kidsland

凱知樂

kidsland international holdings limited

凱知樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2122)

kidsland

2001–2021

ANNUAL REPORT 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Lee Ching Yiu *(Chairman and Chief Executive Officer)*
Mr. Hung Shing Ming
Ms. Zhong Mei

Non-executive Directors
Mr. Du Ping
Ms. Duan Lanchun

Independent Non-executive Directors
Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Dr. Lam Lee G.

AUDIT COMMITTEE

Mr. Cheng Yuk Wo *(Chairman)*
Mr. Huang Lester Garson
Dr. Lam Lee G.

REMUNERATION COMMITTEE

Mr. Huang Lester Garson *(Chairman)*
Mr. Lee Ching Yiu
Mr. Cheng Yuk Wo

NOMINATION COMMITTEE

Dr. Lam Lee G. *(Chairman)*
Mr. Cheng Yuk Wo
Mr. Huang Lester Garson

COMPANY SECRETARY

Ms. Chan Hau Lai (resigned on 1 November 2021)
Ms. Tung Wing Yee Winnie
(appointed on 1 November 2021)

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu
Ms. Chan Hau Lai (ceased to act on 1 November 2021)
Ms. Tung Wing Yee Winnie
(appointed on 1 November 2021)

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Level 9 One Indigo
20 Jiuxianqiao Road
Chaoyang District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F Times Tower
391–407 Jaffe Road
Wan Chai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
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

PRINCIPAL BANKERS

Hong Kong
Bank of China (Hong Kong) Limited
OCBC Wing Hang Bank Limited

The PRC
China Construction Bank
China Minsheng Bank
DBS Bank
Industrial and Commercial Bank of China

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung, Solicitors

COMPANY'S WEBSITE

www.kidslandholdings.com
(information on this website does not form part of this report)

LISTING INFORMATION

Place of Listing
The Main Board of The Stock Exchange of
Hong Kong Limited (the "Stock Exchange")

Stock Code
2122

Board Lot
2,000 shares

CHAIRMAN'S STATEMENT

The year 2021 marked the 20th anniversary of Kidsland. I am truly grateful and feel privileged that so many outstanding, committed and trustworthy business partners and individuals have chosen to work with us, and many have continued to do so. We have been developing our business and evolving our strategy since the inception of business and our initial public offering in 2017 to continuously adapt to the markets and overcome the many challenges. The journey over the past 20 years has been immensely rewarding for me, our team and Kidsland. I cannot be more thankful to all stakeholders for your trust and contributions.

Needless to say, the past few years have proven to be eventful, turbulent and no shortage of challenges. However, I am pleased to report that we had recorded a net profit after tax of approximately RMB2.1 million for the year ended 31 December 2021 (the "FY2021"). The size of the net profit may not be significant but this marks the first time our Group has recorded a net profit after tax for a full financial year since the year ended 31 December 2017.

Despite the common belief that the impact from novel coronavirus disease 2019 (the "COVID-19") on business would have dwindled in 2021, the COVID-19 pandemic and the outbreak of its variants had been lingering and negatively impacting our business, especially in the second half of 2021 in Mainland China. The natural disasters, such as the flood in central China, had also caused disruption to our business. In face of these and many other challenges, our team had been working tirelessly not just to cope but continue to focus on optimizing our operations and retail network. We have been exiting some under-performing shops, while optimizing the size, location and upgrading other shops. As a result, same store sales had recorded a healthy high single-digit growth year-on-year in our comparable Kidsland shop. Revenue from retail shops overall grew 16.7% to approximately RMB699.7 million in 2021 from approximately RMB599.8 million in 2020.

We have been steadily strengthening our product assortment and procurement agility. The second largest brand that we represent in Mainland China had grown its sales with us by more than 60% from 2020 to 2021, leveraging strong popularity of the relevant animation characters. In 2021, we intensified our efforts on product diversification and responsiveness to market by adopting more flexible collaboration models to test the market appetite. We introduced a wide range of products, on varied passion points, such as collectible kidult products, trading cards, etc. Some product lines have received overwhelming market response. We foresee that our product assortment will continue to be strengthened and better address the ever-changing market appetite going forward.

In July 2021, the first season of "Monsters in the Forbidden City" (故宮裡的大怪獸) was launched on Tencent Video and subsequently on other satellite channels. It has since accumulated more than one billion views. There are plans to broadcast this live-action animation on more channels in 2022. This strategic collaboration with Tencent Video and Original Force signified our foray into investing, developing and commercialising self-owned intellectual property. It also means cultivating business and products with higher cultural relevance to the Mainland China market.

In the fourth quarter of 2021, we became the licensing agent of MGA Entertainment in Mainland China for three popular intellectual properties, namely L.O.L. Surprise!, O.M.G. and Na! Na! Na!. We have been building a team to accelerate the development of licensing business to bring new sources of revenue and improve our profitability.

In February 2021, we debuted our first LEGO Certified Store ("LCS") in Macau SAR. This shop has quickly risen to become one of the top performing LCSs globally, alongside with our other top performing LCSs in Hong Kong.

In July 2021, we expanded kkplus kidsland, the multi-brand, trendy and collectible toy platform which we launched in September 2020 in Hong Kong, turning it into an iconic multi-concept flagship. In addition, kkplus kidsland has forged partnership with internationally well-renowned boutiques and online trendy stores to expand its distribution network and customer reach. We plan to step up the development of kkplus kidsland and its e-commerce in 2022.

Powered up by our robust performance from LCS and kkplus kidsland in Hong Kong and Macau, our revenue from Hong Kong and overseas (after inter-segment elimination) grew by 30.2% year-on-year in 2021.

Despite facing unprecedented challenges largely caused by the COVID-19 pandemic and the softening China economy over the past few years, we are cautiously optimistic about the future. We strive to invest and upgrade wholistically to strengthen ourselves; deepen our faith; keep on innovation and executional excellence, to create sustainable value (修煉內功、相信自己、堅定「創新+匠心」的價值之路).

Once again, I must thank my team's extraordinary hard work and assure every stakeholder that Kidsland will keep on developing and pivoting as we have done so over the past 20 years.

Lee Ching Yiu
Chairman

Hong Kong, 23 March 2022

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lee Ching Yiu, aged 66, was appointed as Executive Director in 2017. He is also the Chairman, the Chief Executive Officer and a member of the Remuneration Committee. Mr. Lee is the founder of the Group and is primarily responsible for overall management, strategy and operations of the Group. Prior to establishing the Group, Mr. Lee has been engaged in toy manufacturing and has gained 30 years of experience in the industry. Mr. Lee received his Bachelor of Arts degree from the University of Hong Kong in November 1979. He had been a director of the Tung Wah Group of Hospitals from April 2019 to April 2021.

Mr. Hung Shing Ming, aged 45, was appointed as Executive Director on 1 January 2019. Mr. Hung joined the Group as Assistant Chief Executive Officer and Chief Financial Officer on 11 September 2018. Mr. Hung is primarily responsible for the strategic development and corporate finance management of the Group. Prior to joining the Group, Mr. Hung gained over 18 years of experience in investment banking and corporate banking. He had worked at a number of financial institutions including DBS, Morgan Stanley and Citigroup. He had led a number of landmark IPOs, capital market fund-raisings and strategic M&A transactions across the Asia Pacific region. Mr. Hung graduated from the University of London with a Bachelor's degree in Economics and the University of Cambridge with a Master of Philosophy in Economics with Finance. He has been an independent non-executive director of Yuexiu Services Group Limited (stock code: 6626), a company listed on the Main Board of the Stock Exchange, since June 2021.

Ms. Zhong Mei, aged 51, was appointed as Executive Director in 2017. She is the Managing Director of Kidsland China and oversees the operations of the Group in the Mainland, while also serving as director for various Group subsidiaries. Prior to joining the Group in July 2001, Ms. Zhong was the sales and marketing director of Beijing Hong Kong Garland Trading Company Limited, a branded toys distributor, from March 1999 to June 2001, where she oversaw organizational development and sales and marketing operations of the firm's overseas business. From November 1993 to February 1999, Ms. Zhong served as national business manager of the toys division of East Asiatic Company (China) Limited, a wholly-owned subsidiary of Santa Fe Group A/S, where she also oversaw organizational development and operations of the firm's overseas business. Ms. Zhong received her Bachelor's degree in English from the Civil Aviation University of China in July 1992 and Executive Master's degree in Business Administration from the China Europe International Business School in September 2005.

Non-executive Directors

Mr. Du Ping, aged 51, was appointed as Non-executive Director in 2017. He has been the financial controller of Lovable Holdings Limited since July 2005, overseeing financial reporting and management. Mr. Du received his Bachelor of Accounting degree from the Capital University of Economics and Business in July 1993, and his Master's degree in Business Administration from the National University of Singapore in August 2000. Mr. Du was admitted as a certified public accountant in China in November 1993 and recognised by the Ministry of Personnel and the Ministry of Finance as a Chinese Accountant in the Mainland in October 1994.

Ms. Duan Lanchun, aged 47, was appointed as Non-executive Director in 2017. Since October 2010, she has also been a managing partner at Cathay Capital Private Equity, where she is responsible for the management and operation of funds. From December 2003 to August 2008, Ms. Duan served as an associate director of the financial advisory department at Deloitte Touche Tohmatsu in Shanghai. She has been a director of Zbom Cabinets Company Limited (stock code: 603801), a company listed on the Shanghai Stock Exchange, since July 2017. She has also been a director of SINO-KOR Plastic & Aesthetic Hospital Holding Co., Ltd. (stock code: 430335), a company listed on the National Equities Exchange and Quotations (NEEQ), since June 2015. Ms. Duan received her Bachelor's degree in Economics, majoring in Accounting, from the Central University of Finance and Economics in July 1997 and her Master's degree in Business Administration from the China Europe International Business School in September 2010.

Independent Non-executive Directors

Mr. Cheng Yuk Wo, aged 61, was appointed as Independent Non-executive Director on 20 October 2017. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Cheng is currently the proprietor of Erik Cheng & Co., a certified public accountant practice in Hong Kong. Mr. Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from the London School of Economics in August 1984 and a Bachelor of Arts degree in Accounting from the University of Kent in July 1983. He has been a fellow of the Institute of Chartered Accountants in England and Wales since August 1998, a fellow of the HKICPA since January 1999, and a fellow of the Institute of Chartered Professional Accountants of Canada since November 1990. Mr. Cheng has over 30 years of experience in financial and corporate advisory services in mergers, acquisitions, and investments. He worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London between 1984 and 1987 and Swiss Bank Corporation (now known as UBS AG) in Toronto between 1989 and 1992. He has held senior management positions in a number of Hong Kong listed companies.

Mr. Cheng is an independent non-executive director of each of Chia Tai Enterprises International Limited (stock code: 3839), China Renewable Energy Investment Limited (stock code: 987), CPMC Holdings Limited (stock code: 906), CSI Properties Limited (stock code: 497), Liu Chong Hing Investment Limited (stock code: 194), Miricor Enterprises Holdings Limited (stock code: 1827), Somerley Capital Holdings Limited (stock code: 8439) and Top Spring International Holdings Limited (stock code: 3688). Mr. Cheng resigned as an independent non-executive director of HKC (Holdings) Limited (stock code: 190) on 8 June 2021 (which was privatized on 8 June 2021), Goldbond Group Holdings Limited (stock code: 172) on 30 June 2021 (which was delisted on 2 August 2021) and C.P. Pokphand Company Limited (stock code: 43) on 18 January 2022 (which was privatized on 18 January 2022).

Mr. Huang Lester Garson, aged 62, was appointed as Independent Non-executive Director on 20 October 2017. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Huang is a practicing solicitor and managing partner at P.C. Woo & Co., where he oversees its probate and trust administration practice and was appointed as co-chairman in January 2016. He became a qualified solicitor of Hong Kong in March 1985, a notary public in 1997, and Civil Celebrant of Marriages in 2006. Also, a qualified solicitor of England and Wales since 1990, a solicitor and barrister in Australia since 1991 and in Singapore since 1995. Mr. Huang has acquired over 30 years of post-qualification experience as a solicitor. Mr. Huang graduated from the University of Hong Kong in 1982 with a Bachelor of Laws degree and in 1983 with a Postgraduate Certificate in Laws and graduated from the Chinese University of Hong Kong in 2006 with a Master of Education degree.

The Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") appointed Mr. Huang as a Justice of the Peace in 2002 and awarded him a Silver Bauhinia Star in 2018 for serving the public. He has been the chairman of the Council of the City University of Hong Kong since January 2018. He is the chairman of the Standing Committee on Language Education and Research. He has also been the director of Faithful Servant Charitable Foundation Limited since August 2019.

Mr. Huang is an independent non-executive director of each of Guoco Group Limited (stock code: 53) and Lam Soon (Hong Kong) Limited (stock code: 411). Mr. Huang is also an independent non-executive director of Top Glove Corporation Bhd., a company listed on the Official List of Bursa Malaysia Securities. Mr. Huang served as a member of the Hospital Authority from December 2012 to December 2018 and had been a non-executive director of the Securities and Futures Commission from November 2015 to November 2021. Mr. Huang has been appointed as a Steward of the Hong Kong Jockey Club (a company incorporated) and has taken up directorships in The Hong Kong Jockey Club (Charities) Limited, The Hong Kong Jockey Club Membership Services Limited, The Jockey Club Kau Sai Chau Public Golf Course Limited, The Hong Kong Jockey Club Equine Welfare Research Foundation Limited and The Jockey Club CPS Limited since April 2020. He was the president of the Law Society of Hong Kong from 2007 to 2009 and has been a fellow of The Hong Kong Institute of Directors since January 2000.

Dr. Lam Lee G., aged 62, was appointed as an Independent Non-executive Director on 20 October 2017. He is also the Chairman of the Nomination Committee and a member of the Audit Committee. Dr. Lam is the Chairman of Hong Kong Cyberport and Non-executive Chairman – Greater China and ASEAN Region of Macquarie Infrastructure and Real Assets. He is also a member of the Committee on Innovation, Technology and Re-Industrialization, the Governance Committee of the Hong Kong Growth Portfolio, and the Development Bureau Common Spatial Data Advisory Committee of the Hong Kong Special Administrative Region Government, Convenor of the Panel of Advisors on Building Management Disputes of the HKSAR Government Home Affairs Department, a member of the Court of the City University of Hong Kong and the Tencent Finance Academy (Hong Kong) Advisory Board, Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) and its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), and a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee and the Sir Murray MacLehose Trust Fund Investment Advisory Committee.

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (stock code: 497), Elife Holdings Limited (stock code: 223), Greenland Hong Kong Holdings Limited (stock code: 337), Haitong Securities Company Limited (stock code: 6837, 600837 on the Shanghai Stock Exchange), Hang Pin Living Technology Company Limited (stock code: 1682), Huarong International Financial Holdings Limited (stock code: 993), Mei Ah Entertainment Group Limited (stock code: 391) and Vongroup Limited (stock code: 318). He is an executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725, re-designated from non-executive director on 3 January 2022). He is a non-executive director of each of China LNG Group Limited (stock code: 931), Mingfa Group (International) Company Limited (stock code: 846), National Arts Group Holdings Limited (stock code: 8228) and Sunwah Kingsway Capital Holdings Limited (stock code: 188), the shares of all of which are listed on the Stock Exchange. Dr. Lam is also an independent non-executive director of each of Asia-Pacific Strategic Investments Limited (fka: China Real Estate Group Limited, stock code: 5RA), Beverly JCG Limited (fka: JCG Investment Holdings Ltd., stock code: VFP), Thomson Medical Group Limited (stock code: A50) and Alset International Limited (fka: Singapore eDevelopment Limited with stock code: 40V), the shares of all of which are listed on the Singapore Exchange. He is an independent non-executive director of each of AustChina Holdings Limited (stock code: AUH), whose shares are listed on the Australian Securities Exchange, and TMC Life Sciences Berhad (stock code: 0101), whose shares are listed on the Bursa Malaysia, and a non-executive director of Jade Road Investments Limited (stock code: JADE, fka: Adamas Finance Asia Limited), whose shares are listed on the London Securities Exchange. Dr. Lam resigned as an independent director of Sunwah International Limited (stock code: SWH), whose shares are listed on the Toronto Stock Exchange of TMX Group Limited, on 30 June 2021. He also retired as a non-executive director of Tianda Pharmaceuticals Limited (stock code: 455), listed on the Stock Exchange, on 26 August 2021 and an independent non-executive director of Top Global Limited (stock code: BHO), listed on the Singapore Exchange Limited and privatized on 17 August 2021, on 31 August 2021.

Dr. Lam holds a BSc in Sciences and Mathematics, an MSc in Systems Science and an MBA from the University of Ottawa in Canada, an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in Law from the University of Wolverhampton in the UK, an MPA and a PhD from the University of Hong Kong. He is also a Solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an Accredited Mediator of the Centre for Effective Dispute Resolution, a Fellow of Certified Management Accountants (CMA) Australia, the Institute of Public Accountants, the Institute of Financial Accountants, the Hong Kong Institute of Arbitrators, and the Hong Kong Institute of Directors, and an Honorary Fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management, and the University of Hong Kong School of Professional and Continuing Education. In 2019, Dr. Lam was awarded by the Hong Kong Government a Bronze Bauhinia Star for serving the public.

SENIOR MANAGEMENT

Ms. Zhang Ying, aged 57, is the Group's national director overseeing sales and operations of national retail stores in the Mainland. Ms. Zhang is a director at Beijing Huizhilesi Commercial Company Limited. She is also overseeing the Group's LCS (LEGO Certified Store) business in the Mainland.

Prior to joining the Group in July 2001, Ms. Zhang served as north regional manager at Beijing Hong Kong Garland Trading Company Limited, a branded toys distributor, where she was primarily responsible for daily sales and operation management in Northern China. From January 1994 to February 1999, she oversaw daily sales and operations in Northern China when she was regional manager for the toys division at East Asiatic Company (China) Limited, a wholly-owned subsidiary of Santa Fe Group A/S, a listed company on NASDAQ Nordic that distributes consumer products internationally.

Mr. Yang Kewei, aged 54, is the Group's national director overseeing wholesale distribution in the Mainland. Prior to joining the Group in July 2001, Mr. Yang served as area manager from April 2000 to July 2001, overseeing Central China operations of Beijing Hong Kong Garland Trading Company Limited, a branded toys distributor. From May 1997 to February 1999, Mr. Yang served as an acting toy priority city manager at East Asiatic Company Marketing Services China, a wholly-owned subsidiary of Santa Fe Group A/S.

Ms. Zhang Weili, aged 58, is the Group's national director who oversees the sales and operations of consignment counters in department stores in the Mainland. Prior to joining the Group in July 2001, from June 1989 to July 1992, Ms. Zhang served as an assistant for the director at Airland Mattress Company HK Limited (Shenzhen) (now known as Shenzhen Airland Furniture Limited), where she managed day-to-day operations of the director's office and various departments.

Ms. Cao Yuelin, aged 48, is the marketing manager of the Group, overseeing brand management and marketing strategies. From March 1995 to March 1999, Ms. Cao served as the sales supervisor of the toys department at East Asiatic Company, where she was primarily responsible for sales and marketing in Beijing.

Ms. Liu Li, aged 46, is the Group's finance director in the Mainland, overseeing finance and accounting management. Prior to joining the Group in December 2021, Ms. Liu served as chief financial officer at Rubik's Cube Recruitment (Beijing) Technology Company Limited from 2016 to 2021 and finance director at Innofidei Company Limited from 2011 to 2016. From 2005 to 2011, Ms. Liu received training as a professional accountant at Deloitte Touche Tohmatsu (Beijing Branch). In 2008, Ms. Liu qualified as a certified public accountant in China.

Mr. Yin Faming, aged 40, is the Group's human resources director in the Mainland. Prior to joining the Group in September 2021, Mr. Yin served as corporate representative and general manager at Texhong Renze Technology Limited from 2019 to 2021, human resources manager and general manager assistant at Texhong Renze Textile Joint Stock Company from 2011 to 2021, human resources manager at Nature Home Holding Company Limited from 2008 to 2011 and human resources manager at Anxin Weiguang (Shanghai) Timber Company Limited from 2003 to 2008.

Mr. Ng Kwok Shek Marco, aged 46, is the Group's general manager, Hong Kong and Macau retail. He joined the Group in June 2016 and oversees its Hong Kong and Macau retail operations. From March 2013 to May 2016, Mr. Ng was a sales manager at Lane Crawford (Hong Kong) Limited, where he oversaw sales operations for menswear and womenswear. From October 2010 to February 2013, Mr. Ng was the operations director at the retailer Golfjunkie (China) Ltd. From July 2008 to September 2010, Mr. Ng served as an area manager at ImagineX Group, a premier retailer, where he was responsible for the Hong Kong and Southern China sales performance of Marc Jacobs and Marc. by Marc Jacobs.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Kidsland International Holdings Limited and its subsidiaries (the "Company" and collectively, the "Group") recorded a net profit after tax of approximately RMB2.1 million for the year ended 31 December 2021 (the "Year" or the "Reporting Period"), compared to a net loss after tax of approximately RMB130.1 million for the year ended 31 December 2020 (the "Prior Period"). This is the first time the Group has recorded a net profit after tax for a full financial year since the year ended 31 December 2017.

During the Reporting Period, revenue of the Group increased by 6.9% from approximately RMB1,374.8 million for the Prior Period to approximately RMB1,469.8 million. Revenue from self-operated retail channels recorded an increase of 9.0% to approximately RMB1,162.2 million, of which revenue from retail shops rose by 16.7% to approximately RMB699.7 million. Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 30.2% to approximately RMB193.4 million during the Reporting Period.

The Group's gross profit rose by 21.8% from approximately RMB503.3 million for the Prior Period to approximately RMB612.8 million for the Reporting Period. Gross profit margin increased from 36.6% in the Prior Period to 41.7% in the Reporting Period. Total selling, distribution, general and administrative expenses decreased by 8.1% from approximately RMB666.9 million for the Prior Period to approximately RMB612.6 million.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 31 December 2021, this network comprised:

Self-operated Retail Channels

– 627 self-operated retail points of sale consisting of retail shops and consignment counters (31 December 2020: 670)

– 21 online stores (31 December 2020: 24)

Wholesale Channels

– 521 distributors (31 December 2020: 580) which onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,000 (31 December 2020: more than 2,400)

– 12 hypermarket and supermarket chains (31 December 2020: 16) with a sum of 682 retail points (31 December 2020: 686)

– 6 online key accounts (31 December 2020: 5)

Detailed breakdowns of our distribution network are set out below:

1. Self-operated Retail Channels

1.1 Retail Shops

During the Reporting Period, we continued to optimise our store network.

Changes in the number of retail shops for the years indicated are shown below:

	2021	2020
Retail shops		
At the beginning of the year	**202**	239
Addition of new retail shops	**22**	9
Closure of retail shops	**(39)**	(46)
At the end of the year	**185**	202

1.2 Consignment Counters

Most of our consignment counters were located at renowned department stores and a renowned regional toy store chain, and most of them operated under the brand name of Kidsland. During the Reporting Period, we continued to optimise our network of consignment counters.

Changes in the number of consignment counters for the years indicated are shown below:

	2021	2020
Consignment counters		
At the beginning of the year	**468**	505
Addition of new consignment counters	**23**	28
Closure of consignment counters	**(49)**	(65)
At the end of the year	**442**	468

1.3 Online Stores

During the Reporting Period, we launched 5 and closed 8 flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 31 December 2021, we had 21 online stores in total, compared with 24 as of 31 December 2020.

2. Wholesale Channels

In addition to self-operated retail channels, we further optimised our distribution network in the wholesale channels, comprising (i) distributors, (ii) hypermarket and supermarket chains, and (iii) online key accounts in Mainland China.

2.1 Distributors

As of 31 December 2021, we had 521 distributors (31 December 2020: 580), which onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,000 (31 December 2020: more than 2,400) in Mainland China.

The following table sets forth the changes in the number of distributors for the years indicated:

	2021	2020
Distributors		
At the beginning of the year	**580**	697
Addition of new distributors	**82**	80
Expiry without renewal of distribution agreements	**(141)**	(197)
At the end of the year	**521**	580

2.2 *Hypermarket and Supermarket Chains*

As of 31 December 2021, we had wholesale arrangements with 12 hypermarket and supermarket chains (31 December 2020: 16) with a sum of 682 retail points (31 December 2020: 686) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

The following table sets forth the changes in the number of hypermarket and supermarket chains for the years indicated:

	2021	2020
Hypermarket and supermarket chains		
At the beginning of the year	**16**	16
Addition of new hypermarket and supermarket chains	**1**	–
Termination or expiry of agreements with hypermarket and supermarket chains	**(5)**	–
At the end of the year	**12**	16

2.3 *Online Key Accounts*

The following table sets forth the changes in the number of online key accounts for the years indicated:

	2021	2020
Online key accounts		
At the beginning of the year	**5**	5
Addition of new online key accounts	**2**	–
Termination or expiry of agreements with online key accounts	**(1)**	–
At the end of the year	**6**	5

FINANCIAL REVIEW

Revenue

During the Reporting Period, revenue of the Group increased by 6.9% from approximately RMB1,374.8 million for the Prior Period to approximately RMB1,469.8 million.

The table below sets out the Group's revenue by channel for the years indicated:

	2021 RMB'000	2020 RMB'000
Self-operated retail channels		
– Retail shops	699,685	599,775
– Consignment counters	386,453	367,699
– Online stores	76,107	98,956
Sub-total:	1,162,245	1,066,430
Wholesale channels		
– Distributors	259,388	251,184
– Hypermarket and supermarket chains	29,620	21,454
– Online key accounts	18,547	35,716
Sub-total:	307,555	308,354
Total:	1,469,800	1,374,784

Self-operated Retail Channels

The self-operated retail channels recorded an increase in revenue of 9.0% to approximately RMB1,162.2 million during the Reporting Period compared to the Prior Period, resulted from diminishing impact of COVID-19 on sales. Revenue from retail shops and consignment counters rose by 16.7% to approximately RMB699.7 million and 5.1% to approximately RMB386.5 million, respectively. Online stores revenue dropped by 23.1% to approximately RMB76.1 million, attributable to the decline in the general sales of toy category on major e-commerce platforms and closure of some branded flagship online stores the Group represented, partially offset by strong growth in neighbourhood e-commerce (近場電商).

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels slightly decreased by 0.3% to approximately RMB307.6 million, attributed to the drop in online key accounts revenue by 48.1% to approximately RMB18.5 million mainly because of the termination with one online key account by the Group. Revenue from distributors as well as hypermarket and supermarket chains rose by 3.3% to approximately RMB259.4 million and 38.1% to approximately RMB29.6 million, respectively.

Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 30.2% from approximately RMB148.6 million for the Prior Period to approximately RMB193.4 million during the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 1.7% from approximately RMB871.5 million in the Prior Period to approximately RMB857.0 million in the Reporting Period. Excluding non-cash inventory provision of approximately RMB0.1 million (Prior Period: approximately RMB20.7 million), cost of sales would have increased by 0.7% in the Reporting Period. The Group's gross profit margin increased from 36.6% in the Prior Period to 41.7% in the Reporting Period. Excluding non-cash inventory provision of approximately RMB0.1 million (Prior Period: approximately RMB20.7 million), the Group's gross profit margin would have been 41.7% (Prior Period: 38.1%). Gross profit rose by 21.8% from approximately RMB503.3 million in the Prior Period to approximately RMB612.8 million in the Reporting Period.

Other Income

Other income, consisting mainly of government grants, dropped by 30.1% from approximately RMB14.6 million in the Prior Period to approximately RMB10.2 million in the Reporting Period.

Other Gains/Losses, Net

Other gains, net decreased by 79.0% from approximately RMB28.1 million in the Prior Period to approximately RMB5.9 million in the Reporting Period. Other gains/losses, net was mainly attributable to net exchange differences.

Impairment Loss on Financial Assets

The amount represented provision made for trade receivables. Provision for impairment loss slightly increased from approximately RMB0.01 million in the Prior Period to approximately RMB0.3 million in the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 6.5% from approximately RMB593.6 million in the Prior Period to approximately RMB555.2 million in the Reporting Period. Excluding effect of non-cash impairment provision of property, plant and equipment, and right-of-use assets amounted to approximately RMB2.8 million (Prior Period: RMB41.0 million), selling and distribution expenses remained stable over the Reporting Period and Prior Period.

General and Administrative Expenses

General and administrative expenses decreased by 21.6% from approximately RMB73.2 million in the Prior Period to approximately RMB57.4 million in the Reporting Period. The drop was mainly attributable to reduction in share-based payments and staff costs, and better cost control on other sundry expenses.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, slightly dropped by approximately RMB0.8 million from approximately RMB10.7 million in the Prior Period to approximately RMB9.9 million in the Reporting Period.

Profit/Loss for the Period

A profit of approximately RMB2.1 million was recorded in the Reporting Period (Prior Period: loss of approximately RMB130.1 million).

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 209 days in the Prior Period to 190 days in the Reporting Period. Trade receivables turnover days decreased from 30 days in the Prior Period to 23 days in the Reporting Period. Trade payables turnover days decreased from 65 days in the Prior Period to 50 days in the Reporting Period.

Cash Conversion Cycle

Cash conversion cycle is a metric that shows the amount of time it takes a company to convert its investment in inventory to cash, which equals to inventory turnover days plus trade receivables turnover days minus trade payables turnover days. The cash conversion cycle of the Group decreased from 174 days in the Prior Period to 163 days in the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB26.6 million in property, plant, and equipment, mainly to renovate existing shops (Prior Period: approximately RMB31.2 million).

Liquidity and Financial Resources

The Group's cash position as of 31 December 2021 was approximately RMB25.4 million, compared to approximately RMB53.8 million as of 31 December 2020. The current ratio and quick ratio as of 31 December 2021 were 1.9 and 0.7, respectively (31 December 2020: 2.1 and 1.0, respectively).

As of 31 December 2021, the Group had aggregate banking facilities of approximately RMB90.4 million (31 December 2020: approximately RMB77.3 million) for trade financing, of which approximately RMB52.5 million (31 December 2020: approximately RMB39.9 million) was unutilised as of the same date. These facilities are secured by corporate guarantees provided by the Company.

As of 31 December 2021, the Group had a loan facility from a related company of approximately RMB53.1 million (31 December 2020: approximately RMB33.7 million), of which approximately RMB40.5 million was utilised (31 December 2020: approximately RMB33.4 million).

Gearing Ratio

The table below analyses the Group's capital structure as of 31 December 2021:

	2021	2020
	RMB'000	RMB'000
Bank balances and cash	**19,984**	48,334
Restricted cash	**5,405**	5,440
Loan from a related company	**(40,475)**	(33,413)
Lease liabilities	**(141,328)**	(128,976)
Net debt position	**(156,414)**	(108,615)
Total equity	**481,153**	486,721

The Group was in a net debt position of approximately RMB156.4 million as of 31 December 2021 (31 December 2020: approximately RMB108.6 million). The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as of 31 December 2021 was approximately 32.5% (31 December 2020: 22.3%).

Charge of Assets

As of 31 December 2021, the Group had restricted cash of approximately RMB5.4 million for bank guarantee of a trade finance facility (31 December 2020: approximately RMB5.4 million).

Contingent Liabilities

As of 31 December 2021, the Group did not have significant contingent liabilities (31 December 2020: Nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from exposure in the United States dollar, Euro and Hong Kong dollar against Renminbi. The Group currently does not have a foreign currency hedging policy. However, the management personnel of the Group (the "Management") monitor its foreign exchange risks regularly in keeping the net exposure to an acceptable level. Exchange rate fluctuations could affect the Group's margins and profitability.

Significant Investment Held and Material Acquisition and Disposal

During the Reporting Period, there was no significant investments held by the Group and the Group did not have other plans for material acquisition and disposal.

REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present the Group's annual report and audited consolidated financial statements for the Year (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITIES AND PERFORMANCE ANALYSIS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in toy and related lifestyle product retailing and wholesaling in Mainland China, Hong Kong and Macau. Activities of the Company's principal subsidiaries are set out in note 16 of the Consolidated Financial Statements.

Note 5 of the Consolidated Financial Statements contains a performance analysis of the Group's revenue channels (e.g. retail, wholesale) and geographical segments.

BUSINESS REVIEW AND PROSPECT

The Chairman's Statement on pages 3 to 4 and the section Management Discussion and Analysis on pages 9 to 16 of this annual report provide analysis on the key financial performance indicators of the Group for the Year.

The financial risk management objectives and policies of the Group is set out in note 3 of the Consolidated Financial Statements.

The Company commits to cultivating ethical conduct and complying with all prevailing laws and regulations. There were no material non-compliance cases or breaches of legislation during the Year and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Since February 2022, confirmed cases of COVID-19 in Mainland China and Hong Kong have affected the usual business environment of the regions as a whole. A series of precautionary and control measures have been and continued to be implemented across Mainland China and Hong Kong, including, among others, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, implementation of heightened hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing.

Further, in preparing this set of Consolidated Financial Statements, the Group determined the recoverable amount of its cash-generating units based on the present value of future cash flows under the conditions as of 31 December 2021. In the impairment testing to be performed for the year ending 31 December 2022, the COVID-19 outbreak and its impact on the present value of estimated future cash flows of the cash-generating units will be considered. The outbreak of COVID-19 could also affect the subsequent sales return and subsequent settlement of trade receivables.

Pending development of this non-adjusting subsequent event, the Group's financial results may be affected, the extent of which could not be estimated as of the date of this annual report.

RESULTS

The Group's results for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any dividend for the Year (2020: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy which sets out the basic principles in determining the distribution of the dividends to the shareholders of the Company (the "Shareholders" and the "Dividend Policy", respectively).

The Directors consider the main objectives of the Dividend Policy are to provide sustainable returns and a stable dividend payment to the Shareholders.

The Board determines the interim dividend and recommends the final dividend which requires the approval of the Shareholders. In addition to cash, dividends may be distributed in the form of shares of the Company (the "Shares"). Any distribution of Shares also requires the approval of the Shareholders.

Retained surplus is used to achieve further gains in corporate value. For this purpose, the Board makes effective use of retained surplus to strengthen the operating base and fund growth of established businesses and the development of new businesses. Through paying dividends, the Board allows the Shareholders to participate in the Company's profits whilst preserving the Company's liquidity for future growth opportunities.

To decide whether to pay a dividend and to what extent, subject to the Articles of Association of the Company (the "Articles of Association"), the Companies Law of the Cayman Islands and all applicable laws and regulations governing dividend policy, the Board shall consider the following:

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

(b) retained earnings and distributable reserves of the Company and Group 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 Cayman Islands laws and 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.

ANNUAL GENERAL MEETING

The Company's annual general meeting shall be held on Friday, 17 June 2022 (the "2022 AGM"). A notice convening the 2022 AGM, along with other relevant documents, will be published and dispatched to the Shareholders in accordance with the requirements under the Articles of Association and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2022 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2022 AGM, the non-registered Shareholders must lodge their duly completed and stamped transfer forms accompanied by the relevant share certificates 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 no later than 4:30 p.m. on Monday, 13 June 2022.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. The Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the Year, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group is always committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. A report on the environmental, social and governance aspects has been prepared with reference to the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules and is set out in the section Environmental, Social & Governance Report on pages 31 to 45 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 136 of this annual report.

SHARE CAPITAL

Changes in the Company's share capital during the Year are set out in note 28 of the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its securities listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such securities during the Year.

RESERVES

Details of the changes in the Group's reserves during the Year are set out in the consolidated statement of changes in equity of the Consolidated Financial Statements.

As of 31 December 2021, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB270.8 million (2020: approximately RMB274.8 million).

According to the Companies Law (Revised) of the Cayman Islands, the share premium of the Company, subject to the provisions of its Articles of Association, is available for payment as distributions or dividends payment to the Shareholders, provided that immediately following the distribution or dividend payment, the Company can pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained earnings account or another account representing the Company's share premium account.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's five largest suppliers in aggregate accounted for approximately 81% of the total purchases; and the Group's largest supplier accounted for approximately 36% of the total purchases. The Group's five largest customers in aggregate accounted for approximately 5% of the total sales.

None of the Directors, their close associates, or the Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interests in any of the Group's five largest suppliers or customers during the Year.

DIRECTORS

Executive Directors:
Mr. Lee Ching Yiu *(Chairman and Chief Executive Officer)*
Mr. Hung Shing Ming
Ms. Zhong Mei

Non-executive Directors:
Mr. Du Ping
Ms. Duan Lanchun

Independent Non-executive Directors:
Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Dr. Lam Lee G.

In accordance with article 84(1) of the Article of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with article 84(2) of the Article of Association, the Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Mr. Lee Ching Yiu, Mr. Hung Shing Ming and Mr. Cheng Yuk Wo will retire from office as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the 2022 AGM.

The Company offered all Executive Directors three-year service agreements whose termination requires written notice at least three months in advance. Each of the Non-executive Directors and Independent Non-executive Directors (the "INEDs") has signed a letter of appointment with the Company for a term of three years, which is terminable by not less than three months' notice in writing.

Biographical information of the Directors and the senior management personnel of the Group are set out on pages 5 to 8 of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INEDs

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs have been independent from their respective date of appointment to 31 December 2021 and remain independent as of the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As of 31 December 2021, the interests and short positions of the Directors and chief executives 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares

Name of Directors	Capacity/Nature of interests	Number of Shares held/interested	Approximate percentage of shareholding(5)
Mr. Lee Ching Yiu	Beneficial owner	14,000,000 (L)	1.75%
	Held by controlled corporation(2)	425,224,523 (L)	53.15%
Mr. Hung Shing Ming	Beneficial owner	24,100,000 (L)	3.01%
Ms. Zhong Mei	Beneficial owner	4,000,000(1) (L)	0.50%
	Held by controlled corporation(3)	29,999,100 (L)	3.75%
Mr. Du Ping	Beneficial owner	1,500,000(1) (L)	0.19%
	Held by controlled corporation(4)	2,999,910 (L)	0.37%

(L) denotes long position

Notes:

(1) These represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the pre-IPO share options granted to each of them under the pre-IPO share option scheme approved and adopted by the then shareholders on 20 October 2017 (the "Pre-IPO Share Option Scheme"). Details of the Pre-IPO Share Option Scheme are set out under the section headed "Share Option Schemes" below.

(2) Mr. Lee Ching Yiu, the chairman of the Board, an Executive Director and the chief executive officer of the Company, is the sole shareholder of Asian Glory Holdings Ltd. ("Asian Glory"). By virtue of the SFO, Mr. Lee Ching Yiu is deemed to be interested in the Shares held by Asian Glory. Asian Glory owns approximately 74.87% of Lovable International Holdings Limited ("Lovable"). By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.

(3) Ms. Zhong Mei, an Executive Director, is the sole shareholder of Stars Link Ventures Limited. By virtue of the SFO, Ms. Zhong Mei is deemed to be interested in the Shares held by Stars Links Venture Limited.

(4) Mr. Du Ping, a Non-executive Director, is the sole shareholder of Merits Forest Global Limited. By virtue of the SFO, Mr. Du Ping is deemed to be interested in the Shares held by Merits Forest Global Limited.

(5) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 31 December 2021.

Interest in the shares of Asian Glory – the immediate and ultimate holding company of the Company

Name of Director	Nature of interest	Number of issued ordinary shares held	Percentage of shareholding
Mr. Lee Ching Yiu	Beneficial owner	50,000	100%

Save as disclosed above and to the best knowledge of the Directors, as of 31 December 2021, none of the Directors or chief executives of the Company had or was deemed to have any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2021, so far as are known to the Board, the following persons (other than the Directors and chief executives of the Company) or entities had an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO:

Interest in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/interested	Approximate percentage of shareholding[4]
Ms. Tang Hoi Lun	Interest of spouse[1]	439,224,523 (L)	54.90%
Asian Glory	Beneficial owner	425,206,524 (L)	53.15%
	Held by controlled corporation[2]	17,999 (L)	0.00%
FCPR Cathay Capital II	Held by controlled corporation[3]	78,777,637 (L)	9.85%
Eurojoy Limited	Beneficial owner	78,777,637 (L)	9.85%

(L) denotes long position

Notes:

(1) Ms. Tang Hoi Lun is the spouse of Mr. Lee Ching Yiu. By virtue of the SFO, Ms. Tang Hoi Lun is deemed to be interested in the Shares which Mr. Lee Ching Yiu is interested or is deemed to be interested in.

(2) Lovable holds 17,999 Shares. Asian Glory owns approximately 74.87% of Lovable. By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.

(3) FCPR Cathay Capital II is the sole shareholder of Eurojoy Limited. By virtue of the SFO, FCPR Cathay Capital II is deemed to be interested in the Shares owned by Eurojoy Limited.

(4) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 31 December 2021.

Save as disclosed above, as of 31 December 2021, the Directors are not aware that any other persons (other than any Directors or chief executives of the Company) or entities had an interest or short position in the Shares or underlying Shares, which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEMES

The Post-IPO Share Option Scheme

On 20 October 2017, the Company adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") through a written resolution passed by the Shareholders. The aim was to motivate and reward eligible participants, including (i) full-time or part-time employees, executives, or officers of the Company and its subsidiaries; (ii) Directors (including INEDs) of the Company and its subsidiaries; and (iii) advisors, consultants, suppliers, customers, and distributors (collectively, the "Post-IPO Eligible Participants"), who in the sole opinion of the Board will contribute or have contributed to the Group.

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As of the date of this annual report, the Post-IPO Share Option Scheme had a remaining life of more than 5 years.

Options that are granted to Directors, chief executives of the Company, substantial Shareholders, or any of the foregoing parties' associates need to be approved by INEDs who are not among the proposed grantees of the options. A proposed share option grant requires prior approval through a polled Shareholder resolution at which all the Company's connected persons (as defined under the Listing Rules) shall abstain from voting if (i) the proposed grantee is a substantial Shareholder, INED, or associate of either one; and (ii) the share option grant introduces the theoretical possibility of a substantial aggregate increase via options-exercising at any point during any twelve-month span to the grantee's total shareholding; an increase is substantial if it exceeds either (i) 0.1% of the total number of issued Shares calculated on the day of the grant; and (ii) HK$5 million in value, based on the closing share price on the day of the grant.

For a proposed share option grant whose proposed grantee is neither a substantial Shareholder, INED, nor associate of either one, prior approval through a polled Shareholder resolution at which all the Company's connected persons (as defined under the Listing Rules) abstaining from voting is needed if the share option grant introduces the theoretical possibility of an aggregate increase, at any point during any twelve-month span via options-exercising, that exceeds 1% of the total of issued Shares to the grantee's total shareholding.

The aggregate number of underlying Shares of options granted, whether through the Post-IPO Share Option Scheme or other means, must never exceed 10% of the total number of issued Shares unless Shareholders approve otherwise. As of 31 December 2021, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 45,800,000 Shares, which represented 5.7% of the Shares in issue as of the date of this annual report.

Options granted under the Post-IPO Share Option Scheme must have exercise prices, which are determined by the Directors, that are higher than (i) the Company's closing share price on the day of the grant, (ii) the Company's nominal share value, and (iii) the average of the Company's five most recent closing share prices before the day of the grant.

Each options grant, regardless of size, has a HK$1.00 nominal price that the grantee must pay on or before the day of the grant. Unless the Board defines restrictions beforehand, option grantees may exercise their options as soon as they receive them. The Post-IPO Share Option Scheme will stop yielding new share options on 20 October 2027; its provisions, however, will take effect for as long as needed unless duly annulled at a general meeting.

No share option was granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme since its adoption and up to 31 December 2021. No share option was outstanding under the Post-IPO Share Option Scheme as of 31 December 2021.

The Pre-IPO Share Option Scheme

On 20 October 2017, the Pre-IPO Share Option Scheme was adopted, through a written resolution passed by the Shareholders, to motivate, retain, and reward eligible full-time key employees, consultants, and Directors of the Company or any of its subsidiaries (the "Pre-IPO Eligible Participants"). As of the date of this annual report, the Pre-IPO Share Option Scheme had a remaining life of more than 5 years.

Movements of the share options granted under the Pre-IPO Share Option Scheme during the Year were as follows:

	Outstanding at the beginning of the Year	Exercised during the Year	Lapsed or cancelled during the Year	Granted during the Year	Outstanding at the end of the Year
Directors					
Mr. Lee Ching Yiu	4,000,000	–	–	–	4,000,000
Ms. Zhong Mei	4,000,000	–	–	–	4,000,000
Mr. Du Ping	1,500,000	–	–	–	1,500,000
Employees	24,900,000	–	200,000	–	24,700,000
Total	34,400,000	–	200,000	–	34,200,000

On this scheme's inception date, 47,500,000 share options, each with an exercise price of HK$0.8 per Share, were granted to eligible directors and employees of the Company. For the Year, options comprising 200,000 underlying Shares (2020: 3,800,000 underlying Shares) granted under the Pre-IPO Share Option Scheme lapsed, and the corresponding share option reserves of RMB150,000 (2020: RMB2,424,000) were reclassified as retained earnings. As of 31 December 2021, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 34,200,000 Shares, which represented 4.3% of the Shares in issue as of the date of this annual report.

The Company used the following estimates to determine the binomial tree model's parameters used for predicting the fair value of options granted in 2017. These estimates also affected the amount of such equity awards expected to vest and ultimately the calculation of share-based payments. These estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share-based payments.

Weighted average share price	HK$1.15
Exercise price	HK$0.80
Expected volatility	45.96%
Time-to-maturity	24 October 2027
Risk-free rate	1.88%
Expected dividend yield	0.00%

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme since its adoption and up to 31 December 2021.

Share options granted under the Pre-IPO Share Option Scheme may be exercised from the first day of the following exercisable periods until 24 October 2027:

	Grant date	Exercisable periods
Directors		
Mr. Lee Ching Yiu	25 October 2017	(i) 1,600,000 share options: From 25 October 2018 to 24 October 2027
		(ii) 1,200,000 share options: From 25 October 2019 to 24 October 2027
		(iii) 1,200,000 share options: From 25 October 2020 to 24 October 2027
Ms. Zhong Mei	25 October 2017	(i) 1,600,000 share options: From 25 October 2018 to 24 October 2027
		(ii) 1,200,000 share options: From 25 October 2019 to 24 October 2027
		(iii) 1,200,000 share options: From 25 October 2020 to 24 October 2027
Mr. Du Ping	25 October 2017	(i) 600,000 share options: From 25 October 2018 to 24 October 2027
		(ii) 450,000 share options: From 25 October 2019 to 24 October 2027
		(iii) 450,000 share options: From 25 October 2020 to 24 October 2027
Employees	25 October 2017	(i) 13,600,000 share options: From 25 October 2018 to 24 October 2027
		(ii) 10,200,000 share options: From 25 October 2019 to 24 October 2027
		(iii) 10,200,000 share options: From 25 October 2020 to 24 October 2027

Once the scheme is terminated by a resolution of each of a meeting by the Board or a general meeting by Shareholders in accordance with the terms of the scheme, no additional share options will be offered under the Pre-IPO Option Scheme. The terms of the scheme, however, shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior thereto or otherwise as may be required in accordance with the terms of the Pre-IPO Share Option Scheme.

MANAGEMENT CONTRACTS

No contracts (except for the service contracts of the Executive Directors) concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than the transactions disclosed in note 35 of the Consolidated Financial Statements and in the "Connected Transactions" section on page 26, there were no other transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS

Continuing connected transactions which are fully exempt from Shareholders' approval, annual review and all disclosure requirements

A. *Leasing of the PRC Premises by Kidsland Trading Company Shanghai Co., Ltd. ("Shanghai Haisile")*

On 1 January 2021, Shanghai Haisile entered into a lease agreement (the "PRC Lease Agreement") with Land Smart Development Limited ("Land Smart"), who agreed to lease the premises situated on 21/F, No. 2067 Yanan West Road, Changning District, Shanghai, the PRC (中國上海市長寧區延安西路2067號21層) with a gross floor area ("GFA") of approximately 1,160 sq.m. (the "PRC Premises") to Shanghai Haisile for office use from 1 January 2021 to 31 December 2021 (both days inclusive). The total rent for the 12-month term ended 31 December 2021 was approximately RMB1.44 million (exclusive of utilities and management fees). The lease agreement has been renewed on 1 January 2022.

Land Smart is wholly-owned by Asian Glory, one of the controlling Shareholders, and it is therefore a connected person of the Company. As each of the applicable percentage ratios for the lease agreement is less than 5.0% and the total annual consideration is less than HK$3 million, the transaction contemplated thereunder is fully exempt from the reporting, annual review, announcement, and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

B. *Leasing of the HK Premises by Kidsland HK Limited*

On 1 July 2020, Kidsland HK Limited entered into a lease agreement (the "HK Lease Agreement") with Politor Limited, who agreed to lease the premises situated on 28/F, Times Tower, 391–407 Jaffe Road, Wan Chai, Hong Kong with a GFA of approximately 142 sq.m. (the "HK Premises") to Kidsland HK Limited for office use from 1 July 2020 to 30 June 2021 (both days inclusive). The HK Lease Agreement has been renewed on 1 July 2021 at a monthly rent of HK$55,000 (inclusive of the government rates, rent and management fees). As a result, the total rent for the 12-month term ended 31 December 2021 was HK$660,000.

Politor Limited is wholly-owned by Asian Glory and Mr. Lee Ching Yiu, the controlling Shareholders, and it is therefore a connected person of the Company. As each of the applicable percentage ratios for the lease agreement is less than 5.0% and the total annual consideration is less than HK$3 million, the transaction contemplated thereunder is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

C. *Loan from a related company by Kidsland HK Limited*

Kidsland HK Limited entered into a loan agreement and an amendment agreement on 27 August 2019 and 1 December 2021, respectively, with Lovable Products Trading Limited, who agreed to provide a loan facility of approximately RMB53.1 million (2020: approximately RMB33.7 million) of which approximately RMB40.5 million was utilised as of 31 December 2021 (2020: approximately RMB33.4million).

Lovable Products Trading Limited is wholly-owned by Mr. Lee Ching Yiu, one of the controlling Shareholders, and it is therefore a connected person of the Company. As the aforesaid connected transaction was conducted on normal commercial terms or better and it was not secured by the assets of the Group, it is fully exempt from Shareholder's approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

The INEDs have reviewed the continuing connected transactions and have confirmed that the transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms or better, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has compiled with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Save as disclosed above, during the Year, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors to have any right to subscribe for securities of the Company or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of the date of this annual report, none of the Directors or their close associates had interests in businesses which compete or are likely to compete with the Group's businesses in any way required to be disclosed under the Listing Rules.

NON-COMPETITION UNDERTAKING

Each of Mr. Lee Ching Yiu and Asian Glory (the "Covenantors"), each being a controlling Shareholder, has entered into a deed of non-competition (the "Deed of Non-Competition") in favour of the Company on 25 October 2017, pursuant to which each of the Covenantors has unconditionally and irrevocably undertaken to the Group that he/it will not, and will procure his/its close associates (other than members of the Group) not to directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business (other than the business of the Group) that directly or indirectly competes, or may compete, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group. For details of the Deed of Non-Competition, please refer to the Company's prospectus dated 31 October 2017 (the "Prospectus").

Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition. The INEDs have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the Year.

SIGNIFICANT RELATED PARTY TRANSACTIONS

The continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards.

Since 2020, the Group has entered into a transaction with Wealth Effort Limited, a company controlled by Mr. Lee Ching Yiu. Such transaction constitutes de minimis transaction which is fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Note 35 of the Consolidated Financial Statements contains a summary of significant related party transactions made during the Year.

Save as disclosed, none of the related party transactions constituted a connected transaction or continuing connected transaction (as defined in the Listing Rules) that was required to be disclosed.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 10 November 2017 (the "Listing Date"), the Company, in connection with its initial public offering (the "IPO"), issued 200,000,000 ordinary shares with a nominal value of HK$0.01 each. Net proceeds from the IPO after deducting underwriting commission and other IPO expenses (the "Net Proceeds") amounted to approximately HK$288.3 million.

As stated in the Prospectus, the Company intended to use the Net Proceeds to (i) expand the Group's retail network in Mainland China and Hong Kong; (ii) strengthen the Group's capabilities in product development for the Group's existing brands or new brands; (iii) develop experience centres and associated products; and (iv) bolster its working capital.

An analysis of the utilisation of the Net Proceeds from the Listing Date up to 31 December 2021 is set out below:

	Use of the Net Proceeds as stated in the Prospectus (amount adjusted per final offer price) HK$ million	Actual use of the Net Proceeds as of 31 December 2021 HK$ million	Actual use of the Net Proceeds during the Year HK$ million	Unused Net Proceeds as of 31 December 2021 HK$ million	Further information
Expand the Group's retail network in Mainland China and Hong Kong					
– Opening flagship toy stores in Mainland China	60.5	60.5	–	–	The full amount has been utilised as intended.
– Opening Kidsland and Babyland stores in Mainland China	46.1	46.1	–	–	The full amount has been utilised as intended.
– Opening LEGO Certified Stores in Mainland China and Hong Kong	34.6	34.6	–	–	The full amount has been utilised as intended.
– Upgrading the information technology system, developing e-commerce business, upgrading store image and visual display, and paying for other marketing expenses at the retail points	34.6	34.6	–	–	The full amount has been utilised as intended.
Strengthen the Group's product development capabilities	51.9	51.9	–	–	The full amount has been utilised as intended.
Develop experience centres and associated products	31.7	31.7	10.4	–	The full amount has been utilised as intended.
Working capital and other general corporate purposes	28.9	28.9	–	–	The full amount has been utilised as intended.
	288.3	288.3	10.4	–	

As of the date of this annual report, the amount of Net Proceeds has been fully utilised. The Company has used the Net Proceeds in the same manner as disclosed in the Prospectus.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2021, the Group had approximately 1,700 employees (including both in-house and outsourced employees) (31 December 2020: approximately 1,800 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Year amounted to approximately RMB91.9 million and RMB98.9 million, respectively (2020: approximately RMB86.1 million and RMB95.3 million, respectively). The Group's remuneration packages comply with legislation in relevant jurisdictions and are decided based on market conditions and employees' levels of experience and qualifications; bonuses are awarded based on employee performance and the Group's financials. The Company has adopted two share option schemes on 20 October 2017 (the "Share Option Schemes"). Details of the Share Option Schemes are set out on pages 23 to 25. The Group has been ensuring adequate training and professional development opportunities to employees.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that the Directors, secretary and other officers and every auditor for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices.

The Company had arranged appropriate insurance cover in respect of any potential legal action against the Directors and senior management in respect of potential legal actions that may be incurred in the course of performing their duties.

EQUITY-LINKED AGREEMENT

Apart from the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the Company has not entered into any equity-linked agreement during the Year or there was not any subsisting equity-linked agreement entered into by the Company at the end of the Year.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the Shares of the Company.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules as of the date of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors since the date of the interim report for the six months ended 30 June 2021 are set out below:

(i) On 15 November 2021, Mr. Huang Lester Garson has resigned as a non-executive director of the Securities and Futures Commission;

(ii) On 1 January 2022, Mr. Cheng Yuk Wo has been appointed as an independent non-executive director of China Renewable Energy Investment Limited (stock code: 987), a company listed on the Main Board of the Stock Exchange;

(iii) On 7 January 2022, Mr. Huang Lester Garson has been appointed as an independent non-executive director of Top Glove Corporation Bhd., a company listed on the Official List of Bursa Malaysia Securities;

(iv) On 18 January 2022, Mr. Cheng Yuk Wo has resigned as an independent non-executive director of C.P. Pokphand Company Limited (stock code: 43), a company listed on the Main Board of the Stock Exchange and privatized on 18 January 2022.

INDEPENDENT AUDITOR OF THE COMPANY (“AUDITOR”)

The Consolidated Financial Statements were audited by PricewaterhouseCoopers. A resolution will be submitted to the 2022 AGM to re-appoint PricewaterhouseCoopers as Auditor.

Change of the Auditor for the past three years

The Company appointed Deloitte Touche Tohmatsu as the auditor of the Company for the financial year ended 31 December 2017 and 2018. Deloitte Touche Tohmatsu retired as the auditor of the Company with effect from the conclusion of the annual general meeting held on 31 May 2019 and PricewaterhouseCoopers was appointed as the Auditor.

On behalf of the Board

Mr. Lee Ching Yiu, *Chairman*
23 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report summarizes several subjects of Kidsland International Holdings Limited ("Kidsland", together with its subsidiaries, collectively the "Group" or "we") of business practices for the Environmental, Social and Governance (the "ESG") report (the "Report") and its relevant implemented policies and strategies in relation to the Group's operational practices and environmental protection. For information regarding corporate governance, please refer to the section Corporate Governance Report on pages 46 to 59 of this annual report.

The Report covers the period from 1 January 2021 to 31 December 2021 (the "Reporting Period" or "FY2021").

BOARD STATEMENT – ESG GOVERNANCE STRUCTURE

The Board understands its overall responsibility for overseeing and implementing the Group's ESG strategy, and will integrate sustainable development into the Group's specific business in accordance with the Group's business development. The Group has formed a top-down ESG structure in adhering to its sustainable development philosophy. The Board is responsible for overseeing the ESG issues of the Group, formulating ESG strategies and assessing and determining the risks associated with ESG, in order to ensure the effectiveness of risk management and internal control of the Group. The senior management is responsible for the job allocation based on the ESG strategies and reporting to the Board about the progress of ESG tasks and the Group's annual ESG Report. The administration, human resources, legal, internal control and board secretarial departments are responsible for performing ESG tasks, including collection of stakeholders' opinions, performing internal and external materiality assessment, preparing the ESG Report, and reporting to the senior management about the progress of ESG tasks and the preparation of the ESG Report. The Board will also regularly check the implementation and changes of various ESG indicators, and optimize ESG targets when appropriate and feasible, so as to ensure that the Group's corporate development will minimize the negative impact on the environment and society.

REPORTING FRAMEWORK

The Report has been prepared with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules (the "ESG Reporting Guide"). To ensure the accuracy of environment key performance indicators, the Group engaged a professional consultancy firm to conduct the calculation and preparation of the Report.

In preparation of this Report, the Group has complied with all "comply or explain" provisions set out in the ESG Reporting Guide and followed the four reporting principles – materiality, quantitative, balance and consistency.

Materiality

The Group reports on issues that are considered as posing significant impacts on environment and society and are important to stakeholders. The issues are presented together with the Group's management measures in the ESG Report.

Quantitative

Information regarding the standards, methodologies, assumptions and/or calculation references, and sources of key conversion factors used for these key performance indicators ("KPIs") is stated wherever appropriate.

Balance

Information is disclosed as objectively as possible to provide stakeholders with an unbiased picture of the Group's overall ESG performance.

Consistency

Consistent methodologies are adopted when calculating the quantitative KPIs, unless otherwise specified. Reasons will be provided for any restating of information published in the ESG Report.

REPORTING SCOPE

The scope of the ESG Report covers the environmental, social and governance performances of the Group's principal operating activities spanning over the period from 1 January 2021 to 31 December 2021. The Group is principally engaged in the retail and wholesale of toys and related lifestyle products in Mainland China, Hong Kong and Macau. With regard to workforce-related KPIs, the reporting scope includes data from Mainland China, Hong Kong and Macau offices and retail locations to maintain consistency with the annual report.

While promoting the stable growth of business, the Group is also committed to the establishment of environmentally friendly enterprise and the maintenance of high-quality services and operating standards. The Group regards social and environmental responsibility as one of the core values of business operations and is committed to improving sustainability and transparency and providing services that can create a sustainable environment for the next generation.

COMMENTS AND FEEDBACK

The progress of the Group depends in part on valuable comments from stakeholders. Should you have any opinions or suggestions regarding the content of this ESG Report, you are welcome to share with the Group at ir@kidslandholdings.com.

APPROACH TO SUSTAINABILITY

Embracing the value of sustainability to evaluate the operations environment and identify room for improvement in operations, we have formulated a set of ESG-oriented policies to promote and manage material ESG issues, which include product responsibility, labor practices, anti-corruption and environmental protection. In the long run, we are committed to promoting the value of sustainability and integrate sustainable development principles in the Group and our business partners as a responsible corporate citizen. We identify and evaluate the materiality of the diverse range of ESG topics that are interrelated with our business operations (See corresponding section: Materiality Assessment) to form our future corporate direction.

STAKEHOLDER ENGAGEMENT

The Group believes that identifying and addressing stakeholders view lay a solid foundation to the long-term growth and success of the Group. The stakeholder engagement helps the Group to develop a business strategy that meets the stakeholders' needs and expectation, enhances the ability to identify risk and strengthens important relationships. Stakeholders can deliver their valuable opinions on ESG to us through various channels.

The below table presents key stakeholders of the Group and how the Group communicate with them through variety of communication channels.

Stakeholders	Communication channels
Government and regulatory agencies	• Annual reports, interim reports, ESG reports and other public information • Meetings
Shareholders and investors	• Annual general meetings and other general meetings of shareholders • Company website • Announcements • Annual reports, interim reports, ESG reports and other public information
Employees	• Training • Meetings • Performance evaluation • Leisure activities
Customers	• Email and customer service hotline • Mobile application • Product and service feedback
Suppliers	• Regular review • Meetings • On-site visits

The operations of Kidsland have impacts on various stakeholders, while stakeholders have different expectations of the Group. Looking forward, the Group will continuously strengthen its communications with its stakeholders, and extensively collect stakeholders' opinions on various ways that would lead to a more comprehensive materiality analysis. Meanwhile, the Group would also enhance the reporting principles in terms of quantitative, balance and consistency, and define the presentation of content and information of the report in a way which better conforms to stakeholders' expectations.

MATERIALITY ASSESSMENT

ESG aspects are discussed regularly within the Group by the Board and senior management in accordance with their importance in managing the risks and opportunities that the Group is exposed to. While promoting sound business growth, the Group is also committed to building an environmentally friendly corporation that maintains high quality standards in service and operations. This Report communicates the social and environmental aspects that we determine to be the most important, as advised by the third-party consultant whom we commissioned to review information disclosed in our ESG Report.

Sustainable development encompasses a holistic spectrum of environmental and social aspects. In order to harness the related risks and opportunities, it is crucial for the Group to determine the most material aspects. The Group adopts the three-step process of identification, prioritization and application to ensure sustainability topics are being managed and reported in accordance with their materiality.

(1) Identification

In accordance with the ESG Reporting Guide, all fundamental sustainability topics were identified. In the context of the latest sustainability landscape, the Group has determined the following 21 ESG Materiality topics that are deemed to have impact on the environment and society through our operations.

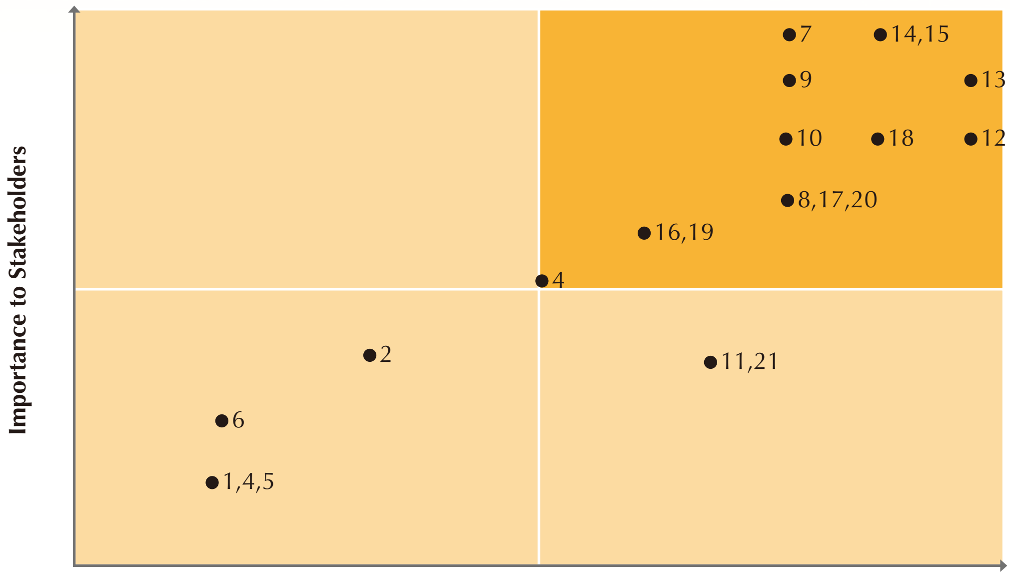
ESG Aspects		ESG Materiality Topics for the Group
A. Environmental Responsibility	A1. Emissions and Waste Generated	1. Emission Management (Air Pollutants and Greenhouse Gas) 2. Waste Management
	A2. Use of Resources	3. Energy Saving
	A3. The Environment and Natural Resources	4. Water Consumption 5. Effluent Discharges
	A4. Climate Change	6. Climate Change Strategy
B. Social Responsibility	B1. Employment	7. Employee Remuneration and Benefits 8. Diversity and Equal Opportunity
	B2. Workplace Health and Safety	9. Occupational Safety and Health
	B3. Development and Training	10. Employee Training and Development
	B4. Labor Standards	11. Anti-child and Forced Labor
	B5. Supply Chain Management	12. Supply Chain Management
	B6. Product Responsibility	13. Customer Service Quality 14. Product/Service Quality and Safety 15. Personal Data Privacy Protection 16. Product Research and Development 17. Intellectual Property Rights Protection 18. Data Security 19. Operational Safety Management
	B7. Anti-corruption	20. Anti-corruption
	B8. Community Investment	21. Community Investment and Engagement

(2) Prioritization

To determine the materiality of the selected ESG topics, the views of senior management were sought. The senior management, who possessed a high-level view of all the topics, were asked to conduct survey and score the importance of each ESG topic to stakeholder groups and the Group in each of their perspective. Consolidating the results of internal assessment and the survey, the following materiality matrix resulted. The topmost-right quadrant determines the topics of high materiality.

The following chart shows the level of materiality topics ranking:

Materiality Assessment Matrix



Materiality Topics (by Ranking)	
No.	**Topics**
13	Customer service quality
14, 15	Product/Service Quality and Safety, Personal Data Privacy Protection
12	Supply chain management
7	Employee Remuneration and Benefits
18	Data Security
9	Occupational Safety
10	Employee Training and Development
8, 17, 20	Diversity and Equal Opportunity, Intellectual Property Rights Protection, Anti-corruption

(3) Application

The Report discloses all the high and low material topics. To address topics that matter most to our stakeholders, more depth is detailed for topics of high materiality throughout the Report.

ENVIRONMENTAL ASPECT

The Group acknowledges the threats of climate change and realizes that we have responsibilities to better manage energy use to reduce greenhouse gas (GHG) emissions. As a company providing products for the next generation, we are keenly aware that our continued success depends upon generation taking environmental responsibility seriously. The Group is principally engaged in the retail and wholesale of toys and related lifestyle products in Mainland China, Hong Kong and Macau which have minimal direct impact to the environment. As such, the Group's main contribution to the carbon footprint comes from indirect greenhouse gas (GHG) emissions. The source of these emissions is from the usage of office equipment in the workplace, including but not limited to the lighting systems, air-conditionings and office equipment. On the other hand, hazardous wastes and non-hazardous wastes are considered minimal to the Group's operation and therefore are not disclosed in this report.

We are committed to reducing impact on the environment. We strive to minimize environmental footprint through energy conservation and waste reduction. The following sections disclose the Group's approaches and data on energy consumption, GHG emissions data and waste.

Aspect A1: Emissions and Wastes Generated

Energy and greenhouse gas (GHG) emissions[(1)]

The Group strictly follows the low-carbon development goals of China's 14th Five-Year Plan, promotes corporate green transformation, and strives to realize the corporate vision of carbon neutrality. In view of this, we formulated and strictly implemented administrative policies that regulate emissions and discharge of exhaust gas, waste water, waste solids and greenhouse gas generated in office areas. In addition, we have formulated the Environmental Protection Policy (《環保政策》) to provide clear guidelines on the daily environmental protection for our staff starting with the details such as management of use of electricity, water, paper and office supplies.

The operations and activities of the Group do not directly generate any hazardous air emissions and pollutants. The Group does not generate any direct greenhouse gas emissions (Scope 1). Energy consumption and GHG emissions at the Group are mainly contributed by electricity consumption in offices and stores, and thus we only report on the indirect energy use and indirect GHG emissions (Scope 2) of the Group.

The following charts summaries the GHG emissions of the Group during the Reporting Period.

FY2020 and FY2021 Summary of annual carbon emissions

Scope 2	Unit	FY2021	FY2020
GHG Emission	tonnes CO_2-equivalent	3,618	3,099
Emission density	tCO_2e per million revenue in RMB	2.46	2.25*

* The figures are restated for consistent comparison purpose.

(1) Remarks:

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

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

iii. For Mainland China operations, GHG emissions associated with electricity purchased are calculated using the GHG Protocol Tool for Energy Consumption in China (Version 2.1) issued by Greenhouse Gas Protocol and the 100-year Global Warming Potentials, provided by the Intergovernmental Panel on Climate Change (IPCC) in its Fifth Assessment Report (CO_2: 1, CH_4: 28, N_2O: 265).

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

Measures to reduce emission

In order to effectively reduce the emissions generated by the Group, the Group has adopted several measures for the management of employee travels, including but not limited to strict approval for long-distance travel arrangements to reduce unnecessary travel and encouraging employees to use public transportation.

Waste management

Owing to the Group's business nature, the Group in its ordinary course of business does not produce material hazardous wastes. The non-hazardous wastes mainly come from various types of recyclables wastes such as paper and non-recyclable daily office wastes such as office supplies and plastics, generated from the offices of the Group. We encourage recycling of wastes. For non-recyclable items, we collect and sort them to be disposed of by recyclers with professional qualification on a regular basis.

Measures to reduce waste generation

The Group actively promotes green office practices, aiming to minimize the generation of wastes and maximize the efficient use of resources. In terms of paper consumption, the Group promotes a paperless office, office papers were from recyclable sources. The Group focuses on purchasing supplies manufactured from recycled materials such as tissue paper. The Group also encourages its staff members to scale down font size and reduce paper margins and set up double-sided printing. We continue to improve the paperless office, starting with online approval process, reducing the number of document printing, and recommending the circulation of electronic documents on a daily basis. By strengthening the measures to reduce waste generation, we aim to achieve the target of reducing waste generation by 5% before 2026.

Aspect A2: Use of Resources

Kidsland understands that effective resource management is closely related to environmental protection and corporate sustainability goals. Due to the nature of offices' operations and business, the major resources consumed by the Group are electricity, water and paper. The Environmental Protection Policy provides various energy-saving measures for office and retail shops, including:

- Enabling the off-timer function of office equipment such as photocopiers, printers and computer monitors in its offices, allowing such equipment which have been idle for a long time to automatically power down;

- Setting an appropriate office temperature; and

- When purchasing new office equipment, preference will be given to those with Grade 1 energy label.

The Group incorporate environmental issues into its business plan systematically, including formulating more detailed corporate internal guidelines for environmental protection, as well as formulating sustainable development policies and road maps in the long term and proactively promoting a number of environmental protection campaigns.

Energy
As energy consumption is closely linked to global warming, the Group has been striving to improve energy management. Therefore, we have implemented electricity saving measures in the office to raise the awareness of all our employees on environmental protection. We encourage our staff to turn off all unnecessary lighting systems and other electronic devices, such as printers, computers, etc., to avoid idling of electrical appliances. Meanwhile, partial lightings of the office have been installed with light-emitting diodes instead of compact fluorescent lamps which can reduce electricity consumption as compared with compact fluorescent lamps.

Energy consumption

Electricity consumption	Unit	FY2021	FY2020
Electricity consumption	kWh	3,965,557	3,284,638
Electricity consumption intensity	kWh per million revenue in RMB	2,698	2,389*

* The figures are restated for consistent comparison purpose.

Water
The major kind of wastewater generated by the Group is domestic sewage, which will be directly discharged to local drainage system. Meanwhile, the Group has put effort to reduce the water consumption, such as posting labels to remind and encourage employees to reduce water usage, and always turning off the faucet and reporting any water leakage. During the cleaning of office, the cleaning workers are strictly controlled for using of water and frequency of cleaning. As a result, the consumption of water is saved.

Packaging material for finished products
Non-hazardous wastes generated from the office includes plastic bottle, paper for office use and kitchen waste. The Group has contributed its best effort to minimize the impact on the environment by promoting separation of wastes such as cartons and plastic bottles, which were placed in certain areas assigned to recycled suppliers for collection.

Non-hazardous Waste Consumption	Unit	FY2021	FY2020
Paper consumption	kg	3,473	3,002
Paper consumption intensity	kg per million revenue in RMB	2.36	2.18*
Carton boxes consumption	kg	33,442	30,095
Carton boxes consumption intensity	kg per million revenue in RMB	22.75	21.89*

* The figures are restated for consistent comparison purpose.

Aspect A3: The Environment and Natural Resources

The Group focuses on business impact on the environment and natural resources and pursues the best practice with the environmental protection. In addition to complying with relevant environmental laws and regulations and international standards to properly preserve the natural environment, the Group has integrated the concept of environmental protection and natural resources conservation into its internal management and daily operations with the aim of achieving environmental sustainability.

The Group is committed to providing a complete picture of environmental initiatives. We strive to build an eco-conscious culture that ingrains positive lifestyle and habits among employees. We encourage the use of public transportation. Our event management is also an avenue by which we seek to integrate sustainability principles. Events are usually held on-site and avoid the use of disposal utensils.

Aspect A4: Climate Change

As part of the community, we do not live aside of the impact of climate change. The Group manages the issue with respect to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which outlines four components: Governance, Strategy, Risk Management and Metrics and Targets.

Our governance is mainly driven by the Board, who sets out a clear strategy: to achieve eco-efficiency, the delivery of satisfactory goods and services while reducing environmental impacts and resource intensity, according to the World Business Council for Sustainable Development. This pushes us to consider the climate when making business decisions.

The Group is principally engaged in the retail and wholesale of toys and related lifestyle products in Mainland China, Hong Kong and Macau. Given the operation model of the Group, we consider there is no climate-related issues that could have material impact on the Group. Nevertheless, we continue to pay close attention to the possible impact of climate change on our business, strategy and financial performance, and fully support global climate-related actions.

SOCIAL RESPONSIBILITY

Aspect B1: Employment

The Group considers employees as the most valuable wealth and resources and believes that they are propellent of corporate growth. Therefore, the Group is committed to providing an equal, harmonious and diversified working environment to employees in order to attract and retain suitable talents in the competitive labor market and for the purpose of maintaining its competitiveness in the industry.

Our employment management policies cover resources planning, performance evaluation, training, compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and anti-discrimination.

The Group firmly believes that its employees are the most valuable assets of an enterprise and one of the most important factors for the sustainable development and success of the Group. The Group strictly complies with all employment-related laws and regulations, including but not limited to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Labor Law of the PRC (《中華人民共和國勞動法》), the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), the Law on the Protection of Rights and Interests of Women (《婦女權益保障法》), Provisions of the State Council on Working Hours of Workers and Staff (《國務院關於職工工作時間的規定》), the Law on the Protection of Disabled Persons (《殘疾人保障法》) and the Social Insurance Law of the PRC (《社會保險法》).

The Group has adopted the Employee Handbook to regulate the workflow of recruiting, induction and training, employee transfers, dismissals and promotions. The Employee Handbook is aligned with the local labor laws of Mainland China, Hong Kong and Macau and includes key corporate policies. Newly recruited employees are provided with a softcopy of the handbook which they are required to review during on-boarding to familiarize themselves with the Group's operations and employment and labor practices. In the event of changes to local labor laws, the Group will update the handbook and issue the revised copy with all employees.

The Group attaches great importance to talent acquisition, and we recognize that the success of an enterprise is inseparable from its employees at all levels. In 2021, we looked for passionate people through a variety of recruitment channels including internal referral, social media recruitment, online recruitment, talent market and head hunters to strengthen our workforce. Kidsland aims to provide employees with a supportive workplace built with a culture of respect and dignity that enables employees to provide excellent service to customers.

During the year ended 31 December 2021, to the best of our directors' knowledge, the Group was not aware of any material non-compliance or breach of relevant laws and regulations regarding employment.

As at 31 December 2021, the Group had 1,728 employees. The data of Group's number of employees and turnover by type in the Reporting Period are listed as below:

		FY2021
Total workforce		1,728
By employment type	Full time	1,638
	Part time	90
By gender	Male	340
	Female	1,388
By age group	30 or below	368
	31–40	709
	41–50	624
	51–60	25
	Above 60	2
By employee category	Management	124
	General staff	1,604
By geographical regions	Mainland China	1,582
	Hong Kong	126
	Macau	20

Employee Turnover[2]

		No. of staff
Total	Overall number (Turnover rate)	628 (36.3%)
By gender	Male (Turnover rate)	154 (45.3%)
	Female (Turnover rate)	474 (34.1%)
By age group	30 or below (Turnover rate)	218 (59.2%)
	31–40 (Turnover rate)	247 (34.8%)
	41–50 (Turnover rate)	143 (22.9%)
	51–60 (Turnover rate)	20 (80.0%)
	Above 60 (Turnover rate)	0 (0%)
By geographical regions	Mainland China (Turnover rate)	527 (33.3%)
	Hong Kong (Turnover rate)	82 (65.1%)
	Macau (Turnover rate)	19 (95.0%)

(2) The employee turnover rate is calculated by the total number of staff that left in 2021 divided by the total number of staff under respective categories as of the end of 2021.

Employment and employee welfare

Employees are one of Kidsland's most valued assets and the cornerstone of its corporate growth. We note that employee should be respected and we commit to provide employees with an ideal working environment. The Group's "Company Code of Conduct" clearly stipulates policies on remuneration, recruitment and dismissal, promotion, working hours, holidays, equal opportunities, and other rights and benefits.

Salary, benefits and retirement

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

The Group also offers overtime pay and all perquisites and allowances required by the government. Overtime requests are made in advance, and eligible requests are supported with benefits such as transportation allowance, compensated leave and overtime pay. The Group participates in retirement benefit schemes in Mainland China and Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees.

Equal opportunity and non-discrimination

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

- Ensuring there is no discrimination directly or indirectly, in employment decisions, including hiring, promotion, dismissal, wages and access to benefits on ground of race, color, sex, language, religion, political or other opinion, age, national, social or ethnic origin, property, sexual orientation, birth health status, trade union membership, mental or physical disability, or other status must not be engaged in or supported;

- Guaranteeing that no employees are subjected to mandatory health tests that have no relevance to the job function; and

- Providing equal benefits and opportunities to vulnerable groups, such as migrant workers, which may be subject to less protection by national law as national workers.

Aspect B2: Workplace Health and Safety

Minimizing work-related accidents and providing a safe and secure working environment for all employees are of paramount importance to the Group. The safeguard for employees' health and safety is one of the most important parts of the Group's corporate control management. The Group is committed to formulating and implementing efficient safety and health rules that focus not only on accident prevention, but also on improving employee efficiency and morale, requiring all employees to follow workplace safety rules, use necessary safety equipment and report actual or potential safety hazards.

The Group strictly abides by the labor laws and regulations in Mainland China and Hong Kong, including but not limited to Labor Law of the PRC (《中華人民共和國勞動法》), Law of the PRC on Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), Fire Control Law of the PRC (《中華人民共和國消防法》), Employment Ordinance of Hong Kong (《香港僱傭條例》), The Labour Relations Law in Macau (《澳門勞資關係法》) and other laws and regulations.

Our administration department regularly circulates updated information relating to health and safety practices, and places posters in common areas to remind our staff.

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

The outbreak of the COVID-19 brought challenges to both the Group's operations and customers. As such, the Group implemented a number of measures to safeguard the health of customers and employees. The Group operated strictly in accordance with the crowd control and social distancing rules issued by respective local governments, and proactively implement additional disinfection steps to maintain a safe and hygienic environment. Working from home was allowed during the peak of pandemic in order to lower the chance of infection. Employees are required to wear surgical masks and are reminded to observe a high standard of hygiene. Alcohol-based hand sanitizers were provided in the office and retail shops as pandemic precaution measure.

Due to the nature of the Group's business, the chance of employees encountering work-related injuries is low. The Group did not have any serious work-related injuries and no lost day due to work injury during the Reporting Period. There was no record of work-related fatality in the past three reporting years.

Aspect B3: Development and Training

The Group regards staff as the most valuable assets and acknowledges the importance of training for the development of employees. The professional development of our employees not only ensures that our workforce is equipped with the skills to meet the expectations of our customers but also demonstrates our willingness to invest in our employees. The Group provides training on techniques and management skills for staff at each level of the company structure and in various departments depending on operational needs. Our employees are also encouraged to study for professional qualifications and further their education.

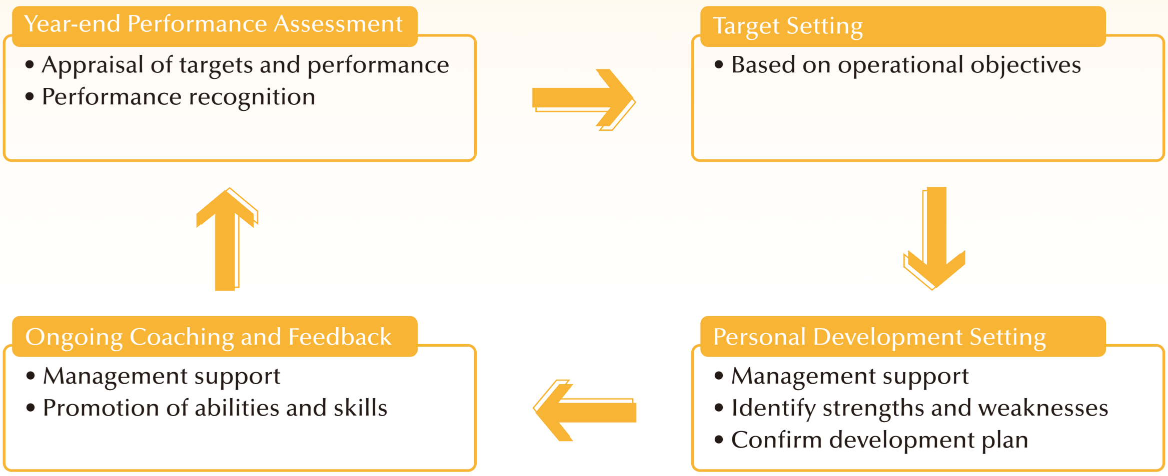
All of our employees receive initial training for their roles and ongoing on-the-job training covering topics such as employee Code of Conduct, product knowledge for sales assistants, supply chain management for office employees, and strategic planning for our management. To foster a harmonious workplace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

Training hours completed of employees during the Reporting Period[3]

		Total	Average Training Hours per Employee
Number of training hours		5,043	2.9
By gender	Male	1,929	5.7
	Female	3,114	2.2
By employee category	Management	298	2.4
	General staff	4,745	3.0

(3) The average training hours per employee is calculated by the total number of training hours (excluding sales assistant training in Mainland China operations) in 2021 divided by the total number of staff under respective category as of the end of 2021.

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



Aspect B4: Labor Standards

The Group prohibits all forms of child labour and forced labour or modern slavery, as defined by the International Labour Organisation ("ILO") not only in our operations but also throughout our supply chain. Major applicable laws and regulations include but is not limited to Labor Law of the PRC (《中華人民共和國勞動法》), Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》), Employment Ordinance of Hong Kong (《香港僱傭條例》) and The Labour Relations Law in Macau (《澳門勞資關係法》).

Moreover, we prohibit any form of forced, bonded or compulsory labour, human trafficking and other kinds of slavery and servitude. Any form of discrimination, harassment or bullying is not tolerated. We extend our commitment to suppliers by requiring all business partners to take measures to avoid and eliminate any form of forced, bonded or compulsory labour, or human trafficking. The rights and freedoms of every individual is protected as no worker is asked to surrender identification documents nor lodge deposits as a condition of employment. Cases of child labour in our businesses are averted by conducting age verification of all job applicants.

During the Reporting Period, the Group has encountered no incident of noncompliance with applicable laws and regulations related to anti-child and anti-forced labour practices at all operating regions.

Aspect B5: Supply Chain Management

Kidsland adheres to the principle of transparency and implements the values of honesty, integrity and fairness in the supply chain management. When selecting the suppliers, the Group takes into account the factors such as quality of services and products, past performance and reputation of the suppliers and suppliers' environmental and social responsibility performance. When dealing with the suppliers of goods and services, the approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. The Group expects major suppliers to observe the same environmental, social, health and safety and governance policies in their operating practices as those adopted by the Group.

Kidsland shall continue to enhance its own environmental and social performances, and continue to perfect its supply chain management. In the long run, the Group shall cooperate with its business partners closely, and encourage communication and exchange of experiences among its partners to achieve sustainable development, so as to facilitate the sustainable growth of the whole industry. During the Reporting Period, the Group partnered with a total of 119 suppliers.

Number of the suppliers by geographical region

Region	Unit	FY2021
Mainland China	No. of Supplier	48
Hong Kong	No. of Supplier	71

Aspect B6: Product Responsibility

Under the highly competitive market environment, expectations of customers towards products and services keep increasing. The Group understands that, in order to gain the trust and support of customers, the Group has to create the maximum value for its customers. The Group endeavors to supply products that meet the needs of its customers, and to ensure the compliance of health and safety standards of its products supplied to its customers, including the compliance of relevant national and regional laws and regulations in terms of packaging, labelling and advertisement.

Product quality and safety

To ensure the supply of highest quality products to customers, Kidsland shall conduct internal quality sampling inspections on the raw materials of finished goods. The Group has set up feedback and complaints procedures for its customers and shall implement remedies in respect thereof, such as return, recall or revoke products. The Group values the opinions and feedbacks of each customer, and shall continue to improve the quality of products supplied by us in accordance to such feedbacks. The Group has also complied with the requirements of Personal Data (Privacy) Ordinance in Hong Kong and takes customers' privacy seriously.

During the Reporting Year, no products were subject to recalls for safety and health reasons.

Intellectual property

The Group strictly abides by national and local laws and regulations, including but not limited to the Patent Law of the PRC (《中華人民共和國專利法》), Copyright Law of the PRC (《中華人民共和國著作權法》), Trademark Law of the PRC (《中華人民共和國商標法》) and other laws and regulations. We ensure all patent applications and management are compliant to legal standards and procedures, as well as prevent the infringement of other intellectual property rights. The Group does not allow the sales of products without formal authorization.

Data protection policies

The Group is committed to protect privacy and confidentiality of the collected personal data. The Group has established internal policies on handling personal data recorded from employees, customers and other business partners. We collect data only in a lawful and fair way, for directly related purposes of which the data subject is clearly notified. Providing related personnel with information security training, the personal data inventory is secured to prevent any unauthorized or accidental access. We ensure the data is accurate and not kept longer than necessary and the period stipulated by respective laws. We utilize technology to aid the safeguarding of the personal data inventory, such as anti-virus software and firewalls, network diagnostic tools and data encryption. Mechanisms are also in place that ensure any infringement of personal data privacy protection rights are dealt with in a timely manner.

During the Reporting Period, there was no material non-compliance or violation in intellectual property and privacy.

Aspect B7: Anti-corruption

To embrace business integrity for sustainable operations, the Group promotes fairness and integrity by deterring unethical business practices, including bribery, fraud, corruption, extortion and money laundering. The Group also provides induction training to all new directors and employees, the training covers areas including but not limited to, anti-corruption laws and regulations and the company's requirements in relation thereto, as well as the code of ethics that all directors and employees must comply with. The code of ethics in the Employee Handbook emphasizes the importance of abiding by statutory laws and regulations to staff and also states clearly with the responsibility for violations. We will make our best effort to ensure employees understand the code of ethics and make it a part of daily business activities in order to create a positive corporate culture placing integrity and honesty on a high priority.

The Group strictly abides by the relevant laws and regulations related to bribery, extortion, fraud and money laundering, including but not limited to the Company Law of the PRC (《中華人民共和國公司法》), the Anti-Money Laundering Law (《反洗錢法》), the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Basic Standards for Internal Control of Enterprise (《企業內部控制基本規範》), the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), Prevention of Bribery Ordinance in Hong Kong (《香港防止賄賂條例》) and other laws and regulations. The Group has formulated the KIDSLAND Anti-corruption Management Policy to provide clear monitoring procedures and reporting channels. If any employees find any violations such as bribery, corruption and fraud, he/she can report through the reporting email or the reporting hotline provided by the Group. The Group's senior management is responsible for investigating and collecting evidences and submitting the same to the audit committee. The audit committee will determine the corresponding penalties for the violations based on the nature, severity and evidences obtained, including but not limited to punishment, dismiss the employees, and report to relevant regulatory authorities for such violations.

During the Reporting Period, the Group had not violated any laws or regulations in relation to corruption, bribery, extortion, fraud and money laundering and were also no legal cases regarding corrupt practices brought against the Group or its employees known to the Group.

Aspect B8: Community Investment

As the markets focus more on corporate behaviors and social responsibilities, the pursuit of maximizing financial returns to reward shareholders is no longer the only goal of corporate management. Kidsland pays close attention to its bonds with the community where it operates and is well aware of the importance of different stakeholders' expectations. The Group firmly believes that balancing the interests between shareholders and other stakeholders is the only way to achieve the long-term business development in a stable and healthy manner.

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

1) *Tianjin United Education Assistance Foundation*
We donated nearly RMB600,000 worth of stationery and toys to the Tianjin United Education Assistance Foundation in 2021. Tianjin United Education Assistance Foundation is the first private public fundraising foundation in Tianjin. The main relief of the foundation are school and poor students in rural education.

2) In December 2021, Kidsland sent a number of volunteers to participate in the "Christmas Charity Sale 2021" event organized by Charles K Kao Foundation, and donated a total of more than 90 boxes of toy materials for charity sale. Charles K Kao Foundation aims to raise the public awareness of Alzheimer's disease, educating the general public on brain healthcare strategies, enhancing care and support to Alzheimer's patients, their families and caregivers.

CORPORATE GOVERNANCE REPORT

The Directors are pleased to present this corporate governance report in the annual report for the Year.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") as its own code on corporate governance. The Company has complied with all applicable code provisions as set out in the CG Code for the Year except for the deviation as stated below:

Code provision C.2.1 stipulates that the roles of chairman (the "Chairman") and chief executive officer (the "CEO") should be separate and should not be performed by the same individual. Both positions are currently held by Mr. Lee Ching Yiu. As the founder of the Group, Mr. Lee Ching Yiu has substantial experience in the toy industry. All the other Directors consider that the present structure provides the Group with strong and consistent leadership which facilitates the development of the Group's business strategies and execution of its business plans in the most efficient and effective manner. The Directors believe that it is in the best interest of the Company and its Shareholders as a whole that Mr. Lee Ching Yiu continues to assume the roles of the Chairman and the CEO.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct governing the Directors' dealings in the securities of the Company. Following specific enquiries made to each of the Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the Year.

LEADERSHIP

Board of Directors

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategies as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall strategies of the Group, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters as well as all other functions under the Articles of Association. The Board has delegated to management the authority and responsibility for daily management of the Group, implementation of strategies approved by the Board, monitoring operating budgets, implementation of internal control procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

Board Composition

The Board currently consists of eight Directors with the following composition:

Executive Directors
Mr. Lee Ching Yiu *(Chairman and CEO)*
Mr. Hung Shing Ming
Ms. Zhong Mei

Non-executive Directors
Mr. Du Ping
Ms. Duan Lanchun

INEDs
Mr. Cheng Yuk Wo *(chairman of Audit Committee)*
Mr. Huang Lester Garson *(chairman of Remuneration Committee)*
Dr. Lam Lee G. *(chairman of Nomination Committee)*

None of the Board members have financial, business, family or other material/relevant relationships with each other. The composition of the Board reflects the balanced skills and experience required for effective leadership. The biographical details of Directors are set out on pages 5 to 7 under the section headed "Directors and Senior Management". An updated list of the Directors, including the Executive Directors, Non-executive Directors and the INEDs, identifying their roles and functions is also maintained on the respective websites of the Stock Exchange and the Company.

Chairman and Chief Executive Officer

Mr. Lee Ching Yiu takes both roles of the Chairman and CEO. He provides leadership and is responsible for the effective functioning and leadership of the Company.

INEDs

All of the Company's INEDs are experienced and of high calibre. They are equipped with academic and professional qualifications in either law or accounting, and has extensive international business network. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each INED has given an annual written confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules, and the Company considers that all INEDs are independent within the definition of the Listing Rules.

Since the Listing Date, the Board at all times has met the requirements of the Listing Rules relating to the appointment of at least three INEDs representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

During the Year, the Chairman, being an Executive Director, had held at least one meeting with the INEDs without the presence of other Executive Directors.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is held responsible for the Shareholders and the Company's stakeholders. It is responsible for the overall leadership and control of the Company, oversees the Group's strategic decisions and performance, and is responsible for promoting the success of the Company. The Board makes decisions on the strategies of the Group in the best interests of the Group, and reserves its right of decision all major matters relating to budgets, policy, strategies, internal control, risk management, material transactions, financial information, appointment of Directors and other significant operational matters of the Company.

All Directors have brought in precious and valuable business perspectives, experience and knowledge to the Board for its efficient and effective functioning. They are all provided with full and timely access to information of the Company and management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

Through the CEO whom the Board has delegated authorities, the senior management of the Group is provided with authority and responsibility for implementing the decisions of the Board, directing and coordinating the daily operations and management of the Group.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

In compliance with code provision C.1.4 of the CG Code, the Company will from time-to-time fund and arrange suitable training to all the Directors to partake in the continuous professional development (the "CPD") in order to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant.

All of the Directors provided to the Company records of training that they received for the Year by attending seminars/ workshops and reading materials relating to the discharge of their duties and responsibilities and regulatory updates.

The Company is continuously updating Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and inform the Directors about good corporate governance practices.

Name of Directors	Type of Trainings
Mr. Lee Ching Yiu	A, B
Mr. Hung Shing Ming	A, B
Ms. Zhong Mei	A, B
Mr. Du Ping	A, B
Ms. Duan Lanchun	A, B
Mr. Cheng Yuk Wo	A, B
Mr. Huang Lester Garson	A, B
Dr. Lam Lee G.	A, B

A: attending seminars/briefings/conference/forms and workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

DIRECTOR APPOINTMENT AND RE-ELECTION

All Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for specific terms, should be subject to retirement by rotation at least once every three years.

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years, which is terminable by not less than three months' notice in writing. Each of the Non-executive Directors and INEDs has signed a letter of appointment with the Company for a term of three years, which is terminable by not less than three months' notice in writing.

None of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the agreements/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

The appointment of all Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association. In accordance with the Articles of Association, all Directors, including the Non-executive Directors and INEDs, are subject to retirement by rotation at least once every three years and any Director appointed to fill a causal vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting after appointment. Any Director appointed as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next following annual general meeting. The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring that reliable and relevant flow of information is maintained amongst members of the Board and that all procedures have been adhered to in accordance with applicable laws, rules and regulations.

Ms. Tung Wing Yee Winnie ("Ms. Tung") has been appointed to succeed Ms. Chan Hau Lai as the Company Secretary with effect from 1 November 2021. Ms. Tung was nominated by Boardroom Corporate Service (HK) Limited ("Boardroom") to be the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Ms. Tung has been contacting in respect of company secretarial matters is Mr. Hung Shing Ming, an Executive Director, the Chief Financial Officer and the Assistant Chief Executive Officer of the Company.

Ms. Tung had undertaken no less than 15 hours' relevant CPD training during the Year pursuant to Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

Three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, are established for the roles of overseeing particular aspects of the Group under defined terms of reference. The terms of reference align with the CG Code and are made available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs: Mr. Cheng Yuk Wo (as committee chairman), Mr. Huang Lester Garson and Dr. Lam Lee G. It is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment, or removal of external auditors; (ii) reviewing draft interim reports, annual reports, and financial statements (including any significant financial reporting judgements mentioned in them); and (iii) overseeing the Company's financial reporting, risk management, and internal control systems.

The terms of reference of the Audit Committee adopted by the Board are aligned with the code provisions set out in the CG Code, and are available on the websites of the Stock Exchange and the Company.

During the Year, the Audit Committee held three meetings during which the Audit Committee reviewed and discussed the audited annual results for the year ended 31 December 2020 with the senior management of the Company and external auditor, reviewed and discussed the unaudited interim results for the six months ended 30 June 2021 with the senior management of the Company and external auditor, assessed the independence of the Company's auditors, reviewed the appointment of external auditors, had meetings with external auditors, reviewed the accounting policies adopted by the Group, and reviewed the internal control, financial control, risk management systems and effectiveness of internal audit function of the Group. A subsequent meeting on 18 March 2022 allowed the Audit Committee to review the Group's internal control, financial control, risk management systems and effectiveness of internal audit function of the Group, and annual financial statements for the Year, which the Audit Committee believed to be compliant with accounting standards, the Listing Rules, and other legal requirements.

During the Year, the Audit Committee and the Board conducted a review of the effectiveness of the risk management and internal control system of the Company, respectively including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Company's accounting and financial reporting function. The Board considers that there are no significant defects in the Company's risk management and internal control system in terms of completeness, reasonableness and effectiveness and considers the Company's internal audit and internal control system to be effective and sufficient.

NOMINATION COMMITTEE

The Nomination Committee comprises three INEDs: Dr. Lam Lee G. (as committee chairman), Mr. Huang Lester Garson and Mr. Cheng Yuk Wo. It is mainly responsible for (i) reviewing the Board's composition, structure, size, and diversity; (ii) assessing the independence of the INEDs; (iii) making recommendations to the Board on the nomination, appointment or re-appointment of Directors; and (iv) succession-planning, regarding in particular, the Chairman and CEO.

The terms of reference of the Nomination Committee adopted by the Board are aligned with the code provisions set out in the CG Code, and are currently made available on the websites of the Stock Exchange and the Company.

During the Year, the Nomination Committee convened one meeting, where it (i) assessed the independence of INEDs; (ii) reviewed and made recommendation on the re-appointment of retired Directors; (iii) reviewed the structure and composition of the Board; and (iv) reviewed the diversity policy of the Board. The Nomination Committee also discussed matters such as nomination procedure of director candidates by Shareholders and Director's rotations and succession planning.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board including an INED, the Nomination Committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

(a) character, experience and integrity;

(b) accomplishment in the business and other relevant sectors relating to the Group's business or development and reputation;

(c) commitment in respect of sufficient time and attention in the Company's affairs;

(d) ability to assist and support management and make significant contributions to the Company's success;

(e) the needs of the Board and the respective committees of the Board and the current size and composition of the Board;

(f) understanding of and ability to fulfill a Director's fiduciary responsibilities towards the Company and the commitment of time and energy necessary to diligently carry out these responsibilities;

(g) in accordance with the Group's board diversity policy, as described below in the paragraph headed "Board Diversity Policy" in the Corporate Governance Report, diversity in all aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence (for INEDs), age and gender; and

(h) any other factors as the Nomination Committee or Board deems fit to consider in the best interests of the Company and the Shareholders.

Once the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the Nomination Committee, the Board or management.

REMUNERATION COMMITTEE

The Remuneration Committee consists of two INEDs, namely Mr. Huang Lester Garson (as committee chairman) and Mr. Cheng Yuk Wo, as well as an Executive Director, Mr. Lee Ching Yiu.

The terms of reference of the Remuneration Committee adopted by the Board are aligned with the code provisions set out in the CG Code, and are currently made available on the websites of the Stock Exchange and the Company.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the Year, the Remuneration Committee convened one meeting to review the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management, assess the performance of the Executive Directors and other related matters.

The remuneration of Directors was determined by their experience, responsibility, workload, and time devoted to the Group. Executive Directors and employees were awarded bonuses according to the performance of the Group and their individual performance. Details of the Directors' remuneration are set out in note 11 of the Consolidated Financial Statement.

The emolument payable to Directors and senior management will depend on the contractual terms stated in their service agreements or appointment letters and is fixed by the Board, taking into account (i) the Remuneration Committee's recommendations, (ii) the Group's performance, and (iii) prevailing market conditions.

The remuneration of the Directors and senior management of the Company for the Year was as follows:

Remuneration Band	Number of individuals
Less than HK$1,000,000 (equivalent to approximately RMB830,000)	8
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB830,001 to RMB1,245,000)	4
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,245,001 to RMB1,660,000)	1
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,660,001 to RMB2,075,000)	1
HK$5,000,001 to HK$5,500,000 (equivalent to approximately RMB4,150,001 to RMB4,565,000)	1

Details of the remuneration of Directors and senior management are set out in notes 10 and 11 of the Consolidated Financial Statements.

CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for performing the corporate governance functions as set out in code provision D.3.3 of the CG Code, which include but are not limited to:

(a) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

(b) reviewing and monitoring the training and CPD of the Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(e) reviewing the Company's compliance with the CG Code and disclosure in this report.

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse board to enhance performance. To build and maintain the Board's diverse composition, the Board adopted a Board Diversity Policy on 20 October 2017.

The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption. Director candidates' gender, age, cultural and educational background, professional experience, skills, knowledge, and length of service at the Company are accessed. These differences will be considered in determining the optimum composition of the Board. All Board appointments will be based on merit while taking diversity into account.

The Board has considered measurable objectives based on the following focus areas: (i) professional skills, experience, knowledge and expertise; (ii) gender; (iii) age; and (iv) culture and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

As of the date of this annual report, the Board comprises eight Directors. Three of them are INEDs, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, in particular, in terms of professional expertise and experience, age, and culture.

Board Meetings

Throughout the Year, at least 14 days' notice for all regular Board meetings has been given to all Directors and all Directors has been given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice has been given. During regular Board meetings, the Board reviewed the Group's operation and financial performance and reviewed and approved annual and interim results.

During the Year, the Board held four meetings. The Board meetings are regularly held for at least four times a year at approximately quarterly intervals to discuss overall strategy as well as operations and financial performance of the Group. Up to the date of this annual report, one Board meeting was held on 23 March 2022. All Directors were given opportunities to include any matters in the agenda for regular Board meetings and review documents and information about matters to be discussed at Board meetings. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers are sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed.

Board minutes are kept by the Company Secretary and open for inspection by the Directors. Every Board member is entitled to access to Board papers, related materials, and the advice and services of the Company Secretary; each Board member also has the liberty to seek external professional advice for reasonable excuses.

General Meetings

The Board is responsible for maintaining an on-going dialogue with the Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Attendance Records

The attendance records of each Director at the Board, committees and general meeting during the Year are as follows:

	Attendance/Number of Meetings for the Year				
Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Mr. Lee Ching Yiu	4/4	–	–	1/1	1/1
Mr. Hung Shing Ming	4/4	–	–	–	1/1
Ms. Zhong Mei	4/4	–	–	–	1/1
Mr. Du Ping	4/4	–	–	–	1/1
Ms. Duan Lanchun	4/4	–	–	–	1/1
Mr. Cheng Yuk Wo	4/4	3/3	1/1	1/1	1/1
Mr. Huang Lester Garson	4/4	3/3	1/1	1/1	1/1
Dr. Lam Lee G.	4/4	3/3	1/1	–	1/1

INDEPENDENT AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the Auditor about their reporting responsibilities and opinion on the Consolidated Financial Statements is set out in the section headed "Independent Auditor's Report" on pages 60 to 64 of this annual report.

During the Year, the remunerations paid/payable to the Auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fee paid/payable RMB'000
Audit services – annual audit	2,241
Non-audit services	–
Total	2,241

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for the year. In preparing the consolidated financial statements for the Year, the Board has adopted suitable accounting policies, made prudent and fair judgments and estimates, and prepared the accounts under the assumption that the Company will continue operating for the foreseeable future. Nothing has compelled the Directors to assume otherwise.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Internal Control and Risk Management

The Board acknowledges that it is responsible for safeguarding corporate governance through monitoring and reviewing the effectiveness of the risk management and internal control systems regularly through the Audit Committee.

The scope of such review covers all material controls, including financial, operational and compliance controls. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee regularly reviews and monitors the scope, issues, results and action plans in relation to or arising from the internal and external audits. It also assists the Board in fulfilling its corporate governance roles in the Group's risk management and internal controls and internal audit functions.

The risk management and internal control systems also facilitate effective and efficient operations, ensure reliability of financial reporting and compliance with applicable laws and regulations, and safeguard the Group's assets.

The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate. The Board expects that a review of the risk management and internal control systems will be performed annually.

The Company has adopted corporate governance policies to ensure compliance with the Listing Rules and improve the effectiveness of its risk management and internal control systems.

Process used to Review the Effectiveness of the Risk Management and Internal Control Systems and to Resolve Material Internal Control Defects

The Company engaged an external advisory firm to conduct a review on the Group's internal control environment for the Year and help the Group to adopt and implement enterprise risk management systems. Based on the findings and recommendations of the external advisory firm and confirmation of the management as well as the recommendation of the Audit Committee, the Board considered the risk management and internal control systems to be effective and adequate with no significant areas of concern. The review covered adequacy of resources, training programmes, qualifications and experience of staff, the Group's budget, accounting and financial reporting functions, and internal control. The Board will continue to work with management personnel to fix any internal control weaknesses and monitor the risks of the Group in the coming years.

Procedures and Internal Controls for the Handling and Disseminating Inside Information

To prevent breaching disclosing requirements, the Company has taken such measures as the following:

- Access of information is restricted to a limited number of employees on a need-to-know basis.
- Employees knowing or possessing inside information know that they need to keep it confidential.
- All employees are required to strictly adhere to the employment terms about handling confidential information.
- Employees that possess or likely will possess inside information must comply with the Model Code.

The Group complies with requirements under the SFO and the Listing Rules and discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours mentioned in the SFO. Before the information is fully disclosed to the public, the Group ensures strict confidentiality. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information in the Company's announcements or circulars is not false or misleading as to a material fact, or false or misleading through omission of a material fact.

INTERNAL AUDIT FUNCTION

The Company does not have an internal audit department. After reviewing the Group's size and business, the Board concluded that it would be more cost-effective to appoint external professionals to perform independent reviews of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

SHAREHOLDERS' RIGHTS

The Company's general meetings foster communication between Shareholders and the Board. General meetings besides the annual general meeting are called extraordinary general meetings ("EGMs").

Convening EGMs

To convene EGMs, Shareholders or groups of Shareholders that (i) have voting rights at general meetings and (ii) hold at least 10% of the Company's paid-up capital ("Eligible Shareholders") may send written requisitions to the Company Secretary at the Company's principal place of business in Hong Kong at 28/F, Times Tower, 391–407 Jaffe Road, Wan Chai, Hong Kong. Each requisition must be signed by the Eligible Shareholders and contain (i) the Eligible Shareholders' names and shareholdings, (ii) reasons for convening an EGM, (iii) a meeting agenda, and (iv) details of agenda items.

After verifying the identity and shareholding of the requisition with Tricor Investor Services Limited, the Company's share registrar, the Company Secretary shall ask the Board to convene an EGM within two months of the requisition's deposit date if Tricor finds the requisition proper and in order.

Enquiries to the Board

Shareholders may send enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at 28/F, Times Tower, 391–407 Jaffe Road, Wan Chai, Hong Kong by post or by email to cosec@kidslandholdings.com.

Director Nominations

A Shareholder wishing to nominate a candidate to become a Company director must deposit a written notice (the "Notice") to Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the Company Secretary.

The Notice must be signed by the nominator and contain (i) the nominator's name, (ii) the nominator's shareholding, (iii) the nominee's full name, and (iv) the nominee's biographical details written according to Rule 13.51(2) of the Listing Rules; the nominee must also sign a letter of consent (the "Letter") to indicate willingness to become a director.

The period for lodgement of the Notice and the Letter shall last for at least seven days, beginning any day after the day the Company announces about the general meeting in which directors will be elected and ending no later than seven days before the date of the general meeting.

After the Company's share registrar confirms that the Notice is proper and in order, the Company Secretary will ask the Board and its Nomination Committee to consider approving a meeting resolution to elect the nominee as a director.

Procedures for Shareholders to put forward proposals at general meetings

To put forward a proposal at a general meeting, Shareholders should lodge a written notice of their proposal (the "Proposal") containing their detailed contact information to the Company's principal place of business in Hong Kong; they should also send a copy of the Proposal to the Company's branch share registrar whose contact details are set out on page 2 of this annual report.

The request will be verified with the Company's share registrar in Hong Kong. Upon the share registrar's confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period given to all Shareholders to consider the Proposal at the general meeting varies according to the following criteria:

(1) At least 21 clear days and 20 clear business days in writing if the Proposal requires approval at an annual general meeting; and

(2) At least 14 clear days and 10 clear business days in writing if the Proposal requires approval at an EGM.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except when the Chairman, in good faith, decides to allow a resolution relating purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions set out in the notice of the forthcoming annual general meeting will be voted by poll.

CONSTITUTIONAL DOCUMENTS

No change was made to the Company's constitutional documents during the Year. The Articles of Association is available on the respective websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company is committed to maintaining an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings because effective communication with Shareholders is essential for enhancing investor relations and allowing investors to understand the Group's business performance and strategies. Board members endeavour to make themselves available at the annual general meeting to meet Shareholders and answer enquiries.

The Company maintains a website at www.kidslandholdings.com where updates on the Company's business operations and developments, financial information, corporate governance practices, and other information are made available to the public.

羅兵咸永道

To the Members of Kidsland International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kidsland International Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 65 to 135, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other 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 significant accounting policies and other explanatory information.

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 31 December 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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessing net realisable value of inventories; and
- Impairment assessment of the Group's underperforming retail stores.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessing net realisable value of inventories	
Refer to Note 4(a) and Note 21 to the consolidated financial statements. At 31 December 2021, net inventory balance of the Group amounted to approximately RMB472.1 million. The inventories are carried at the lower of cost and net realisable value. At 31 December 2021, the Group's inventory provision amounted to approximately RMB65.6 million. The Group is engaged in the retail business of toys and related lifestyle products and is subject to changing consumer demands and preferences for certain brands. Management's judgement is required for assessing the net realisable value of inventories in light of the status of the cooperative relationship with the brand owners, especially for those discontinued brands, which would impact the future clearance sales plan. Management determines the appropriate provisions for inventories based on a detailed historical sales analysis of inventories by brand, the Group's clearance plans for sale of these inventory, in particular the discontinued brands, and historical experience on selling prices and selling expenses for these inventories to estimate the net realisable value. We focused on this area due to the significant value of inventories and the critical estimates made by management on assessing the net realisable value of inventories.	Our procedures for assessing the appropriateness of management's judgements applied in determining the net realisable value of inventories included: • Obtained an understanding of the management internal control and assessment process of the net realisable value of different brands of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated the assessment of cooperative relationship with brand owners made by management with respect to different brands of inventories as to their latest status of cooperation; • Evaluated the future sales plans, in particular those discontinued brands, through enquiries with management and with reference to historical instances of clearance sales and its corresponding sales analysis, which contained information as to historical selling prices and selling expenses; • Compared the carrying amount of the inventories, on a sample basis, to their net realisable value; • Tested, on a sampling basis, the supporting documents of latest selling prices of similar inventory items; and • Tested the mathematical accuracy of management's year end calculation of provision for impairment of inventories. Based on the above audit procedures performed, we found that management's judgement and assumptions applied in the estimation of net realisable value of inventories were supported by available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the Group's underperforming retail stores	
Refer to Note 4(b), Note 15 and Note 22 of the consolidated financial statements. Management determined that each retail store is a cash-generating unit ("CGU"). Certain of the Group's retail stores were loss making which, as an impairment indicator, indicated that impairment assessment of the relevant stores' leasehold improvement and right-of-use assets had to be performed. As at 31 December 2021, provision for impairment of leasehold improvement and right-of-use assets amounted to RMB13.4 million and RMB20.7 million, respectively. Management judgement is required to identify those stores requiring provision and determining the amount of provision for impairment of leasehold improvement and right-of-use assets, including the identification of impairment indicators and the determination of economic benefit deriving from operating those stores during the remaining non-cancellable lease period. The recoverable amount of each CGU was determined based on value-in-use calculation which involved the use of key assumptions in a discounted cash flow model, including revenue growth, gross profit margin and discount rate. We focused on this matter because the impairment assessment of the Group's underperforming retail stores is subject to an elevated level of estimation uncertainty.	Our procedures for assessing the appropriateness of management's judgements applied in assessing the provision for impairment of underperforming stores included: • Obtained an understanding of the management internal control and assessment process of the management's procedures in the identification of underperforming stores which were loss making and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Assessed the valuation methodology adopted in management's preparation of the discounted cash flow forecast; • Evaluated the key assumptions used in the cash flow forecast, including revenue growth and gross profit margin, by comparing to actual historical performance of the relevant stores, and the business plans approved by management; • Evaluated the discount rate used in the forecast with reference to industry research; and • Tested the mathematical accuracy of the discounted cash flow model and the calculation of provisions. Based on the above audit procedures performed, we found that management's judgement and assumptions applied in the impairment assessment of the Group's underperforming retail stores were supported by 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.

RESPONSIBILITIES OF DIRECTORS AND THE 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 is 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.

- 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.

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

- 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, actions taken to eliminate threats or safeguards applied.

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 Albert K.W. Lee.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 23 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	1,469,800	1,374,784
Cost of sales	8	(857,010)	(871,483)
Gross profit		612,790	503,301
Other income	6	10,230	14,602
Other gains, net	7	5,865	28,084
Impairment loss on financial assets	8	(252)	(12)
Selling and distribution expenses	8	(555,219)	(593,624)
General and administrative expenses	8	(57,427)	(73,249)
Operating profit/(loss)		15,987	(120,898)
Finance costs	9	(9,874)	(10,748)
Profit/(loss) before income tax		6,113	(131,646)
Income tax (expense)/credit	12	(4,038)	1,548
Profit/(loss) for the year		2,075	(130,098)
Other comprehensive loss, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		(7,643)	(17,549)
Total comprehensive loss for the year		(5,568)	(147,647)
Profit/(loss) for the year attributable to:			
– owners of the Company		1,341	(127,094)
– non-controlling interest		734	(3,004)
		2,075	(130,098)
Total comprehensive (loss)/income for the year attributable to:			
– owners of the Company		(6,472)	(145,017)
– non-controlling interest		904	(2,630)
		(5,568)	(147,647)
Earnings/(loss) per share, basic and diluted (RMB cents)	13	0.17	(15.89)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	37,496	38,899
Right-of-use assets	*22*	129,716	108,125
Intangible assets	*18*	12,361	8,795
Financial asset at fair value through profit or loss ("FVTPL")	*19*	290	–
Deposits paid for acquisition of property, plant and equipment	*23*	–	2,079
Rental deposits	*23*	31,113	22,741
Deferred tax assets	*20*	22,097	24,401
		233,073	205,040
Current assets			
Inventories	*21*	472,052	419,865
Trade and bill receivables	*23*	98,510	94,235
Other receivables, deposits and prepayments	*23*	75,865	89,942
Right of return assets	*5*	2,210	2,246
Tax recoverable		56	56
Restricted cash	*24*	5,405	5,440
Bank balances and cash	*24*	19,984	48,334
		674,082	660,118
EQUITY			
Owners of the Company			
Share capital	*28*	6,931	6,931
Reserves	*29*	464,907	471,379
		471,838	478,310
Non-controlling interest		9,315	8,411
Total equity		481,153	486,721

	Notes	2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs	25	5,919	5,222
Lease liabilities	22	69,746	58,920
		75,665	64,142
Current liabilities			
Trade payables	25	143,602	93,390
Other payables and accruals	25	77,073	92,392
Loan from a related company	26	40,475	33,413
Lease liabilities	22	71,582	70,056
Contract liabilities	25	11,780	19,081
Current tax liabilities		5,825	5,963
		350,337	314,295
Net current assets		323,745	345,823
Total assets less current liabilities		556,818	550,863
Net assets		481,153	486,721

The consolidated financial statements on page 65 to 135 were approved by the Board of Directors on 23 March 2022 and were signed on its behalf.

Lee Ching Yiu
Director

Hung Shing Ming
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 *(Note 29)*	Statutory reserve RMB'000 *(Note 29)*	Capital reserve RMB'000 *(Note 29)*	Translation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2020	6,931	323,968	(118,988)	4,443	185,068	7,210	28,011	184,593	621,236	11,041	632,277
Loss for the year	–	–	–	–	–	–	–	(127,094)	(127,094)	(3,004)	(130,098)
Other comprehensive (loss)/ income for the year	–	–	–	–	–	(17,923)	–	–	(17,923)	374	(17,549)
Total comprehensive loss for the year	–	–	–	–	–	(17,923)	–	(127,094)	(145,017)	(2,630)	(147,647)
Recognition of share-based payment expense *(note 10)*	–	–	–	–	–	–	2,091	–	2,091	–	2,091
Share options lapsed	–	–	–	–	–	–	(2,424)	2,424	–	–	–
Balance at 31 December 2020	6,931	323,968	(118,988)	4,443	185,068	(10,713)	27,678	59,923	478,310	8,411	486,721
Balance at 1 January 2021	6,931	323,968	(118,988)	4,443	185,068	(10,713)	27,678	59,923	478,310	8,411	486,721
Profit for the year	–	–	–	–	–	–	–	1,341	1,341	734	2,075
Other comprehensive (loss)/ income for the year	–	–	–	–	–	(7,813)	–	–	(7,813)	170	(7,643)
Total comprehensive (loss)/ income for the year	–	–	–	–	–	(7,813)	–	1,341	(6,472)	904	(5,568)
Share options lapsed	–	–	–	–	–	–	(150)	150	–	–	–
Balance at 31 December 2021	6,931	323,968	(118,988)	4,443	185,068	(18,526)	27,528	61,414	471,838	9,315	481,153

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Net cash generated from operations	27(a)	**87,448**	129,165
Income tax (paid)/refunded		**(1,928)**	14
Net cash generated from operating activities		**85,520**	129,179
Cash flows from investing activities			
Purchases of property, plant and equipment		**(24,566)**	(31,154)
Purchases of intangible assets		**(4,478)**	–
Deposit paid for acquisition of property, plant and equipment		**–**	(2,079)
Purchase and proceeds from disposal of financial assets at FVTPL		**(811)**	362
Interest received		**441**	397
Net cash used in investing activities		**(29,414)**	(32,474)
Cash flows from financing activities			
Proceeds from loan from a related company	27(c)	**7,062**	19,718
Principal elements of lease payments	27(c)	**(86,790)**	(98,794)
Interest elements of lease payments	27(c)	**(9,093)**	(10,036)
Net refund of rental deposits		**4,838**	11,223
Payment for early termination of lease agreements		**(130)**	(434)
Decrease in restricted cash	27(c)	**35**	60
Net cash used in financing activities		**(84,078)**	(78,263)
Net (decrease)/increase in cash and cash equivalents		**(27,972)**	18,442
Effect of foreign exchange rate changes, net		**(378)**	(793)
Cash and cash equivalents at beginning of year		**48,334**	30,685
Cash and cash equivalents at end of year	24	**19,984**	48,334

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

1 GENERAL INFORMATION

Kidsland International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in trading and sale of toys and related lifestyle products. The Group mainly operates in Mainland China (the "PRC"), Hong Kong and Macau.

The Company is a limited liability company incorporated in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 April 2017.

The Company is 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").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on the historical cost basis except for the financial asset at FVTPL which is measured at fair value.

2.2 Principal accounting policies

The preparation requires the use of certain critical accounting estimates and also requires 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 adopted by the Group*

The Group has adopted the following new and amended standards that have been issued and effective for the Group's financial year beginning on or after 1 January 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

The Group also elected to adopt the following amendment early:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions

The amendments listed 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, except for the Amendment to HKFRS 16 set out above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principal accounting policies (Continued)

(a) *New and amended standards adopted by the Group* (Continued)

The Group has early adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 to cover lease payments related rent concessions that are originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The early adoption of HKFRS 16 (Amendment) does not have significant impact to the Group for the year ended 31 December 2021.

(b) *New, amended standards and interpretation not yet adopted*

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principal accounting policies (Continued)

(b) New, amended standards and interpretation not yet adopted (Continued)

The Group will adopt the new standards, amended standards and interpretation when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards, amended standards and interpretation, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.3 Principal of consolidation

2.3.1 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company 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 profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3.2 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2.4 Separate financial statements

Investments 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 investments 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.6 Foreign currency translation

(a) *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 consolidated financial statements are presented in RMB, while the functional currency of the Company is HK$.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through the profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) *Group companies*

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to 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 profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. 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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised when replaced. All other repair and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on the assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, at the following annual rates:

Leasehold improvements	5 years or over the lease period, whichever is shorter
Furniture and equipment	5–10 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised in the consolidated income statement.

2.8 Intangible assets

Trademark

Separately acquired trademark is shown at historical cost. They have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 20 years.

Distribution right

Separately acquired distribution right is shown at historical cost. They have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of distribution right over their estimated useful lives of 10 years.

2.9 Impairment of non-financial assets

Non-financial assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Investments and other financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassified debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and derecognition*

Regular way purchases and sales 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 plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Assets that 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 finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in "other gains, net" together with foreign exchange gains and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Investments and other financial assets (Continued)

(c) *Measurement* (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(d) *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its assets 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.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.11 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 Group or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventories comprises cost of purchase and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade receivables for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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 institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

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

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 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 profit or loss 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 draw-down 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 after the reporting period.

2.18 Current and deferred income tax

The income tax expense or credit 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.

(a) 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 and its 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(b) *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 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 substantively 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.

Deferred 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 tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where 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 tax is recognised in profit or loss, 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.

2.19 Employee benefits

(a) *Employee benefit entitlements*

Salaries, bonuses, annual leave and the cost of other benefits to the Group are accrued in the year in which the associated services are rendered by the employees of the Group.

(b) *Pension obligations*

The Group contributes to a mandatory provident fund scheme which is a defined contribution retirement scheme and available to all Hong Kong employees. Both the Company and the staff are required to contribute 5% of the employees' relevant income with a ceiling of HK$1,500 per month to the MPF scheme. Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

The Group also contributes to pension schemes established by municipal governments in respect of certain subsidiaries in Mainland China. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining 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).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

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

If the vested equity instruments are later lapsed and are not exercised, the corresponding amount recognised for services received from an employee is transferred from employees' share-based compensation reserve to retained earnings.

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is recognised as an employee benefit expense or recharged to the subsidiary as appropriate with a corresponding increase in equity. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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 has been 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 expenditures 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 obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) *Sales of goods – retail and concessionaire sales*

Revenue from sales of goods including retail and concessionaire sales is recognised when control of the products has transferred, which generally coincides with the time when the goods are delivered to customers and title has passed. For concessionaire sales at consignment counters, control is transferred when the goods are sold to end customers instead of when the goods are delivered to department stores.

(b) *Sales of goods – internet sales*

Revenue from the sale of goods on the internet is recognised at the point when the control of the goods has transferred, being when the sales amount has been settled by the customer. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

(c) *Sales of goods – wholesales*

The Group sells a range of toys and related lifestyle products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Certain of the Group's revenue contracts contains a refund clause whereby the customer can exchange for inventory items, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A liability arising from expected sales return (included in contract liability) is recognised for expected sales return in relation to sales made until the end of the reporting period. No significant element of financing is deemed present.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(d) *Sales of goods – customer loyalty programme (deferred revenue)*

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of sale. Revenue is recognised when the points are redeemed or when they expire.

2.23 Earnings per share

(a) *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.

(b) *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.

2.24 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of profit or loss and other comprehensive income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

For leases of real estate for which the Group is a lessee, it has elected to separate lease and non-lease components and accounts for non-lease components as building management fee in selling and distribution expenses.

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;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss 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 following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.27 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.

2.28 Film rights investment

Film rights investment is the Group's investments in films production project which entitles the Group to share certain percentage of income to be generated from the related film based on the Group's investment portion as specified in respective film rights investment agreement but the Group has no control nor joint control over the investments. Film rights investment is carried at fair value.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (included foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in HK$, US$ and RMB. The Group is exposed to foreign exchange risk arising mainly from the exposure of HK$ and US$ against RMB as the majority of the Group's foreign currency financial assets and liabilities including deposits in banks, trade receivables and trade payables are denominated in HK$ and US$.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange rate risk.

At 31 December 2021, if HK$ had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year (2020: loss for the year) would have been approximately RMB155,000 lower/higher (2020: RMB147,000 lower/higher) mainly as a result of foreign exchange losses/gains (2020: gains/losses) on translation of HK$ denominated net trade payables (2020: on translation of HK$ denominated net trade receivables).

At 31 December 2021, if US$ had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year (2020: loss for the year) would have been approximately RMB53,000 lower/higher (2020: RMB239,000 higher/lower) mainly as a result of foreign exchange losses/gains (2020: losses/gains) on translation of US$ denominated net trade payables (2020: on translation of US$ denominated net trade payables).

The foreign exchange risk arising from the exposure of other foreign currencies is considered to be minimal.

(ii) Cash flow interest rate risk

The Group's main interest rate risk arises from a loan from a related company and bank deposits which are carried at floating rate. As at 31 December 2021, if the market interest rates have been 100 basis points higher/lower with all other variables held constant, profit for the year (2020: loss for the year) would have been RMB177,000 lower/higher (2020: RMB175,000 lower/higher), as the Group is in net debt position (2020: net cash position).

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, and deposits with banks, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

Sales to retail customers are made in cash or via major credit cards. The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 to 60 days from the invoice date while credit sales to hypermarkets are generally on credit terms within 90 days. Normally the Group does not require collaterals from trade debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

Substantially all the deposits with banks are held in international financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any losses arising from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets

The Group has three types of assets that are subject to the expected credit loss model:

- trade and bill receivables;
- other receivables and deposits at amortised cost; and
- bank balances and restricted cash.

Trade and bill receivables

The Group applies simplified approach to measuring expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables have been grouped based on nature of customer accounts, the shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the bad loan for Chinese retail industry, China real consumption growth and China real import growth to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at end of each reporting period was determined as follows for trade receivables.

	Current RMB'000	Past due within 30 days RMB'000	Past due 31 to 60 days RMB'000	Past due 61 to 90 days RMB'000	Past due over 90 days RMB'000	Total RMB'000
At 31 December 2021						
Gross carrying amount	75,105	9,103	8,372	194	11,780	104,554
Expected credit loss rates	0.5%	2.8%	9.4%	13.9%	77.6%	
Loss allowance	(355)	(252)	(785)	(27)	(9,143)	(10,562)
Net carrying amount	74,750	8,851	7,587	167	2,637	93,992

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Trade and bill receivables (Continued)

	Current RMB'000	Past due within 30 days RMB'000	Past due 31 to 60 days RMB'000	Past due 61 to 90 days RMB'000	Past due over 90 days RMB'000	Total RMB'000
At 31 December 2020						
Gross carrying amount	76,796	9,144	5,729	115	12,761	104,545
Expected credit loss rates	0.3%	3.0%	5.3%	6.9%	74.4%	
Loss allowance	(221)	(278)	(304)	(8)	(9,499)	(10,310)
Net carrying amount	76,575	8,866	5,425	107	3,262	94,235

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Bill receivables are issued from state-owned banks in PRC. The credit quality of bill receivables has been assessed by reference to external credit ratings and to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, the expected credit loss of bill receivables are assessed to be close to zero and no provision as made as at 31 December 2021.

Other receivables and deposits at amortised cost

Other receivables and deposits at amortised cost mainly represents other receivables and rental deposits in well-known landlords. Except for the amount written-off during the year, the management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is immaterial.

Bank balances and restricted cash

All of the Group's bank deposits are deposited in major financial institutions located in the PRC, Hong Kong and overseas, which the management believes are of high credit quality without significant credit risk. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

With prudent liquidity risk management, the Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including loan from a related company.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2020						
Trade payables	93,390	–	–	–	93,390	93,390
Other payables and accruals	39,626	–	–	–	39,626	39,626
Loan from a related company	33,895	–	–	–	33,895	33,413
Lease liabilities	87,258	40,328	29,602	–	157,188	128,976
	254,169	40,328	29,602	–	324,099	295,405

	Within 1 year or on demand RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total contractual cash flows RMB'000**	**Carrying amount RMB'000**
As at 31 December 2021						
Trade payables	**143,602**	–	–	–	**143,602**	**143,602**
Other payables and accruals	**49,508**	–	–	–	**49,508**	**49,508**
Loan from a related company	**41,369**	–	–	–	**41,369**	**40,475**
Lease liabilities	**89,536**	**63,509**	**20,297**	–	**173,342**	**141,328**
	324,015	**63,509**	**20,297**	–	**407,821**	**374,913**

3 FINANCIAL RISK MANAGEMENT (Continued)

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.

The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, obtain new bank borrowings, return capital to shareholders or issue new shares.

The table below analyses the Group's capital structure as at 31 December 2021:

	2021 **RMB'000**	2020 RMB'000
Bank balances and cash	**19,984**	48,334
Restricted cash	**5,405**	5,440
Loan from a related company	**(40,475)**	(33,413)
Lease liabilities	**(141,328)**	(128,976)
Net debt position	**(156,414)**	(108,615)
Total equity	**481,153**	486,721

The Group was in a net debt position of RMB156,414,000 as at 31 December 2021 (2020: RMB108,615,000). The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as at 31 December 2021 is approximately 32.5% (2020: 22.3%).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities, including cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair values, which either due to their short-term maturities.

(a) *Fair value measurement of financial instruments*

Below analyses the Group's financial instruments carried at fair value as at 31 December 2021 and 31 December 2020 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 December 2021, the Group measured the fair value of the financial assets at FVTPL by using level 3 inputs (2020: same).

There were no transfers between Level 1, 2 and 3 and no other changes in valuation techniques during the year.

For the changes in level 3 instruments for the years ended 31 December 2021 and 2020, please refer to Note 19.

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

(a) Estimation of net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on current market conditions and the historical experience of selling products of similar nature. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. The estimate could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in industry conditions. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed. Management reassesses the estimation at each balance sheet date.

(b) Estimation of impairment of non-financial assets

The impairment loss for non-financial assets, comprising property, plant and equipment, intangible asset and right-of-use asset is recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Notes 2.7 to 2.9. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, which are based on the best information available to reflect the amount obtainable at each balance sheet date.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the assets in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the statement of profit or loss.

(c) Fair value of film rights

For the film rights without active market, the Group determines fair values using discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Changes in assumptions could affect the estimated fair value of film rights.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Identification of lease and determination of the lease term

In identifying whether a contract contains element of a lease, management consider all facts and circumstances surrounding the arrangement and determine whether this would give rise to the Group's control over an identified asset, and whether the Group has the right to obtain substantially all of the economic benefit or direct how and for what purpose the asset is used throughout the period of use.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, warehouses and retail stores, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in the Group's leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Impairment of 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 each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

(f) Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated, and will write-off or write-down obsolete, abandoned or sold assets.

(g) Income taxes

The Group is subject to various taxes in Hong Kong and Mainland China. Significant judgement is required in determining the provision for these taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM"), that are used to make strategic decisions. The Group's operating segments are classified as the geographic areas (i) the People's Republic of China (the "PRC"); and (ii) Hong Kong and overseas, which are based on the geographic areas of the operations carried out by the Group. No operating segments have been aggregated in arriving at the reporting segments of the Group.

The CODM assess the performance of the operating segments based on a measure of reportable segment profit/(loss). This measurement basis excludes unallocated other income, corporate expenses, other gains, net and finance costs.

Segment assets mainly exclude deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude current tax liabilities, loan from a related company and other liabilities that are managed on a central basis.

5 REVENUE AND SEGMENT INFORMATION (Continued)

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and total assets and capital expenditure are based on the country where the assets are located.

(a) The following is an analysis of the Group's segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021:

	The PRC RMB'000	Hong Kong and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	1,276,376	236,823	(43,399)	1,469,800
Reportable segment results	(1,078)	11,288		10,210
Unallocated other income				441
Unallocated corporate expenses				(11,032)
Unallocated other gains, net				7,275
Unallocated finance costs				(781)
Profit before income tax				6,113
Income tax expense				(4,038)
Profit for the year				2,075

(b) The following is an analysis of the Group's segment information provided to the executive directors for the reportable segments for the year ended 31 December 2020:

	The PRC RMB'000	Hong Kong and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	1,226,174	192,805	(44,195)	1,374,784
Reportable segment results	(151,602)	10,767		(140,835)
Unallocated other income				397
Unallocated corporate expenses				(15,804)
Unallocated other gains, net				25,308
Unallocated finance costs				(712)
Loss before income tax				(131,646)
Income tax credit				1,548
Loss for the year				(130,098)

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) The following is an analysis of the Group's assets and liabilities as at 31 December 2021 by reportable segment:

	The PRC RMB'000	Hong Kong and overseas RMB'000	Total RMB'000
Segment assets	790,643	68,970	859,613
Deferred tax assets			22,097
Unallocated assets			25,445
Total assets per consolidated statement of financial position			907,155
Segment liabilities	311,184	65,581	376,765
Current tax liabilities			5,825
Loan from a related company			40,475
Unallocated liabilities			2,937
Total liabilities per consolidated statement of financial position			426,002

(d) The following is an analysis of the Group's assets and liabilities as at 31 December 2020 by reportable segment:

	The PRC RMB'000	Hong Kong and overseas RMB'000	Total RMB'000
Segment assets	727,983	58,944	786,927
Deferred tax assets			24,401
Unallocated assets			53,830
Total assets per consolidated statement of financial position			865,158
Segment liabilities	286,868	48,983	335,851
Current tax liabilities			5,963
Loan from a related company			33,413
Unallocated liabilities			3,210
Total liabilities per consolidated statement of financial position			378,437

5 REVENUE AND SEGMENT INFORMATION (Continued)

(e) The following is an analysis of the Group's other segment information as at 31 December 2021 by reportable segment:

	The PRC RMB'000	Hong Kong and overseas RMB'000	Total RMB'000
Additions to non-current assets	**107,467**	**36,660**	**144,127**
Depreciation and amortisation	**90,970**	**18,939**	**109,909**
Impairment loss on financial assets	**252**	**–**	**252**
Impairment loss on right-of-use assets	**1,750**	**–**	**1,750**
Impairment loss on property, plant and equipment	**1,006**	**–**	**1,006**

(f) The following is an analysis of the Group's other segment information as at 31 December 2020 by reportable segment:

	The PRC RMB'000	Hong Kong and overseas RMB'000	Total RMB'000
Additions to non-current assets	71,814	15,651	87,465
Depreciation and amortisation	119,197	17,157	136,354
Impairment loss on financial assets	12	–	12
Impairment loss on right-of-use assets	23,423	–	23,423
Impairment loss on property, plant and equipment	17,545	–	17,545

5 REVENUE AND SEGMENT INFORMATION (Continued)

(g) The Group has recognised the following assets and liabilities related to contracts with customers:

	2021 RMB'000	2020 RMB'000
Current assets		
Right of return assets	2,210	2,246
Current contract liabilities		
– Receipts in advance	7,755	15,077
– Customer loyalty programme	1,349	1,267
– Liability arising from expected sales return	2,676	2,737
Total	11,780	19,081

Where a customer has a right to return a product within a given period, the Group recognises a liability arising from expected sales return of RMB2,676,000 (2020: RMB2,737,000) for the amount of consideration received for which the entity does not expect to be entitled. The Group also recognises a right to the returned goods of RMB2,210,000 (2020: RMB2,246,000) measured by reference to the former carrying amount of the goods. The costs to recover the products are not material because the customers usually return them in a saleable condition.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	19,081	35,752

5 REVENUE AND SEGMENT INFORMATION (Continued)

(h) Sales and distribution channels

The Group has a diverse retail network and an extensive distribution network. The Group sells toy and related lifestyle products through (i) self-operated retail channels; and (ii) wholesale channels.

The following table sets forth a breakdown of revenue by the self-operated retail and wholesale channels for the years indicated:

	2021 RMB'000	2020 RMB'000
Self-operated retail channels		
– Retail stores	699,685	599,775
– Consignment counters	386,453	367,699
– Online stores	76,107	98,956
Wholesale channels		
– Distributors	259,388	251,184
– Hypermarket and supermarket chains	29,620	21,454
– Online key accounts	18,547	35,716
	1,469,800	1,374,784

For the years ended 31 December 2021 and 2020, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

(i) The total of non-current assets other than financial assets and deferred tax assets, broken down by location of the assets, is shown in the following:

	2021 RMB'000	2020 RMB'000
The PRC	134,174	127,048
Hong Kong and overseas	45,399	28,771
Total	179,573	155,819

6 OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income	441	397
Government grants *(Note)*	6,952	11,481
Film investment income	936	–
Sundry income	1,901	2,724
	10,230	14,602

Note: Various government subsidies have been received from the local government authorities for subsidising the operating activities and acquisition of fixed assets. During the year ended 31 December 2021, subsidy income amounting to RMB6,952,000 (2020: RMB11,481,000) are recognised in profit or loss. Deferred government grant of RMB1,583,000 (2020: RMB3,862,000) was recognised in the consolidated statement of financial position since conditions of the grants were not yet fulfilled.

7 OTHER GAINS, NET

	2021 RMB'000	2020 RMB'000
Net exchange gain	6,822	24,947
Loss on disposal of property, plant and equipment	–	(9)
Fair value (loss)/gain on financial assets at FVTPL	(521)	362
Gain on lease modifications	371	3,489
Others	(807)	(705)
	5,865	28,084

8 EXPENSES BY NATURE

Expenses included in cost of sales, impairment loss on financial assets, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	2021 RMB'000	2020 RMB'000
Auditors' remuneration		
– Audit services	2,241	2,339
– Non-audit services	–	157
Amortisation of intangible assets	669	516
Depreciation of property, plant and equipment	26,789	32,579
Depreciation of right-of-use assets	82,451	103,259
Cost of inventories	839,053	829,233
Rental expenses in respect of		
– variable leases payments	14,190	10,568
– short term leases	40,355	23,122
Rent concessions	(3,634)	(10,979)
Advertising and promotional expenses	39,128	51,539
Concessionaire fees	120,913	129,545
Employee benefit expenses (including directors' emoluments) *(Note 10)*	91,902	86,106
Outsourced personnel service fee	98,896	95,344
Provision for impairment loss on trade receivables	252	12
Other receivables written-off	1,247	2,932
Provision for impairment loss on inventories, net (included in cost of sales)	103	20,717
Impairment loss on property, plant and equipment *(Note)*	1,006	17,545
Impairment loss on right-of-use assets *(Note)*	1,750	23,423
Transportation costs	26,653	33,587
Building management fees	31,789	29,753
Retail shop expenses	25,969	28,241
Office expenses	7,178	4,634
Travel expenses	2,612	2,724
Insurance	1,062	1,282
Others	17,334	20,190
	1,469,908	1,538,368

Note: The Group determines each individual retail store as a separately identifiable cash-generating unit ("CGU") and monitors their financial performance. A provision for impairment of the Group's property, plant and equipment and right-of-use assets of RMB1,006,000 and RMB1,750,000, respectively for the year ended 31 December 2021 (2020: RMB17,545,000 and RMB23,423,000, respectively) was made based on impairment assessment carried out for the retail store assets which have an impairment indicator. Such impairment losses were recorded in selling and distribution expenses. The recoverable amounts are based on value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage of individual CGUs based on the Group's annual budget covering an average of 2-year period. A discount rate of 10.78% (2020: 10.78%) was applied to bring the future cash flows back to their present values.

9 FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expenses on loan from a related company	781	712
Interest expenses on lease liabilities	9,093	10,036
	9,874	10,748

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 RMB'000	2020 RMB'000
Salaries and allowance	84,332	72,466
Discretionary bonus	461	659
Share-based payment	–	2,091
Pension costs – defined contribution plans *(Note)*	7,109	10,890
	91,902	86,106

Note: Employees of the Group's subsidiaries in Hong Kong participated in a mandatory provident fund scheme ("MPF Scheme") which is a defined contribution scheme. The assets of the MPF scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in Mainland China contribute funds to the retirement schemes to fund the retirement benefits of the employees which are calculated on certain percentages of the average employee salaries as agreed by the municipal governments. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Retirement benefit scheme costs amounting to RMB17,755,000 (2020: RMB10,890,000) were paid by the Group during the year. Certain subsidiaries of the Group has historical non-compliance in relation to underpayment of social insurances. During the year ended 31 December 2021, management conduct a legal compliance review and the external legal counsel expressed their opinion that the risk of potential outflow of economic benefit associated to the historical underpayment of social insurance is remote. All associated provision of social insurances amounting RMB10,646,000 has been written back during the year. No contributions were forfeited during the year (2020: RMB5,000 forfeited contributions were refunded and credited in the employee benefit expenses).

Share-based payment comprise of expenses in relation to the Group's pre-IPO share option scheme as described in Note 30. During the year ended 31 December 2020, RMB2,091,000 was credited to share option reserve.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(i) Five highest paid individuals

The directors' emoluments presented in Note 11(a) include the emoluments of 2 (2020: 2) highest paid individuals in the Group. The emoluments of the remaining 3 (2020: 3) highest paid individuals during the year ended 31 December was:

	2021 RMB'000	2020 RMB'000
Salaries, bonus, other allowances	3,461	3,296
Share-based payment	–	265
Employer's contributions to retirement benefits scheme	236	157
	3,697	3,718

Emolument band	Number of individuals	
	2021	2020
HK$1,000,001 – HK$1,500,000	2	2
HK$1,500,001 – HK$2,000,000	1	1

(ii) No emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors or the five highest paid individuals waived or agreed to waive any emoluments during the year (2020: Nil).

(iii) Senior management's emoluments by band

The senior management's emoluments fell within the following bands:

Emolument band	Number of individuals	
	2021	2020
Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	4	4
HK$1,500,001 – HK$2,000,000	1	1

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the emoluments paid or payable to every director and the chief executive for the year are as follows:

	2021						
	Cash emoluments					Non-cash emoluments	
Name	Directors' fees RMB'000	Salary and allowances RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Discretionary bonus RMB'000	Total cash emoluments RMB'000	Share-based payment RMB'000	Total (including non-cash emoluments) RMB'000
Executive directors							
Mr. Lee Ching Yiu*	83	–	–	–	83	–	83
Mr. Hung Shing Ming	83	3,984	199	–	4,266	–	4,266
Ms. Zhong Mei	83	1,613	145	159	2,000	–	2,000
Non-executive directors							
Mr. Du Ping	83	–	–	–	83	–	83
Ms. Duan Lanchun	83	–	–	–	83	–	83
Independent non-executive directors							
Mr. Cheng Yuk Wo	232	–	–	–	232	–	232
Mr. Huang Lester Garson	232	–	–	–	232	–	232
Dr. Lam Lee G.	232	–	–	–	232	–	232
	1,111	5,597	344	159	7,211	–	7,211

11 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	2020						
	Cash emoluments					Non-cash emoluments	
Name	Directors' fees RMB'000	Salary and allowances RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Discretionary bonus RMB'000	Total cash emoluments RMB'000	Share-based payment RMB'000	Total (including non-cash emoluments) RMB'000
Executive directors							
Mr. Lee Ching Yiu*	89	–	–	–	89	307	396
Mr. Hung Shing Ming	89	4,269	213	–	4,571	–	4,571
Ms. Zhong Mei	89	1,555	60	133	1,837	307	2,144
Non-executive directors							
Mr. Du Ping	89	–	–	–	89	115	204
Ms. Duan Lanchun	89	–	–	–	89	–	89
Independent non-executive directors							
Mr. Cheng Yuk Wo	249	–	–	–	249	–	249
Mr. Huang Lester Garson	249	–	–	–	249	–	249
Dr. Lam Lee G.	249	–	–	–	249	–	249
	1,192	5,824	273	133	7,422	729	8,151

* Mr. Lee Ching Yiu was appointed as Chief Executive of the Group throughout the financial year ended 31 December 2021 and 2020.

Note: During the year ended 31 December 2021, no Director's emoluments represent the Group's share-based payment to Directors, which are non-cash in nature (2020: RMB729,000).

11 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits

During the year ended 31 December 2021, no retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2020: Nil).

(c) Directors' termination benefits

During the year ended 31 December 2021, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, no consideration was provided to or receivable by third parties for making available Directors' services (2020: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2021, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporates and connected entities (2020: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

12 INCOME TAX EXPENSE/(CREDIT)

The amount of income tax charged/(credited) to the consolidated statement of profit or loss and other comprehensive income represents:

	2021 RMB'000	2020 RMB'000
Current income tax		
– Hong Kong and overseas profits tax	**1,096**	888
– PRC corporate income tax	**564**	486
	1,660	1,374
Under/(over)-provision in prior years		
– Hong Kong and overseas profits tax	**(4)**	235
– PRC corporate income tax	**134**	(3,496)
	130	(3,261)
Deferred tax *(Note 20)*	**2,248**	339
	4,038	(1,548)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

12 INCOME TAX EXPENSE/(CREDIT) (Continued)

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2020: 25%). The applicable rate of Hong Kong profits tax is 16.5% (2020: 16.5%). The applicable rate of Macau profits tax is 12.0% (2020: N/A).

The taxation on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2021 RMB'000	2020 RMB'000
Profit/(loss) before income tax	**6,113**	(131,646)
Tax calculated at tax rate of 25%	**1,528**	(32,911)
Income not subject to tax	**(19,295)**	(558)
Expenses not deductible for tax purposes	**4,386**	12,760
Under/(Over)-provision in prior years	**130**	(3,261)
Tax losses for which no deferred income tax asset was recognised	**20,294**	24,687
Utilisation of previously unrecognised tax losses	**(2,154)**	(1,848)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(851)**	(417)
Income tax expense/(credit)	**4,038**	(1,548)

13 EARNINGS/(LOSS) PER SHARE

Basic

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

	2021	2020
Profit/(loss) attributable to owners of the Company (RMB'000)	**1,341**	(127,094)
Weighted average number of ordinary shares in issue ('000)	**800,000**	800,000
Basic earnings/(loss) per share (RMB cents)	**0.17**	(15.89)

Diluted

The computation of diluted earnings/(loss) per share for the year ended 31 December 2021 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic earnings/(loss) per share (2020: same).

14 DIVIDENDS

The Board has decided not to propose for payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2020				
Cost	143,389	27,553	365	171,307
Accumulated depreciation	(90,275)	(20,306)	(365)	(110,946)
Accumulated impairment	(1,984)	–	–	(1,984)
Net book amount	51,130	7,247	–	58,377
Year ended 31 December 2020				
Opening net book amount	51,130	7,247	–	58,377
Exchange differences	(368)	(131)	–	(499)
Additions	27,571	3,583	–	31,154
Disposals	–	(9)	–	(9)
Depreciation *(Note)*	(29,530)	(3,049)	–	(32,579)
Impairment loss	(17,545)	–	–	(17,545)
Closing net book amount	31,258	7,641	–	38,899
At 31 December 2020				
Cost	169,889	30,857	365	201,111
Accumulated depreciation	(119,102)	(23,216)	(365)	(142,683)
Accumulated impairment	(19,529)	–	–	(19,529)
Net book amount	31,258	7,641	–	38,899

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2021				
Opening net book amount	31,258	7,641	–	38,899
Exchange differences	(188)	(65)	–	(253)
Additions	25,379	1,266	–	26,645
Depreciation *(Note)*	(24,076)	(2,713)	–	(26,789)
Impairment loss	(1,006)	–	–	(1,006)
Closing net book amount	31,367	6,129	–	37,496
At 31 December 2021				
Cost	116,401	32,244	–	148,645
Accumulated depreciation	(71,588)	(26,115)	–	(97,703)
Accumulated impairment	(13,446)	–	–	(13,446)
Net book amount	31,367	6,129	–	37,496

Note: Depreciation of property, plant and equipment is included in selling and distribution expenses and general and administrative expenses amounting to RMB24,947,000 (2020: RMB30,282,000) and RMB1,842,000 (2020: RMB2,297,000), respectively, for the year.

16 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 31 December 2021 which, in the opinion of the directors, principally affect the results or form a substantial portion of the net assets of the Group:

Name of entity	Place of incorporation and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Principal activities	Ownership interest held by the Group
Directly held by the Company				
Kidsland Holdings Limited	British Virgin Islands, limited liability company	US$1	Investment holding	100% (2020: 100%)
Silverkids Inc. ("Silverkids")	British Virgin Islands, limited liability company	US$100	Investment holding	58% (2020: 58%)
Indirectly held by the Company				
ANB (HK) Limited	Hong Kong, limited liability company	HK$1,000	Investment in trademarks	100% (2020: 100%)
Au Nain Bleu Paris	France, limited liability company	EUR10,000	Retailing of toys	90% (2020: 90%)
Kidsland Distribution Limited	Hong Kong, limited liability company	HK$1,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
Kidsland HK Limited	Hong Kong, limited liability company	HK$1,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
Kidsland LCS Limited	Hong Kong, limited liability company	HK$8,000,000	Retailing of toys and related lifestyle products	100% (2020: 100%)
Prince Asia Limited	Hong Kong, limited liability company	HK$1	Investment holding	58% (2020: 58%)
Kidsland (Macau) Limited	Macau, limited liability company	MOP$25,000	Retailing of toys	100% (2020: 100%)
北京匯智樂思商貿有限公司	The PRC, limited liability company	HK$3,800,000	Investment holding	100% (2020: 100%)
廣州智樂商業有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)

16 SUBSIDIARIES (Continued)

Name of entity	Place of incorporation and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Principal activities	Ownership interest held by the Group
Indirectly held by the Company (Continued)				
北京孩思樂商業有限公司	The PRC, limited liability company	RMB3,000,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
北京凱奇樂商業有限公司	The PRC, limited liability company	RMB2,000,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
廣州孩思樂商貿有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
上海孩思樂商貿有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
成都孩思樂商貿有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
深圳孩思樂商貿有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
銀樂寶（天津）商貿有限公司	The PRC, limited liability company	HK$17,000,000	Trading and sale of toys	58% (2020: 58%)
凱知樂貿易（天津）有限公司	The PRC, limited liability company	RMB100,000,000	Trading and sale of toys and related lifestyle products	100% (2020: 100%)
海南凱知樂文化創意有限公司	The PRC, limited liability company	RMB1,000,000	Trading and sale of toys and related lifestyle products	100% (2020: nil)

17 NON-CONTROLLING INTERESTS

The table below shows the financial information of Silverkids, a material non-wholly owned subsidiary of the Company, and its subsidiaries:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Current assets	**35,428**	23,973
Current liabilities	**(13,023)**	(3,832)
Current net assets	**22,405**	20,141
Non-current assets	**1**	1
Net assets	**22,406**	20,142
Accumulated non-controlling interests	**9,410**	8,460

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	**63,710**	67,203
Profit/(loss) for the year	**1,875**	(7,041)
Other comprehensive income for the year	**388**	891
Total comprehensive income/(loss)	**2,263**	(6,150)
Profit/(loss) allocated to non-controlling interests	**787**	(2,957)
Cash flows from operating activities	**(223)**	244
Cash flows from investing activities	**2**	27
Cash flows from financing activities	**–**	(8)
Net (decrease)/increase in cash and cash equivalents	**(221)**	263

18 INTANGIBLE ASSETS

	Toy distribution rights RMB'000	Trademark RMB'000	Total RMB'000
Year ended 31 December 2020			
Opening net book amount	–	9,882	9,882
Amortisation charge *(Note (ii))*	–	(516)	(516)
Exchange differences	–	(571)	(571)
Closing net book amount	–	8,795	8,795
At 31 December 2020			
Cost	–	9,773	9,773
Accumulated amortisation	–	(978)	(978)
Net book amount	–	8,795	8,795
Year ended 31 December 2021			
Opening net book amount	**–**	**8,795**	**8,795**
Additions *(Note (i))*	**4,478**	**–**	**4,478**
Amortisation charge *(Note (ii))*	**(187)**	**(482)**	**(669)**
Exchange differences	**–**	**(243)**	**(243)**
Closing net book amount	**4,291**	**8,070**	**12,361**
At 31 December 2021			
Cost	**4,478**	**9,493**	**13,971**
Accumulated amortisation	**(187)**	**(1,423)**	**(1,610)**
Net book amount	**4,291**	**8,070**	**12,361**

Notes:

(i) During the year, the Group invested RMB6,087,000 as part of the production fee of an live-action animation and become one of the co-owner of the intellectual properties related to the animation. The Group entitled to distribute toys related to the animation and entitled to predetermined percentage of income to be generated from the animation (the "film rights") based on the Group's investment portion as specified in the film rights investment agreement.

Toy distribution rights amounted to RMB4,478,000 was recognised as an intangible asset and film rights amounted to RMB1,264,000 was recognised as a financial asset at FVTPL after deduction of VAT of RMB345,000.

(ii) Amortisation of RMB187,000 (2020: nil) has been charged to 'cost of sales' and RMB482,000 (2020: RMB516,000) has been charged to 'selling and distribution expenses' in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

19 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unlisted shares RMB'000 *(Note (i))*	Film rights RMB'000 *(Note (ii))*	Total RMB'000
At beginning of year	–	–	–
Addition	–	1,264	1,264
Fair value change	–	(974)	(974)
Exchange differences	–	–	–
At end of year	–	290	290

Notes:

(i) The Group invested in 1.5% interest in equity of an unlisted company incorporated in the PRC. In December 2018, instead of the original plan of holding the investment for capital appreciation and dividend, the management has changed the intention to sell it for cash to invest in other projects. The fair value for these equity securities was zero as at year ended 31 December 2021 and 2020 as management consider the likelihood of recovering the amount is remote.

(ii) The balance represented the Group's investment in animation productions which entitled the Group to predetermined percentage of income to be generated from the animation based on the Group's investment portion as specified in the film rights investment agreement, please refer to note 18 for details.

20 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off the tax assets against the tax liabilities and when the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**22,097**	24,401

Deferred income taxation is calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

	2021 RMB'000	2020 RMB'000
At beginning of year	**24,401**	24,838
Charged to consolidated statement of profit or loss *(Note 12)*	**(2,248)**	(339)
Exchange realignment	**(56)**	(98)
At end of year	**22,097**	24,401

20 DEFERRED INCOME TAX (Continued)

The movement on deferred income tax assets and liabilities are as follows:

	Deferred tax assets										Deferred tax liabilities	
	Decelerated tax depreciation RMB'000	Impairment of leasehold improvement RMB'000	Unrealised profit on inventories RMB'000	Provision for expected credit loss RMB'000	Allowance for inventories RMB'000	Provision for customer loyalty programme RMB'000	Provision for liability arising from expected sales return RMB'000	Lease liabilities RMB'000	Intangible asset RMB'000	Sub-total RMB'000	Right-of-use assets RMB'000	Total RMB'000
Balance at 1 January 2020	914	496	5,971	2,575	11,200	325	171	47,026	86	68,764	(43,926)	24,838
Credited/(charged) to profit or loss	553	–	(862)	–	–	(8)	(48)	32	–	(333)	(6)	(339)
Exchange realignment	(83)	–	–	–	–	–	–	(134)	(6)	(223)	125	(98)
Balance at 31 December 2020	1,384	496	5,109	2,575	11,200	317	123	46,924	80	68,208	(43,807)	24,401
Balance at 1 January 2021	1,384	496	5,109	2,575	11,200	317	123	46,924	80	68,208	(43,807)	24,401
Credited/(charged) to profit or loss	550	–	(2,889)	–	–	20	(6)	1,529	–	(796)	(1,452)	(2,248)
Exchange realignment	(48)	–	–	–	–	–	–	(83)	(2)	(133)	77	(56)
Balance at 31 December 2021	1,886	496	2,220	2,575	11,200	337	117	48,370	78	67,279	(45,182)	22,097

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB31,574,000 (2020: RMB33,474,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

At 31 December 2021, the Group had unused tax losses of RMB278,547,000 (2020: RMB205,987,000) available to offset against future profits. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2021 RMB'000	2020 RMB'000
2021	–	2,119
2022	447	3,660
2023	67,943	69,227
2024	30,553	32,232
2025	98,428	98,749
2026	81,176	–
	278,547	205,987

21 INVENTORIES

	2021 RMB'000	2020 RMB'000
Merchandise	**537,671**	485,381
Less: Provision for impairment	**(65,619)**	(65,516)
	472,052	419,865

Inventories recognised as an expense during the year ended 31 December 2021 amounted to RMB839,053,000 (2020: RMB829,233,000). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to RMB103,000 (2020: RMB20,717,000). These were recognised as an expense during the year ended 31 December 2021 and included in 'cost of sales' in the consolidated statement of profit or loss and other comprehensive income.

22 LEASES

This note provides information for leases where the Group is a lessee.

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

	2021 RMB'000	2020 RMB'000
Right-of-use assets		
– Leased premises	**150,448**	134,751
Less: Impairment provision	**(20,732)**	(26,626)
	129,716	108,125

Additions to right-of-use assets amounted to RMB113,004,000 (2020: RMB56,311,000).

22 LEASES (Continued)

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

Movements in impairment loss for right-of-use assets are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	26,626	3,203
Impairment loss recognised in profit or loss during the year	1,750	23,423
Written back during the year	(7,644)	–
At end of year	20,732	26,626

	2021 RMB'000	2020 RMB'000
Lease liabilities		
Current	71,582	70,056
Non-current	69,746	58,920
	141,328	128,976

22 LEASES (Continued)

(ii) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2021 RMB'000	2020 RMB'000
Depreciation of right-of-use assets (included in selling and distribution expenses and general and administrative expenses)	**82,451**	103,259
Impairment loss on right-of-use assets	**1,750**	23,423
Interest expense (included in finance costs)	**9,093**	10,036
Expense relating to short-term leases (included in selling and distribution expenses and general and administrative expenses)	**40,355**	23,122
Expense relating to variable lease payments not included in lease liabilities (included in selling and distribution expenses)	**14,190**	10,568
Gain on lease modifications	**(371)**	(3,489)
Rent concessions	**(3,634)**	(10,979)

The total cash outflow for leases in 2021 was RMB150,558,000 (2020: RMB142,954,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 6 months to 3 years, but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales (excluding the portion of minimum lease payment) are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(v) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

23 TRADE AND BILL RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers	104,554	104,545
Provision for impairment	(10,562)	(10,310)
	93,992	94,235
Bill receivables	4,518	–
Other receivables, deposits and prepayments		
– Rental deposits	40,074	44,912
– Other deposits	15,063	18,215
– Prepayments for purchase of merchandise stock for resale and expenses	14,163	16,900
– Prepaid royalties	1,556	–
– Rebate receivables from suppliers	10,488	7,023
– Promotion income receivable from brand owners	8,862	7,145
– Other taxes recoverable	9,736	15,451
– Others	7,036	5,116
	106,978	114,762
	205,488	208,997
Presented as non-current assets	31,113	24,820
Presented as current assets	174,375	184,177
	205,488	208,997

The Group's retail revenue through self-operated retail stores in the PRC are transacted either by cash, credit cards, online payment platforms such as Alipay and WeChat Pay in which the settlement period is normally within 2 days from transaction date. The Group's internet sales are transacted through electronic payment platforms which are settled immediately. The Group's concessionaire revenue through department stores are generally collected by the department stores from the ultimate customers and then pay the balance after deducting the concessionaire fee to the Group. The credit period granted to department stores ranges from 30 days to 180 days.

The Group requires most of its distributors to pay in advance, while offers credit terms of 15 days to 90 days to hypermarket and supermarket chains.

The carrying amounts of trade and other receivables and deposits approximate their fair values. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

23 TRADE AND BILL RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The ageing analysis of the trade receivables as at the end of the reporting period, based on invoice date is as follows:

	2021 RMB'000	2020 RMB'000
Within 30 days	**67,026**	64,532
31 to 60 days	**11,711**	14,868
61 to 90 days	**5,767**	7,089
91 to 180 days	**9,201**	5,295
Over 180 days	**10,849**	12,761
	104,554	104,545
Less: Loss allowance	**(10,562)**	(10,310)
	93,992	94,235

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, please refer to Note 3.1(b) provides for details about the calculation of the allowance.

Movements in loss allowances for trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**10,310**	10,298
Increase in loss allowance recognised in profit or loss during the year	**252**	12
At end of year	**10,562**	10,310

24 BANK BALANCES AND CASH AND RESTRICTED CASH

	2021 RMB'000	2020 RMB'000
Restricted cash	**5,405**	5,440
Bank balances and cash on hand	**19,984**	48,334
Total bank balances and cash and restricted cash	**25,389**	53,774

24 BANK BALANCES AND CASH AND RESTRICTED CASH (Continued)

The bank balances and cash and restricted cash are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
HK$	**11,413**	12,591
RMB	**12,689**	39,392
MOP	**662**	–
US$	**152**	1,589
Other currencies	**473**	202
	25,389	53,774

Notes:

(a) The Group's bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) The carrying amounts of bank balances and cash and restricted cash approximate to their fair values.

(c) The restricted cash are mainly restricted for the bank guarantee of trade finances.

25 TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Trade payables *(Note (a))*	**143,602**	93,390
Other payables and accruals		
– Due to related companies *(Note (b))*	**8,709**	6,002
– Accrued expenses	**29,999**	20,041
– Accrued staff costs	**9,325**	8,041
– Outsourced personnel service fee payable	**7,705**	7,880
– Provision for retirement benefit costs	**1,535**	13,030
– Provision for reinstatement costs *(Note (c))*	**14,225**	14,161
– Deferred government grant	**1,583**	3,862
– Other taxes payable	**6,816**	18,894
– Others	**3,095**	5,703
	82,992	97,614
Less: Provision for reinstatement costs presented as non-current liability	**(5,919)**	(5,222)
Other payables and accruals presented as current liabilities	**77,073**	92,392

25 TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES (Continued)

	2021 RMB'000	2020 RMB'000
Contract liabilities		
– Receipts in advance	**7,755**	15,077
– Customer loyalty programme	**1,349**	1,267
– Liability arising from expected sales return	**2,676**	2,737
	11,780	19,081

Notes:

(a) The credit periods granted by suppliers are generally ranged from 60 to 90 days. The ageing analysis of the trade payables at the end of reporting period, based on invoice date is as follows:

	2021 RMB'000	2020 RMB'000
Within 30 days	**124,967**	76,650
31 to 60 days	**9,601**	9,032
61 to 90 days	**4,377**	2,810
Over 90 days	**4,657**	4,898
	143,602	93,390

The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**124,640**	75,466
HK$	**16,965**	8,573
US$	**1,928**	8,593
JPY	**64**	–
EUR	**5**	758
	143,602	93,390

(b) Details of the amount due to related companies are set out below:

Amount due to related companies	**Nature of balance**	2021 RMB'000	2020 RMB'000
Land Smart Development Limited *(Note (i))*	Non-trade	**5,848**	4,405
Lovable Products Trading Limited *(Note (i))*	Non-trade	**1,782**	1,042
Politor Limited *(Note (i))*	Non-trade	**1,079**	555
		8,709	6,002

Note:

(i) The related companies are controlled by Mr. Lee Ching Yiu, chairman of the Group. The amounts are unsecured, interest-free and repayable on demand.

(c) Provision for reinstatement cost represents the present value of the estimated cost for the restoration work of the Group's leased premises agreed to be carried out upon the expiry of the relevant leases.

26 LOAN FROM A RELATED COMPANY

The loan from a related company with a principal amount of US$6,350,000 (2020: US$5,090,000) was interest bearing at 1.3% above one-month LIBOR per annum, unsecured and repayable in one year. As at 31 December 2021, the carrying amount of the loan approximates to its fair value (2020: same).

27 CASH FLOW INFORMATION

(a) Net cash generated from operations

	2021 RMB'000	2020 RMB'000
Cash flow from operating activities		
Profit/(loss) before income tax	**6,113**	(131,646)
Adjustments for:		
Net unrealised exchange gain	**(6,745)**	(15,621)
Depreciation of property, plant and equipment	**26,789**	32,579
Depreciation of right-of-use assets	**82,451**	103,259
Amortisation of intangible assets	**669**	516
Loss on disposal of property, plant and equipment	**–**	9
Other receivables written-off	**1,247**	2,932
Provision for impairment loss on inventories, net	**103**	20,717
Impairment loss on property, plant and equipment	**1,006**	17,545
Impairment loss on right-of-use assets	**1,750**	23,423
Provision for impairment loss on trade receivables	**252**	12
Reversal of provision for social insurance	**(10,646)**	–
Fair value loss/(gain) on financial asset at FVTPL	**521**	(362)
Share-based payment expense	**–**	2,091
Interest income	**(441)**	(397)
Interest expenses	**9,874**	10,748
Gain on lease modifications	**(371)**	(3,489)
Rent concessions	**(3,634)**	(10,979)
	108,938	51,337
Changes in working capital:		
– Inventories	**(52,290)**	135,793
– Trade and bill receivables	**(4,527)**	39,943
– Other receivables, deposits and prepayments	**(494)**	30,877
– Right of return assets	**36**	1,025
– Trade payables	**50,212**	(121,054)
– Other payables and accruals	**(7,126)**	7,915
– Contract liabilities	**(7,301)**	(16,671)
Net cash generated from operations	**87,448**	129,165

27 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of disposal of property, plant and equipment

	2021 RMB'000	2020 RMB'000
Disposal of property, plant and equipment	–	(9)
Proceeds from disposal of property, plant and equipment	–	–
Loss on disposal of property, plant and equipment	–	(9)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Asset from financing activities		Liabilities from financing activities		
	Bank balances and cash RMB'000	Restricted cash RMB'000	Loan from a related company RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2020	30,685	5,500	(13,695)	(192,647)	(170,157)
Cash flows	18,442	(60)	(19,718)	108,830	107,494
Non-cash changes					
– Additions to lease liabilities	–	–	–	(55,397)	(55,397)
– Unwinding interests	–	–	–	(10,036)	(10,036)
– Lease modification	–	–	–	8,476	8,476
– Rent concessions	–	–	–	10,979	10,979
Foreign exchange adjustments	(793)	–	–	819	26
Net debt as at 31 December 2020 and 1 January 2021	48,334	5,440	(33,413)	(128,976)	(108,615)
Cash flows	(27,972)	(35)	(7,062)	95,883	60,814
Non-cash changes					
– Additions to lease liabilities	–	–	–	(110,635)	(110,635)
– Unwinding interests	–	–	–	(9,093)	(9,093)
– Lease modification	–	–	–	7,229	7,229
– Rent concessions	–	–	–	3,634	3,634
Foreign exchange adjustments	(378)	–	–	630	252
Net debt as at 31 December 2021	19,984	5,405	(40,475)	(141,328)	(156,414)

28 SHARE CAPITAL

	2021 Number of ordinary shares	2021 Share capital RMB'000	2020 Number of ordinary shares	2020 Share capital RMB'000
Ordinary shares of HK$0.01				
Authorised:				
At the beginning of year and at the end of year	**50,000,000,000**	**433,188**	50,000,000,000	433,188
Issued and fully paid:				
At the beginning of year and at the end of year	**800,000,000**	**6,931**	800,000,000	6,931

29 RESERVES

The merger reserve represents the difference between the total equity of Kidsland Holdings Limited ("Kidsland Holdings") and Silverkids attributable to Lovable International Holdings Limited ("Lovable International Holdings") and the aggregate share capital of Kidsland Holdings and Silverkids transferred to the Company pursuant to the reorganisation on 29 May 2017 by issue of new shares of the Company to Lovable International Holdings.

As stipulated by the relevant laws in the PRC, the PRC subsidiaries are required to maintain a statutory reserve fund. The minimum transfer to statutory reserve is 10% of profit after tax of the PRC subsidiaries according to the PRC subsidiaries' statutory financial statements. No appropriation is required if the balance of the statutory reserve has reached 50% of the registered capital of the relevant PRC subsidiaries. The statutory reserve can be used to make up losses or for conversion into capital.

Capital reserve represents the waiver of amounts due to (i) a shareholder (Lovable International Holdings), (ii) related companies (Lovable Products (Hong Kong) Limited, Lovable Products Trading Limited and Land Smart Development Limited) and (iii) controlling party (Mr. Lee Ching Yiu) of HK$205,725,000 during the year ended 31 December 2017 which is accounted for as deemed contribution from a shareholder.

On 27 December 2018 (the "Grant Date"), Mr. Hung Shing Ming ("Mr. Hung"), an executive director of the Company, has acquired 12,000,000 shares from Mr. Lee Ching Yiu at total consideration of HK$1 and has a right to acquire additional 12,000,000 shares from Mr. Lee Ching Yiu on 27 December 2019 at total consideration of HK$1 subject to fulfilment of service condition, which is accounted for as deemed contribution from Mr. Lee Ching Yiu from his contribution with shares held by the Company's ultimate holding company (Asian Glory Holdings Limited) which is wholly owned by Mr. Lee Ching Yiu to the Group and accumulated in capital reserve.

30 SHARE OPTIONS SCHEMES

(a) The Pre-IPO Share Option Scheme

On 20 October 2017, a share option scheme was adopted by the shareholders of the Company (the "Pre-IPO Share Option Scheme"). The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the scheme have or may have made to the Group.

The eligible participants include any full-time, key employees, consultants or directors of the Company or any of its subsidiaries who, in the opinion of the directors of the Company, have contributed to the Company and/or any of its subsidiaries.

On the same date, the Company authorised to grant to 78 eligible participants to subscribe for an aggregate of 47,500,000 shares under the Pre-IPO Share Option Scheme.

The exercise price of a share in respect of any particular share option offered under the Pre-IPO Share Option Scheme shall be HK$0.8.

The share options granted to each grantee under the Pre-IPO Share Option Scheme shall be vested in three tranches representing 40%, 30% and 30% of the total number of options granted, respectively, commencing on 25 October 2018, the first anniversary of the grant date and on each of the second and third anniversary of the grant date. No consideration is payable on the grant of an option. The grantees to whom a share option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise the share option any time after the share option has been vested but in any event on or before the expiry of ten years from the grant date.

30 SHARE OPTIONS SCHEMES (Continued)

(a) The Pre-IPO Share Option Scheme (Continued)

The following tables disclose details of movements of share options granted during the year under the Pre-IPO Share Option Scheme:

Options	Vesting period	As 1 January 2020	Lapsed during the year	Forfeited during the year	Outstanding at 31 December 2020	Lapsed during the year	Forfeited during the year	Outstanding at 31 December 2021
Directors								
Tranche 1	25 October 2017 to 24 October 2018	3,800,000	–	–	3,800,000	–	–	3,800,000
Tranche 2	25 October 2017 to 24 October 2019	2,850,000	–	–	2,850,000	–	–	2,850,000
Tranche 3	25 October 2017 to 24 October 2020	2,850,000	–	–	2,850,000	–	–	2,850,000
		9,500,000	–	–	9,500,000	–	–	9,500,000
Employees								
Tranche 1	25 October 2017 to 24 October 2018	11,480,000	(1,520,000)	–	9,960,000	(80,000)	–	9,880,000
Tranche 2	25 October 2017 to 24 October 2019	8,610,000	(1,140,000)	–	7,470,000	(60,000)	–	7,410,000
Tranche 3	25 October 2017 to 24 October 2020	8,610,000	(390,000)	(750,000)	7,470,000	(60,000)	–	7,410,000
		28,700,000	(3,050,000)	(750,000)	24,900,000	(200,000)	–	24,700,000
		38,200,000	(3,050,000)	(750,000)	34,400,000	(200,000)	–	34,200,000

No expense relation to the Pre-IPO share options granted by the Company was recognised during the year (2020: RMB2,091,000).

30 SHARE OPTIONS SCHEMES (Continued)

(b) The Post-IPO Share Option Scheme

On 20 October 2017, a share option scheme was adopted by the shareholders of the Company (the "Post-IPO Share Option Scheme").

The Post-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the scheme have or may have made to the Group. The eligible participants include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including independent non-executive directors) of the Company or any of its subsidiaries, advisors, consultants, suppliers, customers, distributors and such other persons who in the opinion of the directors of the Company will contribute or have contributed to the Company or any of its subsidiaries.

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at 31 December 2021, the Post-IPO Share Option Scheme had a remaining life of more than 5 years.

For any options granted to directors, chief executives or substantial shareholders of the Company, or any of their respective associate, options to be granted to any of these persons shall be approved by the independent non-executive directors (excluding any independent non-executive director who is the proposed grantee of options). Where any option granted to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period, (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders (voting by way of poll) at which all connected persons of the Company shall abstain from voting in favour.

The number of shares issued and to be issued in respect of options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the total shares of the Company in issue, without prior approval from the shareholders of the Company and with such participants and his associates abstaining from voting.

The amount payable on acceptance of an option is HK$1.00, which will be payable on or before a prescribed acceptance date. In relation to any options granted under the Post-IPO Share Option Scheme, the exercise price is determined by the directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Post-IPO Share Option Scheme does not contain any minimum period for which an option must be held before it can be exercised. However, at the time of granting of the options, the directors of the Company may specify any such minimum period.

Unless otherwise terminated by the directors of the Company or the shareholders in general meeting in accordance with the terms of the Post-IPO Share Option Scheme, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption which was 20 October 2017, after which no further options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be require.

30 SHARE OPTIONS SCHEMES (Continued)

(b) The Post-IPO Share Option Scheme (Continued)

The total number of the shares which may be allotted and issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the Listing date (10 November 2017) unless shareholders' approval has been obtained.

No share option under the Post-IPO Share Option Scheme has been granted since its adoption.

31 RETIREMENT BENEFIT OBLIGATIONS

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes at the lower of HK$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total cost recognised in selling and distribution expenses and general and administrative expenses of RMB17,755,000 (2020: RMB10,890,000) represents contributions paid or payable to the above schemes by the Group for the year ended 31 December 2021. Certain subsidiaries of the Group has historical non-compliance in relation to underpayment of social insurances. During the year ended 31 December 2021, management conduct a legal compliance review and the external legal counsel expressed their opinion that the risk of potential outflow of economic benefit associated to the historical underpayment of social insurance is remote. All associated provision of social insurances amounting RMB10,646,000 has been written back during the year. No contributions were forfeited during the year (2020: RMB5,000 forfeited contributions were refunded and credited in the employee benefit expenses).

32 COMMITMENTS

(a) Capital commitments

	2021 RMB'000	2020 RMB'000
Contracted but not provided for, in respect of		
– Investment in a live-action animation	–	6,087
	–	6,087

In December 2020, 北京孩思樂商業有限公司 ("北京孩思樂"), an indirect wholly owned subsidiary of the Company, entered into an agreement for the strategic collaboration with certain independent third parties for the production of a live-action animation, whereby 北京孩思樂 is committed to contributing 20% of the total production fee of the live-action animation. The amount disclosed represents the minimum investment amount committed by the Group. The committed production fee of RMB6,087,000 was paid during the year ended 31 December 2021.

(b) Other commitments

As of 31 December 2021, the Group's commitments related to minimum royalties payables for merchandising rights contracted but not yet reflected in the consolidated financial statement were USD800,000 (equivalent to RMB5,100,000) from which USD400,000 (equivalent to RMB2,550,000) are expected to be incurred in the year ending 31 December 2022 and USD400,000 (equivalent to RMB2,550,000) are expected to be incurred in the year ending 31 December 2023.

(c) Non-cancellable operating leases

The Group leases various offices, warehouses and retail stores under non-cancellable short-term leases agreement. The agreements do not include an extension option.

As at 31 December 2021, the future aggregate commitment under short-term lease amounted to RMB10,991,000 (2020: RMB5,888,000).

33 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 RMB'000	2020 RMB'000
Financial assets at amortised cost		
– Trade, bill and other receivables	**124,896**	113,519
– Deposits	**55,137**	63,127
– Bank balances and cash and restricted cash	**25,389**	53,774
	205,422	230,420
Financial assets at FVTPL		
– Film rights, at fair value	**290**	–
Financial liabilities at amortised cost		
– Trade and other payables	**193,110**	133,016
– Loan from a related company	**40,475**	33,413
– Lease liabilities	**141,328**	128,976
	374,913	295,405

34 BANKING FACILITIES AND GUARANTEES

The banking facilities made available to subsidiaries of the Group are as follows:

	2021		2020	
	Available facilities RMB'000	Facilities utilised RMB'000	Available facilities RMB'000	Facilities utilised RMB'000
Banking facilities granted to subsidiaries of the Group	**90,408**	**37,952**	77,328	37,407

35 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 31 December 2021, Asia Glory Holdings Limited held 53.15% (2020: 53.15%) equity interest in the Company as the single largest shareholder.

(b) Transactions with related parties

Significant transactions with related parties and companies, which were carried out in the normal course of the Group's business, are summarised as follows:

Name of related companies	Nature of transactions	2021 RMB'000	2020 RMB'000
Land Smart Development Limited *(Note)*	Rental expenses	**1,440**	1,440
Politor Limited *(Note)*	Rental expenses	**548**	587
Lovable Products Trading Limited *(Note)*	Loan interest	**781**	712
Wealth Effort Limited *(Note)*	Management fee	**8**	53

Note: The related companies are controlled by Mr. Lee Ching Yiu, chairman of the Group.

(c) Balances with related parties

	2021 RMB'000	2020 RMB'000
Amount due to related companies		
Land Smart Development Limited	**5,848**	4,405
Lovable Products Trading Limited	**1,782**	1,042
Politor Limited	**1,079**	555
	8,709	6,002
Loan from a related company		
Lovable Products Trading Limited	**40,475**	33,413

The amount due to related companies are unsecured, interest-free and repayable on demand. The amounts approximate their fair values and are denominated in HK$ and RMB.

The loan from a related company are unsecured, interest bearing at 1.3% above one-month LIBOR per annum and repayable in one year. The amounts approximate their fair values and are denominated in USD.

35 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

Executive directors and certain senior management personnel are considered key management of the Group. Apart from the emoluments of executive directors which are disclosed in Note 11(a), the emoluments of senior management personnel during the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and allowances	5,076	5,640
Discretionary bonus	529	526
Share-based payments	–	193
Retirement benefit schemes contributions	406	327
	6,011	6,686

36 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**112,286**	115,582
Amounts due from subsidiaries		**176,591**	185,307
		288,877	300,889
Current assets			
Deposits and prepayments		**256**	212
Amounts due from subsidiaries		**6,470**	7,327
Cash and bank balances		**165**	171
		6,891	7,710
Total assets		**295,768**	308,599
EQUITY			
Capital and reserves			
Share capital		**6,931**	6,931
Reserves	*(b)*	**286,714**	299,477
Total equity		**293,645**	306,408
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		**2,123**	2,191
Total liabilities		**2,123**	2,191
Total equity and liabilities		**295,768**	308,599

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2022 and was signed on its behalf.

Lee Ching Yiu	**Hung Shing Ming**
Director	*Director*

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

(b) Reserve movement of the Company

	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
At 1 January 2020	323,968	28,011	6,828	(44,750)	9,954	324,011
Loss for the year	–	–	–	(6,858)	–	(6,858)
Other comprehensive loss for the year	–	–	–	–	(19,767)	(19,767)
Total comprehensive loss for the year	–	–	–	(6,858)	(19,767)	(26,625)
Share option scheme						
– recognition of share-based expenses due from subsidiaries	–	2,091	–	–	–	2,091
– share option lapsed	–	(2,424)	–	2,424	–	–
At 31 December 2020	323,968	27,678	6,828	(49,184)	(9,813)	299,477
At 1 January 2021	**323,968**	**27,678**	**6,828**	**(49,184)**	**(9,813)**	**299,477**
Loss for the year	**–**	**–**	**–**	**(4,085)**	**–**	**(4,085)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(8,678)**	**(8,678)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(4,085)**	**(8,678)**	**(12,763)**
Share option scheme						
– share option lapsed	**–**	**(150)**	**–**	**150**	**–**	**–**
At 31 December 2021	**323,968**	**27,528**	**6,828**	**(53,119)**	**(18,491)**	**286,714**

37 EVENTS AFTER THE REPORTING PERIOD

Since February 2022, confirmed cases of COVID-19 in Mainland China and Hong Kong have affected the usual business environment of the regions as a whole. A series of precautionary and control measures have been and continued to be implemented across Mainland China and Hong Kong, including, among others, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, implementation of heightened hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing.

Further, in preparing this set of consolidated financial statements, the Group determined the recoverable amount of its cash-generating units based on the present value of future cash flows under the conditions as of 31 December 2021. In the impairment testing to be performed for the year ending 31 December 2022, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the cash-generating units will need to be considered. The outbreak of COVID-19 could also affect the subsequent sales return and subsequent settlement of trade receivables.

Pending development of this non-adjusting subsequent event, the Group's financial results may be affected, the extent of which could not be estimated as of the date of this report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Year ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
REVENUE	1,613,389	1,650,108	1,710,041	1,374,784	**1,469,800**
PROFIT/(LOSS) BEFORE TAX	81,006	(79,440)	(91,389)	(131,646)	**6,113**
INCOME TAX (EXPENSE)/CREDIT	(24,373)	(5,116)	11,907	1,548	**(4,038)**
PROFIT/(LOSS) FOR THE YEAR	56,633	(84,556)	(79,482)	(130,098)	**2,075**
Profit/(loss) for the year attributable to:					
Owners of the Company	51,422	(82,377)	(82,208)	(127,094)	**1,341**
Non-controlling interest	5,211	(2,179)	2,726	(3,004)	**734**
	56,633	(84,556)	(79,482)	(130,098)	**2,075**

ASSETS AND LIABILITIES

	At 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
TOTAL ASSETS	1,119,250	1,031,832	1,184,858	865,158	**907,155**
TOTAL LIABILITIES	(354,071)	(331,289)	(552,581)	(378,437)	**(426,002)**
NET ASSETS	765,179	700,543	632,277	486,721	**481,153**
Net assets attributable to:					
Owners of the Company	754,270	692,095	621,236	478,310	**471,838**
Non-controlling interest	10,909	8,448	11,041	8,411	**9,315**
	765,179	700,543	632,277	486,721	**481,153**