other than first-tier cities and new first-tier cities in Mainland China as well as Hong Kong, Macau, Taiwan and overseas cities

Gross profit

Our gross profit increased by 73.1% from RMB1,594.1 million in 2020 to RMB2,758.6 million in 2021, primarily due to the increase in revenue. Our gross profit margin dropped from 63.4% in 2020 to 61.4% in 2021, primarily due to the decline in gross profit margin of our Pop Mart brand products.

Gross profit from our Pop Mart brand products increased by 75.3% from RMB1,467.9 million in 2020 to RMB2,573.2 million in 2021, primarily due to the increase in revenue from our Pop Mart brand products. Gross profit margin of Pop Mart brand products dropped from 68.7% in 2020 to 64.7% in 2021, primarily due to the increasing complexity of product production as we enhance the quality of our products, as well as the increasing raw material costs in 2021.

Gross profit from third-party products increased by 46.9% from RMB126.2 million in 2020 to RMB185.4 million in 2021. Gross profit margin increased from 33.4% in 2020 to 36.1% in 2021, primarily due to the diversification of product composition and the slight change of gross profit.

Distribution and selling expenses

Our distribution and selling expenses increased by 75.5% from RMB630.1 million in 2020 to RMB1,106.1 million in 2021. Among which, (1) employee benefit expenses; (2) depreciation of right-of-use assets; and (3) advertising and marketing expenses accounted for higher proportions.

- **Employee benefit expenses.** Our employee benefit expenses increased by 154.7% from RMB112.8 million in 2020 to RMB287.3 million in 2021, primarily due to (1) the increase in number of sales personnel from 1,527 in 2020 to 2,436 in 2021 primarily for supporting the expansion of our retail stores and roboshop network; and (2) share-based payment for share incentive scheme of RMB39.4 million in aggregate.
- **Depreciation of right-of-use assets.** Depreciation of right-of-use assets increased by 54.8% from RMB121.1 million in 2020 to RMB187.5 million in 2021, mainly due to the increase in number of retail stores from 187 as of 31 December 2020 to 295 as of 31 December 2021 for supporting our business expansion and fulfillment of the demands for our product display.
- **Advertising and marketing expenses.** Advertising and marketing expenses increased by 70.9% from RMB92.2 million in 2020 to RMB157.6 million in 2021, mainly due to the increase in the promotion of online channels and the planning costs for events such as “6.2” Big Children’s Day.

General and administrative expenses

Our general and administrative expenses increased by 99.1% from RMB280.0 million in 2020 to RMB557.5 million in 2021. Among which, (1) employee benefit expenses; and (2) depreciation of right-of-use assets accounted for higher proportions.

- **Employee benefit expenses.** Employee benefit expenses increased by 193.7% from RMB130.2 million in 2020 to RMB382.4 million in 2021, mainly due to (1) the increase in number of our administrative and design development personnel from 793 in 2020 to 1,617 in 2021 for supporting our product development and business expansion, as well as the rise in remuneration level for attracting talents; and (2) share-based payment for share incentive scheme of RMB107.7 million in aggregate.
- **Depreciation of right-of-use assets.** Depreciation of right-of-use assets increased from RMB21.8 million in 2020 to RMB34.2 million in 2021, mainly due to the expansion of office lease to meet office needs.

(Provision for)/reversal of impairment on financial assets

We recorded a reversal of impairment on financial assets of RMB0.4 million in 2020 and a provision for impairment on financial assets of RMB1.4 million in 2021, primarily due to the increase in trade receivable balances which was in line with our sales.

Other income

The other income of the Company increased by 19.8% from RMB45.4 million in 2020 to RMB54.4 million in 2021, primarily due to the increase in IP license fee income from cooperation projects with fresh, Ray-Ban, Haagen-Dazs, Kiehl's and other brands from RMB18.7 million in 2020 to RMB37.7 million in 2021.

Other (losses)/gains, net

We recorded other losses, net of RMB11.1 million in 2020, and other gains, net of RMB1.8 million in 2021, primarily due to the income from interest on wealth management products and structured deposits of RMB15.8 million in 2021 and other donation expenses totaling RMB10.9 million, including donations to flood relief in Henan Province and donations to Peking University Education Fund.

Operating profit

As a result of the above, the Group's operating profit increased by 60.0% from RMB718.8 million in 2020 to RMB1,149.8 million in 2021.

Share of profit/loss of investments accounted for using equity method

Our share of profit of investments accounted for using equity method increased by 259.0% from RMB3.9 million in 2020 to RMB14.0 million in 2021.

Finance expenses, net

Our finance expenses, net turned from a net loss of RMB9.0 million in 2020 to a net gain of RMB7.4 million in 2021, primarily due to the increase in our interest income.

Income tax expense

Our income tax expense increased from RMB184.1 million in 2020 to RMB316.6 million in 2021 as a result of the increase in profit before income tax. Our effective tax rate rose from 26.0% in 2020 to 27.0% in 2021.

Profit for the year

As a result of the above, our profit for the year increased from RMB523.3 million in 2020 to RMB854.6 million in 2021.

Non-GAAP financial indicators

The non-IFRS adjusted net profit has not been calculated in accordance with the IFRS, thus it is deemed as non-IFRS financial indicator. The non-IFRS adjusted net profit refers to the net profit after excluding listing expenses, share-based payment, expenses in relation to the redesignation of ordinary shares as preference shares, expenses in relation to the convertible redeemable preference shares and changes in fair value of convertible redeemable preference shares, while the non-IFRS adjusted net profit margin refers to the non-IFRS adjusted net profit divided by revenue. We are of the view that such information is useful for investors to compare the results of the Group, provided that the results of the continuing operation or cash flows of the Group are not being affected, and enable investors to take into consideration of the indicators used by the management when assessing the results of the Group. Investors shall not treat non-IFRS financial indicator as an alternative or better version of the results of the Group prepared in accordance with IFRS. In addition, not all companies will adopt the same way in calculating such non-IFRS financial indicators. Hence, similar measurements made by other companies may not be comparable.

The following table set out the reconciliation of non-IFRS financial indicators of the Company for the respective years.

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Profit for the year	854,567	523,312
Adjustments		
Listing expenses	–	44,024
Share-based payment	147,068	–
Expenses in relation to the redesignation of ordinary shares as preference shares	–	16,910
Changes in fair value of convertible redeemable preference shares	–	6,260
Non-IFRS adjusted net profit	1,001,635	590,506
Non-IFRS adjusted net profit margin	22.3%	23.5%

The management is of the view that listing expenses, expenses in relation to the redesignation of ordinary shares as preference shares and changes in fair value of convertible redeemable preference shares are one-off in nature that are related to procedures prior to listing and the initial public offering, which will not be incurred after listing. In addition, share-based payment expenses, expenses in relation to the redesignation of ordinary shares as restricted shares and changes in fair value of convertible redeemable preference shares are non-cash items, which do not directly reflect our business operation. Hence, through eliminating the effects of such items on calculation of non-IFRS adjusted net profit, relevant operating performance can be better reflected, and it would be more convenient to compare operating performance in different years.

Current assets, Financial Resources and Capital Expenditures

In 2021, the Group adopt a prudent funding and treasury policy with regard to its overall business operations. A variety of the below resources are maintained to meet its working capital requirements.

Current assets and current liabilities

Our net current assets increased from RMB5,590.6 million as of 31 December 2020 to RMB5,664.6 million as of 31 December 2021, which was basically stable.

Trade receivables

Trade receivables represent outstanding amounts receivable by us from our customers in the ordinary course of business. Our trade receivables increased from RMB78.3 million as of 31 December 2020 to RMB171.3 million as of 31 December 2021. The increase was primarily due to the increase in third party (including shopping malls, wholesale customers and e-commerce platforms) payment. Trade receivables turnover days increased from 9 days in 2020 to 10 days in 2021, which was basically stable.

Other receivables

Other receivables mainly represent deposits paid to shopping malls in respect of our retail stores and roboshops. Other receivables increased from RMB90.8 million as of 31 December 2020 to RMB154.9 million as of 31 December 2021, mainly due to the increase in deposits, which was in line with the expansion in our retail store and roboshop network.

Inventories

Our inventories comprise finished goods. Our inventories increased from RMB225.4 million as of 31 December 2020 to RMB788.8 million as of 31 December 2021. The increase was primarily due to the increase in product inventories to meet with the increasing product demands. Inventory turnover days increased from 78 days in 2020 to 128 days in 2021, primarily due to the expansion of the business and channel, the increase in IPs and new products, and stocking up in advance for Spring Festival and the first quarter in 2022.

Prepayments and other current assets

Prepayments and other current assets primarily comprise prepayments for inventories, prepayments for design fees, prepayments for investment, prepayments for property, plant and equipment and others. Our prepayments and other current assets increased from RMB177.9 million as of 31 December 2020 to RMB353.6 million as of 31 December 2021, primarily due to (1) the increase in prepayments to suppliers of RMB105.5 million; and (2) the increase in prepayments for design fees of RMB43.8 million.

Cash and cash equivalents

Our cash and cash equivalents primarily comprise cash at bank. Cash and cash equivalents decreased from RMB5,680.2 million as of 31 December 2020 to RMB5,264.7 million as of 31 December 2021, which was mainly due to the increasing investments in financial instruments at fair value through profit or loss.

Trade payables

Trade payables primarily represent our obligation to pay for merchandise from suppliers in the ordinary course of business. Trade payables increased from RMB115.8 million as of 31 December 2020 to RMB266.1 million as of 31 December 2021, primarily due to the increase in procurement amount as a result of our business growth, which in turns resulted in the increase in balance of payables to suppliers. Our trade payables turnover was 40 days in 2021, the same with the trade payables turnover in 2020.

Other payables

Our other payables consist mainly of (1) wages, salaries and other employee benefits, (2) accrual expenses, (3) payables for store improvement, (4) dividend payables, (5) other tax payables, and (6) others. Our other payables increased from RMB202.3 million as of 31 December 2020 to RMB266.9 million as of 31 December 2021, primarily due to (1) an increase of RMB35.2 million in wages, salaries and other employee benefits resulted from increased number of staff; and (2) an increase of RMB24.8 million in service fees, logistics fees, advertisement fees and other expensed in daily operation.

Property, plant and equipment

Our property, plant and equipment consist mainly of (1) roboshops, (2) moulds, (3) equipment and others and (4) leasehold improvement. Our property, plant and equipment increased from RMB238.3 million as of 31 December 2020 to RMB366.3 million as of 31 December 2021, primarily due to the increase in leasehold improvements of new stores and new offices of RMB96.9 million.

Intangible assets

Our intangible assets consist mainly of (1) licensed IPs, (2) intellectual property rights, including our propriety IPs and (3) software. Our intangible assets increased from RMB92.7 million as of 31 December 2020 to RMB134.0 million as of 31 December 2021, primarily due to the increase in the licensed IPs of RMB38.6 million.

Right-of-use assets

Our right-of-use assets comprise the initial measurement of the corresponding lease liability in relation to our retail stores and roboshops, lease payments made at or before the commencement date and any initial direct costs. Our right-of-use assets are depreciated starting at the commencement date over the shorter period of useful life of the underlying asset and lease term. Our right-of-use assets increased from RMB287.8 million as of 31 December 2020 to RMB609.5 million as of 31 December 2021, mainly due to the expansion in our retail store and roboshop network.

Bank borrowings

The Group did not have any bank borrowings as of 31 December 2021.

Pledge of Assets

The Group did not have any pledged assets as of 31 December 2021.

Gearing Ratio

The gearing ratio is calculated by dividing total liabilities by total assets and then multiplying by 100%. As of 31 December 2021, the Group's gearing ratio was 18.1% as compared with the gearing ratio of 12.1% as of 31 December 2020.

Contingency

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we are involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

On 28 August 2020, we received a court summons dated 19 August 2020 in relation to a claim brought by Golden Eagle International Retail Group (China) Co., Ltd. (金鷹國際商貿集團(中國)有限公司) as a shareholder on behalf of Nanjing Golden Eagle Pop Mart Trading Co., Ltd. at the Jiangsu Nanjing Intermediate People's Court (江蘇省南京市中級人民法院) against Beijing Pop Mart Culture & Creative Co., Ltd. On 17 June 2021, the first hearing of the above case was held, and the major proceedings were the collection and verification of further information provided by Golden Eagle International and the Group. The case will continue to be heard in subsequent sessions to assist the court in finding out the facts. As at the date of this announcement, the above case is still in process. As we have been advised by our PRC legal adviser that the claim brought by Golden Eagle International is groundless, the likelihood that the claim will be decided in favor of Golden Eagle International is very low, the risk exposure of the Company from the claim is minimal and the claim will not have a material adverse impact on our operations and financial performance, as such, no provision in relation to this claim has been recognized in the consolidated financial statements.

Foreign Exchange Risk Management

We operate mainly in the PRC with most of the transactions settled in Renminbi. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of our Group denominated in currencies other than the respective functional currencies of our operating entities. We did not hedge against any fluctuation in foreign currency during the year ended 31 December 2021.

Capital Expenditures

Our capital expenditures consist of purchases of property, plant and equipment and purchases of intangible assets. The table below sets forth the Company's capital expenditures in 2020 and 2021:

	For the year ended 31 December 2021 (RMB' 000)	For the year ended 31 December 2020 (RMB' 000)
Purchases of property, plant and equipment	287,502	175,984
Purchases of intangible assets	46,246	47,608
Total	<u>333,748</u>	<u>223,592</u>

Human Resources

As of 31 December 2021, we had a total of 4,053 employees, including 2,436 sales personnel and 1,617 administrative and development personnel. For the year ended 31 December 2021, we incurred staff costs (including remuneration, payrolls, allowances and benefits) of RMB669.7 million.

Future Plans on Significant Investments

As of 31 December 2021, we did not hold any significant investment. To strengthen our position as the pioneer and key promoter of pop toy culture in China, we plan to utilise the Net Proceeds to carry out certain expansion projects. Details for the expansion projects are set out in the paragraph headed "Use of Net Proceeds From Listing" in this announcement and the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 1 December 2020 (the "**Prospectus**").

Material Acquisitions and Disposals

During the Reporting Period, we had not conducted any material acquisition or disposal of subsidiaries, associates and joint ventures.

Subsequent Events

As at the date of this announcement, the Group has no significant events occurred after the Reporting Period which require additional disclosures or adjustments.

Outlook

IP is at the core of our business. Through our innovative products, delicate design and quality services, we aim to offer consumers with joyful pop culture and artistic experience. At the same time, by elevating our brand value, we will enhance the brand loyalty of users on Pop Mart products, thereby maintaining our strong market position and competitiveness.

We will strive to enrich the types of our IPs, expand the portfolio of our IPs, maintain high-quality design and innovation standards, introduce more products as top-selling series, operate IPs continuously, strengthen IPs' impression in the public's eye, and deepen the emotional connection between fans and IPs. In addition, we will increase types of pop toys, further explore the development of product lines such as MEGA, derivative products and BJD, and improve product quality and sales procedures.

We will strive to expand our channel network so as to reach more users. In addition, we will continue to strengthen our operating capability, improve user shopping experience, enhance member expansion and member marketing, promote innovative retail digitalized operation, reach and retain users through diversified measures, and offer customized and better services.

We will strive to increase our brand awareness and market share in pop toy market in overseas countries and regions. Localization of operation is the core of our overseas operations strategy. While enhancing the shopping experience and interaction of end consumers, we will also cooperate with more local partners and artists to explore more business models, IPs and product types that meet the needs of local market.

We will continue to promote pop toy culture through more diversified means, continuously thrive to gain a stronger impact on the industry, offer more benefits for our privilege members, take more measures to let our customers stick to our brand, as well as enhance the cultural recognition and brand awareness of fans.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 December 2020 (the “**Listing Date**”) by way of global offering, and the total Net Proceeds received by the Company from the global offering (including the full exercise of the over-allotment option) amounted to approximately HK\$5,781.7 million after deducting professional fees, underwriting commissions and other related listing expenses.

As stated in the Prospectus, the intended uses of the Net Proceeds are set out below:

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net proceeds	Amount of Net Proceeds utilized up to 31 December 2021	Balance of Net Proceeds unutilized as at 31 December 2021	Intended timetable for use of the unutilized Net Proceeds
(i) To finance part of our expansion plans of consumer access channels and overseas markets	HK\$1,734.5 million	30.0%	HK\$735.8 million	HK\$998.7 million	Before 31 December 2024
(a) for opening new retail stores	HK\$954.0 million	16.5%	HK\$603.4 million	HK\$350.6 million	
(b) for opening new roboshops	HK\$346.9 million	6.0%	HK\$98.7 million	HK\$248.2 million	
(c) for expanding our business into overseas markets	HK\$433.6 million	7.5%	HK\$33.7 million	HK\$399.9 million	
(ii) To fund our potential investments in, acquisitions of and strategic alliance with companies along the value chain of our industry	HK\$1,561.1 million	27.0%	HK\$262.0 million	HK\$1,299.1 million	Before 31 December 2024
(iii) To invest in technology initiatives to strengthen our marketing and fan engagement efforts, and to enhance the digitalization of our business	HK\$867.2 million	15.0%	HK\$139.8 million	HK\$727.4 million	
(a) for talent recruitment	HK\$173.5 million	3.0%	HK\$19.5 million	HK\$154.0 million	Before 31 December 2023
(b) for acquiring relevant software and hardware to enhance digitalization and establish information systems for digital marketing, customer services, logistics, products, supply chain, warehousing, membership, transactions and store management and marketing	HK\$346.9 million	6.0%	HK\$28.3 million	HK\$318.6 million	Before 31 December 2024
(c) for optimizing our online marketing efforts, which primarily consist of strategically placed advertisement, icons, links and news feeds on third party promotional platforms	HK\$346.8 million	6.0%	HK\$92.0 million	HK\$254.8 million	Before 31 December 2024

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net proceeds	Amount of Net Proceeds utilized up to 31 December 2021	Balance of Net Proceeds unutilized as at 31 December 2021	Intended timetable for use of the unutilized Net Proceeds
(iv) To expand our IP pool	HK\$1,040.7 million	18.0%	HK\$68.3 million	HK\$972.4 million	
(a) for enhancing our ability to identify outstanding artists	HK\$260.3 million	4.5%	HK\$38.3 million	HK\$222.0 million	Before 31 December 2024
(b) for recruiting talented designers to join our in-house design team to enhance our in-house original IP development capability by providing competitive salary	HK\$86.6 million	1.5%	HK\$30.0 million	HK\$56.6 million	Before 31 December 2023
(c) for acquisitions of popular IPs from to expand our IP pool	HK\$693.8 million	12.0%	—	HK\$639.8 million	Before 31 December 2024
(v) Working capital and general corporate purposes	HK\$578.2 million	10.0%	HK\$578.2 million	—	Before 31 December 2023

The Group will utilise the Net Proceeds of the initial public offering in accordance with the intended purposes as set out in the Prospectus.

DIVIDEND

The Board recommended the payment of a final dividend of RMB15.24 cents per issued ordinary share of the Company for the year ended 31 December 2021. On the basis of the total issued share capital of 1,401,937,550 shares of the Company as of the date of this announcement, it is estimated that the aggregate amount of final dividend would be RMB213.66 million. The actual total amount of final dividends to be paid will be subject to the total number of issued share capital of the Company as at the record date for determining the entitlement of shareholders to the final dividend.

The proposed dividend payment is subject to the approval by the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting (the “**AGM**”) to be held on Wednesday, 1 June 2022 and is payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People’s Bank of China on 1 June 2022. Upon Shareholders’ approval, such dividend will be paid on Thursday, 23 June 2022 to the Shareholders whose names shall appear on the register of members of the Company on Friday, 10 June 2022.

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on Wednesday, 1 June 2022. The register of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered, and Shareholders whose names on the register of members of the Company on Friday, 27 May 2022 shall have the right to attend and vote at the AGM. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 26 May 2022.

The register of members of the Company will also be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend, during which period no share transfers will be registered. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 7 June 2022.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the Reporting Period, except for deviation from code provision C.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the Chairman and Chief Executive Officer of the Company are held by Mr. Wang Ning.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of nine Directors, and the Board believes there is sufficient check and balance on the Board; (ii) Mr. Wang Ning and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions of the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. Wang Ning is our principal founder, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all directors of the Company (the “**Directors**”), each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee had, together with the Board, reviewed the accounting standards and practices adopted by the Group and the annual results for the year ended 31 December 2021.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2021 as set forth in this announcement have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set forth in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.popmart.com), and the 2021 Annual Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
POP MART INTERNATIONAL GROUP LIMITED

Wang Ning

Executive Director, Chairman of the Board and Chief Executive Officer

Hong Kong, 28 March 2022

As at the date of this announcement, the executive Directors are Mr. Wang Ning, Ms. Yang Tao, Ms. Liu Ran and Mr. Si De, the non-executive Directors are Mr. Tu Zheng and Mr. He Yu, and the independent non-executive Directors are Mr. Zhang Jianjun, Mr. Wu Liansheng and Mr. Ngan King Leung Gary.