KIDDIELAND

Kiddieland International Limited
童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3830

Annual Report
2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Man Ka Ho Donald
Mr. Cheng Dominic
Mr. Sit Hon Wing (appointed on 3 January 2023)
Mr. Leung Kwok Wai Gary (resigned on 2 January 2023)

AUDIT COMMITTEE

Mr. Sit Hon Wing *(Chairman)*
(appointed on 3 January 2023)
Mr. Leung Kwok Wai Gary *(Chairman)*
(resigned on 2 January 2023)
Mr. Man Ka Ho Donald
Mr. Cheng Dominic

REMUNERATION COMMITTEE

Mr. Cheng Dominic *(Chairman)*
Mr. Man Ka Ho Donald
Mr. Sit Hon Wing (appointed on 3 January 2023)
Mr. Leung Kwok Wai Gary (resigned on 2 January 2023)
Mr. Lo Shiu Kee Kenneth

NOMINATION COMMITTEE

Mr. Man Ka Ho Donald *(Chairman)*
Mr. Cheng Dominic
Mr. Sit Hon Wing (appointed on 3 January 2023)
Mr. Leung Kwok Wai Gary (resigned on 2 January 2023)

AUTHORISED REPRESENTATIVES

Mr. Lo Shiu Kee Kenneth
Mr. Cheung Ka Cheong

COMPANY SECRETARY

Mr. Cheung Ka Cheong

AUDITOR

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

PRINCIPAL BANKER

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

http://www.kiddieland.com.hk

STOCK CODE

3830

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kiddieland International Limited ("**Kiddieland**" or the "**Company**"), I hereby present the sixth consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 April 2023 following the initial public offering in September 2017.

During the year ended 30 April 2023, due to the toy factory lease agreement was going to be expired at the end of year 2022, the Company has revisited all the options on hand, including renewal of current factory lease and keeping the same operation model; relocation of production factory; and shutting down the production factory and subcontracting the production to third party suppliers. After evaluating the possible outcomes of different options, the Company concludes that subcontracting requires less fixed investment and bears less overhead costs. Giving the uncertainties of future orders and poor economic conditions of U.S. and Europe, the Company has finally selected to outsource the production to reliable suppliers. Having the same business model for more than 20 years, the Company need time to adapt to the new operation model. Quality control and meeting customers' shipment schedule are the biggest challenges under subcontracting business model. In view of the above, the Company has put great effort in keeping close relationship with outsourcing suppliers and performing sample inspection on the finished goods frequently.

On the other hand, the Company has invested in a new business segment in the PRC via a self-brand name called "Kiddieland Technology" in January 2022. It is principally engaging in the development and production of laboratory equipment for primary and secondary schools and evaluation system for scoring students based on their experimental operation test performance, sale of self-produced products to schools and sales agents, and provision of product installation and commissioning services. Its business operation and the target market are purely in the PRC, which is less sensitive to the macro-economy. The Company considers the new business segment is in a high-growth industry. The revenue for the year ended 30 April 2023 under this segment has been dramatically increased by 680% to approximately HK$35.1 million (2022: HK$4.5 million). Giving the PRC government's strong support to the industry in the coming years and the resources people are willing to support in education for the new generation in the PRC, the Company believes there is great potential in this business sector.

Giving the new and challenging direction the Company has stepped into in both the toy business and laboratory equipment business, it is our strong belief that such a move will lead to positive results in the long-run.

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

Yours Faithfully

Lo Hung
Chairman

Hong Kong, 31 July 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As mentioned in the "Outlook/future prospects and strategies" section in the 2022 annual report and 2022 interim report, since the Toy Business is expected to continue to suffer in the near term due to the factors beyond the Group's control, especially the poor economy of our major target markets like Europe and U.S., the Group has decided and finally switched the more than 20 years Toy business from self-manufacturing to outsource subcontracting during the year. With the new business model change, fixed overhead in Dongguan toy factory has become minimal starting from December 2022 in order to make the business to be cost efficient. However, the cost saving effect has not been fully reflected in this year.

Kiddieland Technology was founded just over a year ago as a provider of educational information application solutions, and has quickly established a firm foothold in the industry and opened up new horizons. We have achieved outstanding results under the leadership of the Board of Directors and the operation and management committee consists of six executives.

In terms of product research and development, we have introduced new products to meet the market demand, such as the Champion Table and I-shaped Table, and perfected the 5 matrix of product series for in science, chemistry and biology laboratories for high schools, and enhanced the level of product intelligence and digitization in the process. In terms of the laboratory operation evaluation system of the high school entrance examinations, the third generation of examination terminals was optimized with more dependable products, and multiple versions of examination application systems in LINUX, WINDOWS and ANDROID, e.t.c. were launched, which were tested and verified in the high school entrance examinations across the country at the beginning of May this year, and were highly recognized by the school authorities and the education administration departments.

At the 81st China Education Equipment Exhibition (Nanchang) in April 2023, the Company's products were launched for the first time under the brand name of "Kiddieland Technology" together with the leading echelon of fellow industry players, and received high praise from industry organizations and exhibitors. The Company's digitalized laboratory and the laboratory operation evaluation system of the high school entrance examinations have been perfected in full-fledge.

In terms of sales, the Company has rapidly established its presence in the Eastern, Southern, Western and Northern China, covering 31 provinces, cities and autonomous regions across the country. At the same time, we are constantly developing new business pipelines and working closely with a number of high-quality pipeline providers nationwide.

In terms of developing and integrating resources, we have mainly engaged in the following two aspects: for our products and services, we are cooperating with Intel and other companies in developing and optimizing the functions of AI products. We have responded to market concerns in a timely manner, and cooperated with NOBOOK and other high-quality resources to provide schools with value-added functions, such as virtual simulation laboratories; and we have cooperated with high schools with basic research and development abilities to optimize and deepen the laboratory operation evaluation system of the high school entrance examinations. In terms of supply chain management, we have developed relationship with a number of raw material suppliers with excellent product quality and good reputation based on our quality control efforts to achieve the foundation for product production and timely delivery.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of internal management, the Company has focused on standardization and process management last year. Following the trial period, the Company has officially launched the "Kingdee Cloud Galaxy" management system, and implemented the operation flow and standardized control of procurement application and approval, financial application and approval, PMC management, product manufacturing and management, contract management, quality control and after-sales service management, and human resource management, etc., and realized the standardized closed-circuit electronic filing from start to finish of projects. It has realized a standardized closed loop from the issuance of projects to the end of electronic filing. At the same time, the Company has strengthened its intellectual property rights, and has passed 7 systemic certification including the "Quality Control System Certification (《品質管制體系認證證書》)", as well as a number of software, patents, and testing reports of software and hardware products on the "High School Examination System Municipal Platform (《中考考試系統市級平台》)".

The Group's revenue for the year was approximately HK$176.2 million, which has decreased by 27.8% as compared to that of last year (2022: HK$244.2 million).

The Group recorded a net loss attributable to owners of the Company of approximately HK$50.5 million for the year ended 30 April 2023 (2022: HK$65.5 million). The net loss recorded by the Group this year was attributed to (i) the decrease in revenue; (ii) the one-off extraordinary abnormal expenses due to the change of operation model of the Toys business; and (iii) the appreciation of USD against other currencies.

FINANCIAL REVIEW

Revenue

As mentioned in Business Review, revenue generated from North America decreased by 50.8% to approximately HK$71.5 million (2022: HK$145.4 million). Both average selling price and sales orders had decreased. The decrease was mainly attributed to revenue from a top developed country in the region and the switching of product mix to products with relatively low unit price. In addition, with the late arrival of goods due to the shipment delay and the backlogs at U.S. ports in the last year, the retailers had a high stock level in the year 2022 and thus preferred not to place as many orders as that in the last year.

On the other hand, revenue generated from Europe decreased by 32.1% to approximately HK$53.5 million (2022: HK$78.8 million). Both average selling price and sales orders had decreased. The revenue decrease was mainly attributed to (i) the sluggish economy in several developing countries in Eastern Europe, especially Ukraine due to the war against Russia; and (ii) the currency appreciation of USD which hurt the purchasing power in the European region.

Revenue generated from the Laboratory equipment business dramatically increased by 680% to approximately HK$35.1 million (2022: HK$4.5 million). The huge growth rate reflects that it is a new business segment that the Group invested in January 2022 with growth potential. However, the sales figures of last year cannot reflect the full year effect as there was only four months operation period in the last year.

As a result of the above, the Group's overall revenue decreased by 27.8% to approximately HK$176.2 million (2022: HK$244.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

The Group's gross profit decreased by 34.6% to approximately HK$6.8 million for the year (2022: HK$10.4 million). Although there was a 27.5% decrease in the cost of sales during the year, the decreasing amplitude in revenue slightly outweighs the range of the decrease in cost of sales.

The decrease was attributed to the 27.8% decrease in revenue discussed above, and it was partially offset by (i) the decrease in depreciation expenses resulting from the impairment on property, plant and equipment made last year; and (ii) the decrease in production overhead cost. Therefore, the Group's gross profit margin for the year slightly decreased to 3.8% as compared to 4.3% of last year.

Other (losses)/gains, net

The Group recorded other losses of approximately HK$13.7 million for the year (2022: other gains HK$0.1 million). The net other losses were mainly attributed to (i) the one-off severance payment in the PRC due to the change of operation model of the Toy Business; and (ii) the loss on disposal of raw materials. And it was partially offset by the gain on disposal of property, plant and equipment.

Impairment losses on non-financial assets & financial assets

Due to the decrease in revenue with a decrease in gross margin in the last year and this year, the Group recognised an impairment loss on property, plant and equipment of approximately HK$32.5 million in the last year and an impairment loss on intangible assets of approximately HK$1.9 million in this year. In addition, the Group recorded net impairment losses on financial assets of approximately HK$1.5 million this year (2022: HK$11.2 million). The impairment losses recorded last year was mainly due to the significant increase in the credit risk of the non-controlling shareholder of the Laboratory equipment business.

Selling and distribution expenses

Selling and distribution expenses increased by 42.2% to approximately HK$11.8 million for the year (2022: HK$8.3 million). The increase was mainly attributed to the increase in staff costs and advertising and promotional expenses of the Laboratory equipment business that the Group has newly invested in January 2022.

Administrative expenses

Administrative expenses decreased by 11.1% to approximately HK$31.3 million for the year (2022: HK$35.2 million). The decrease was mainly attributed to (i) the decrease in staff costs and office rental expenses of the Toy business while it was partially offset by the increase in administrative staff costs of the Laboratory equipment business.

Finance costs

Net finance costs slightly increased by 14.3% to approximately HK$0.8 million for the year (2022: HK$0.7 million). The increase was attributed to the increase in interest on lease liabilities.

Income tax expenses/(credits)

The Group recorded income tax expenses of approximately HK$0.4 million for the year whilst the Group recorded income tax credits (net of tax expenses) of approximately HK$6.5 million for the last year. The income tax expenses this year were mainly attributable to the derecognition of deferred tax assets of Dongguan toy factory during the year. On the other hand, the income tax credits for the last year were attributable to the operating loss recorded in the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Net loss

The Group recorded a net loss of approximately HK$50.5 million for the year (2022: HK$65.5 million). The decrease in net loss recorded in this year was mainly attributed to (i) the decrease in impairment losses; (ii) the decrease in cost of production due to the low sales volume; and (iii) the decrease in staff costs. It was partially offset by (i) the decrease in revenue; and (ii) the one-off severance payment in Dongguan toy factory.

Inventories

Inventories as at 30 April 2023 were approximately HK$19.6 million, decreased from approximately HK$93.4 million as at 30 April 2022. Inventory turnover days for the year were 121.7 days (2022: 147.5 days). The decrease in stock level was primarily attributed to the change of operation model of the Toy business during the year.

Trade receivables

Trade receivables as at 30 April 2023 were approximately HK$12.0 million, decreased from approximately HK$18.3 million as at 30 April 2022. Trade receivables turnover days for the year were 31.4 days (2022: 32.3 days). The decrease in receivables level was attributed to the decrease in sales level for this year.

Trade and bills payables

Trade and bills payables as at 30 April 2023 were approximately HK$10.9 million, decreased from approximately HK$14.3 million as at 30 April 2022. Trade and bills payables turnover days for the year were 27.1 days (2022: 27.4 days). The decrease in payables level was attributed to the decrease in purchase activity and production activity due to the change in operation model of the Toy business during the year.

Liquidity and financial resources

During the year ended 30 April 2023, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2023, cash and cash equivalents amounted to approximately HK$3.4 million (2022: HK$8.6 million). The decrease was mainly due to the increase in the repayment of bank borrowings during the year. The current ratio of the Group, as calculated by total current assets over total current liabilities, was 1.3 as at 30 April 2023 (2022: 1.6).

As at 30 April 2023, the Group's net current assets were approximately HK$9.1 million (2022: HK$51.3 million). The Group did not have any bank borrowings as at 30 April 2023 (2022: HK$44.6 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 0% (2022: 47.5%). All bank borrowings were subject to floating interest rates. As at 30 April 2023, the Group had undrawn banking facilities of approximately HK$242.1 million (2022: HK$197.4 million). The Group and the Directors will maintain the availability of bank facilities and negotiate with banks to increase the borrowings limit for working capital needs, if necessary.

FOREIGN CURRENCY EXPOSURE

The sales, purchases and expenses incurred in toy business are mainly denominated in Hong Kong and US Dollar. And for production factory located in the PRC related to laboratory equipment business, sales, purchases and expenses incurred there are denominated in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 April 2023, the Group had not entered into any financial instrument for the hedging of foreign currency.

EMPLOYEES AND REMUNERATION POLICY

As at 30 April 2023, the Group employed 159 full-time management, administrative and production staff in Hong Kong and the PRC. Due to the cease of the toy factory, the number of staff decreased by 78.4% compared to that of last year. The Group has seasonal fluctuations in the number of workers employed in its production plant while the number of management and administrative staff remains stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

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

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

SIGNIFICANT INVESTMENT HELD

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

CAPITAL COMMITMENTS

As at 30 April 2023, the Group did not have any commitments for acquisition of property, plant and equipment which have been contracted, but not provided for in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 April 2023, the Group did not have any contingent liabilities.

OUTLOOK/FUTURE PROSPECTS AND STRATEGIES

This year has presented us with unique challenges and opportunities, which have helped us develop, adapt, and succeed despite the strenuous market conditions.

The current global economic climate is still recovering from the impacts of the Covid-19 pandemic. This, coupled with the ongoing Ukraine War, and a weak Euro, has caused a slight contraction in consumer spending with some of our customers in Europe. Additionally, the overall industry has been grappling with raw material inflation. Yet, these challenges have not deterred us from innovating and thriving under our new direction.

MANAGEMENT DISCUSSION AND ANALYSIS

In the face of these obstacles, the Company has appointed reliable subcontractors and suppliers and outsourced all forms of manufacturing to increase profitability. Internal factors such as raw material inflation and significant volatility led to this decision, and we have partnered up with reliable and experienced subcontractors to ensure smooth operations and production of all goods. Given the current global economic situation, the Company maintained a resilient performance over the last fiscal year. Despite grappling with a worldwide inventory backlog due to Covid-19 impacts, escalated shipping charges have returned to a reasonable and acceptable level. Coupled with reengineered and innovative products, we were successful in taking measures to improve our profitability.

Looking ahead, the global economic situation may improve in the second half of 2024, suggesting greater potential and more opportunities with worldwide backlog inventory fully cleared by then. The market will be ready to consume more innovative products after a relatively long reorganization of obsolete inventory. With these positive prospects, the Management is confident in our new business operations and global economic performance in the coming year.

In the forthcoming year, our main focus will continue to be the expansion of our product range in both preschool and ride-on toys. We will continue our efforts to enhance our product portfolio, especially with licensed products that have shown considerable potential. The Company is actively seeking new, mind-blowing licensed products to enrich our product range, with a focus on streamlined products with improved designs, reducing costs without sacrificing features. This will increase profitability and bring innovation to the market. The Company is also embarking on a vigorous quest to diversify our retail selling points and to identify new buyers and channels globally, thereby enhancing our reach and boosting sales. Our strategic initiatives will focus on leveraging these anticipated market trends and consumer preferences.

In parallel with our toy business, looking forward to the new year, in addition to deepening the fruitful work of last year, Kiddieland Technology (Laboratory equipment business) will focus on strengthening the work in the following aspects. Firstly, we will further optimize, upgrade and newly launch intelligent laboratory products and high school entrance examination experimental operation evaluation series products, and strive to upgrade the core products of these two series to domestic first tier well-known brand products, and convert the market establishment of the previous year into incremental orders through the market reputation of the products and the demonstration effect of multiple test centers across the country. Secondly , we will strengthen sales management, conduct more in-depth research on the needs of different regions, improve the speed and quality of the company's internal departments to respond to sales work, and provide customers with fast and quality services and products.

In the new year, the State issued the programmatic document "Opinions on Building a Highquality and Balanced Basic Public Education Service System" (《關於構建優質均衡的基本公共教育服務體系的意見》), which put forward clear requirements for the construction of digital campuses including teaching equipment and digital basic environment. The two major product series of Kiddieland Technology are highly in line with the country's major policies and market needs, and it is the right time to further develop our products. We believe that on the basis of last year's work and the work that needs to be strengthened in the new year, Kiddieland Technology will be able to better meet the development needs of China's huge education market in terms of order sales, product quality and brand influence. Kiddieland Technology will further devote itself to the research and development and application of educational information products, lead the development of the education industry, and strive to become the leader in the field of educational equipment and information teaching in China.

In conclusion, while the past year has tested our resilience, it has also reinforced our confidence in our ability to adapt, innovate, and succeed. The Company is optimistic about the future and the opportunities it holds.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Lo Shiu Kee Kenneth (盧紹基), aged 52, is one of the founders of our Group, an executive Director and the chief executive officer of our Company and is in charge of overseeing the overall business operation of our Group including sales and marketing activities of our Group, managing relationships with licensors and customers and is also responsible for managing licensing strategies and the production of our Group's production factory in Dongguan, Guangdong Province, the PRC. He has over 26 years of experience in the toy industry. He obtained a Master of Business Administration from Harvard University in 1998, a Master of Science in Engineering-Economic Systems from Stanford University in 1995, a Bachelor of Science in Engineering (Bioengineering) and a Bachelor of Science in Economics from University of Pennsylvania in 1993.

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

Lo Shiu Shan Suzanne (盧紹珊), aged 51, is one of the founders of our Group, an executive Director of our Company and is responsible for determining the cost calculation and pricing of our products, handling factory audits and overseeing of purchase activities of raw materials for our Group's production factory in Dongguan, Guangdong Province, the PRC. She has over 20 years of experience in the toy industry. During the period from July 1999 to March 2002, she was a Senior Associate of the Assurance and Business Advisory Services Department at PricewaterhouseCoopers. She obtained a Bachelor of Commerce from McGill University in 1995.

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

Sin Lo Siu Wai Sylvia (冼盧紹慧), aged 48, is one of the founders of our Group, an executive Director of our Company and is responsible for managing all design-related works in product development from concept to final production as well as liaising with licensors to ensure smooth operation at all stages of product development. She has over 23 years of experience in the toy industry. She obtained a Bachelor of Fine Arts and a Bachelor of Architecture from Rhode Island School of Design in 1998.

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

Lo Hung (盧鴻), aged 79, is an executive Director and the Chairman of our Company and is primarily responsible for overseeing the daily operations of our Group's production factory in Dongguan, Guangdong Province, the PRC and managing the personnel related to product development including designers, prototype craftsmen, engineers and mould makers. He joined our Group on 29 May 2002 and has over 56 years of experience in the toy industry.

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

Leung Siu Lin Esther (梁小蓮), aged 77, is an executive Director of our Company primarily responsible for managing the overall financials of our Group and monitoring the monthly shipments and inventory levels of our Group's production factory in Dongguan, the PRC. She joined our Group on 29 May 2002 and has over 52 years of experience in the toy industry. She graduated from the Nursing School of the Medical and Health Department in 1967 and became a registered nurse and midwife in Hong Kong in 1967 and 1969, respectively.

DIRECTORS AND SENIOR MANAGEMENT

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Man Ka Ho Donald (文嘉豪), aged 46, was appointed as an independent non-executive Director on 31 August 2017. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of our Company. Mr. Man is also an independent non-executive director of Icicle Group Holdings Limited (stock code: 8429). He was admitted as a solicitor of the Supreme Court of England and Wales in 2003 and has over 16 years of experience in the legal field. Mr. Man is currently a registered foreign lawyer at Ince & Co's Hong Kong office. Mr. Man is a director of Jardine Travel Limited, Eupo-Air (Holdings) Limited and Eupo-Air Travel Services (Hong Kong) Limited. He is also the chairman of Zheng Qi Charitable Foundation Limited. Mr. Man obtained a Bachelor of Science in Business Studies from The City University London (now known as City, University of London) in 1998.

Cheng Dominic (鄭子龍), aged 51, was appointed as an independent non-executive Director on 19 July 2018. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of our Company. He worked in Ernst & Young as Management Consultant before joining Airline Mechanical Co., Ltd in 1998 as Vice President of Operations. Currently, he is the general manager of AMC Technology Company Limited. Mr. Cheng obtained a Bachelor of Mathematics from The University of Waterloo in May 1994 and completed the certificate programme on production management held by The Hong Kong Management Association in July 1997.

Sit Hon Wing (薛漢榮), aged 46, was appointed as an independent non-executive Director on 3 January 2023. He is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee of our Company. He is currently a director of Xi Zhou Enterprises Hong Kong Limited ("**Xi Zhou**"), was appointed as the company secretary of CT Environmental Group Limited ("**CTEG**") (a company formerly listed on the Main Board of the Stock Exchange with stock code: 1363, and a former parent company of Xi Zhou) on September 2017. Between 2008 and 2015, Mr. Sit was one of the management team members in the finance function, company secretarial function and investor relations function of CTEG. Mr. Sit had worked in the audit and assurance department of PricewaterhouseCoopers in Hong Kong and had also served as the financial controller and/or company secretary of various listed companies in Hong Kong for over 20 years, including CTEG, Hao Tian Development Group Limited (the company name currently has been changed to Aceso Life Science Group Limited, stock code: 474), Hao Tian International Construction Investment Group Limited (stock code: 1341) and Sau San Tong Holdings Limited (stock code: 8200). Mr. Sit received a Bachelor's degree in Accountancy from The Hong Kong Polytechnic University and is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Sit currently also serves as a director of Fujian Nuoqi Co., Ltd. (a company formerly listed on the Stock Exchange with stock code: 1353).

SENIOR MANAGEMENT

Cheung Ka Cheong (張家昌), aged 36, is the finance director and company secretary of our Group. He has been a member of the Hong Kong Institute of Certified Public Accountants since October 2014. He joined our Group in February 2013 and is in charge of the accounts department and is responsible for overseeing the accounts department, preparing financial statements, maintaining relationship with bankers and responsible for all company secretarial works of our Group. Prior to joining our Group, he had worked in Hutchison Whampoa Properties Limited and Chen Hsong Holdings Limited (stock code: 0057). He has over 14 years of experience in accounting and obtained a Bachelor of Business Administration (Honours) from City University of Hong Kong in 2008.

Chong Lai Nei (莊麗妮), aged 55, has been the sales director of our Group since she joined our Group on 20 March 2001. Prior to joining our Group, she worked as a merchandiser in Wave Imagination Limited from 1992 to 1993. During the period from 1993 to 1998, she worked as a sales executive in a toy manufacturing company and was later promoted as a sales manager. She has over 29 years of experience in the toy industry and is mainly responsible for the sales activities of our Group's products to customers in North America, Europe, Japan and Australia. She obtained a Master of Social Science in Money, Banking and Finance from University of Birmingham in 1992.

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 30 April 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacture and distribution of plastic toy products and laboratory equipment. The Company operates the Toy business segment through two categories. One is Outdoor-and-sports Toy, which is mainly engaged in the manufacture and distribution of ride-ons, rockers, trikes, scooters and walkers. The other is Infant-and-preschool Toy, which is mainly engaged in the manufacture and distribution of interactive playsets, activity toys, musical toys and action vehicles. The Laboratory equipment business segment is mainly engaged in the manufacture and distribution of laboratory equipment for primary and secondary school. The Company distributes its products within domestic market and to overseas markets.

The principal activities and other particulars of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2023 are set out in the consolidated statement of comprehensive income on pages 65 to 66 of this annual report.

FINAL DIVIDEND AND INTERIM DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 30 April 2023 and any interim dividend for the six months ended 31 October 2022.

DIVIDEND POLICY

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

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

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

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

(d) the Group's liquidity position;

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

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

(g) other factors that the Board considers relevant.

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

REPORT OF THE DIRECTORS

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

For the purpose of determining the shareholders' eligibility to attend and vote at the annual general meeting (the "**AGM**") to be held on Friday, 13 October 2023, the register of members of the Company will be closed from Wednesday, 11 October 2023 to Friday, 13 October 2023, both days inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 10 October 2023.

BUSINESS REVIEW

Business review of the Group is provided in the Management Discussion and Analysis on pages 4 to 5 of this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set on page 132 of this annual report.

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity, note 23 and note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

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

DONATIONS

The Group did not make any charitable donations during the year ended 30 April 2023 (2022: Nil).

BANK LOANS

Details of bank loans and other borrowings of the Group as at 30 April 2023 are set out in note 25 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 April 2023 are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
— the largest customer	12.3%
— five largest customers in aggregate	38.6%
Purchases	
— the largest supplier	34.2%
— five largest suppliers in aggregate	41.5%

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors during the year ended 30 April 2023 and up to the date of this annual report are:

Executive Directors

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

Independent Non-executive Directors

Mr. Man Ka Ho Donald
Mr. Cheng Dominic
Mr. Sit Hon Wing (appointed on 3 January 2023)
Mr. Leung Kwok Wai Gary (resigned on 2 January 2023)

REPORT OF THE DIRECTORS

At the forthcoming annual general meeting of the Company, Ms. Lo Shiu Shan Suzanne, Ms. Sin Lo Siu Wai Sylvia and Mr. Cheng Dominic will retire in accordance with Article 108 of the Articles of Association and Mr. Sit Hon Wing, who has been appointed by the Board on 3 January 2023 as an independent non-executive director, will retire in accordance with Article 112 of the Articles of Association, and being eligible, will offer themselves for re-election.

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

Profile details of the Directors of the Company, the senior management and company secretary of the Group are set out on pages 10 to 11 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

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

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

Mr. Man Ka Ho Donald, being the independent non-executive director, has signed a renewal letter of appointment with our Company on 20 September 2020 for a further term of three years commencing from 21 September 2020. Mr. Cheng Dominic has signed a letter of appointment with our Company on 16 July 2021 for a further term of three years commencing from 19 July 2021. Mr. Sit Hon Wing has signed a letter of appointment with our Company on 30 December 2022 for a term of three years commencing from 3 January 2023 unless otherwise terminated in accordance with the terms of the letter of appointment. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association. The annual director's fee payable to each of the independent non-executive Directors under the respective letters of appointment is HK$60,000.

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

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to its Directors and eligible employees, details of the scheme is set out in note 28 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 April 2023, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

Save as the related party transactions as disclosed in note 31 to the consolidated financial statements, no Director and/or any of his/her connected entity had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the year ended 30 April 2023 are set out in note 31 to the consolidated financial statements.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

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

Lease of office premises from Top Dragon

As reported in the announcement made on 4 November 2022, Kiddieland Toys Limited ("**Kiddieland Toys**"), a wholly-owned subsidiary of the Company, had on 4 November 2022 entered into a renewal tenancy agreement with Top Dragon Enterprise Investment Limited ("**Top Dragon**") in respect of the renewal of the leasing of a portion of 14th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong with a gross floor area of approximately 3,420 sq. ft. (the "**Tenancy Agreement**") for a term of 12 months from 1 November 2022 to 31 October 2023 at a rental of HK$100,000 per month, inclusive of rates, government rent, management fees and air-conditioning charges, payable in advance on the first day of each and every calendar month.

The total amount of rental paid by Kiddieland Toys to Top Dragon under the Tenancy Agreement for the year ended 30 April 2023 was HK$3,000,000.

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

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

(i) have not been approved by the Board;

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

(iii) have exceeded the annual cap.

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

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

(b) on normal commercial terms or better; and

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

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 April 2023.

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

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

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

As of 30 April 2023, the interests and/or short positions of the Directors and/or the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules were as follows:

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

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

Save as disclosed above, as at 30 April 2023, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

REPORT OF THE DIRECTORS

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

As at 30 April 2023, the interests and short positions of substantial shareholders (other than the Directors and the chief executive of the Company) in the Shares or the underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the Shares

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

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

Saved as disclosed above, as at 30 April 2023, the Company is not aware of any other party (not being a Director and the chief executive of the Company), who had interests or short positions in the Shares and underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The shareholders of the Company approved and adopted a share option scheme (the "**Share Option Scheme**") on 31 August 2017 (the "**Adoption Date**") to enable the Company to grant share options (the "**Option(s)**") to the Directors, employees or other selected participants as incentives and rewards for their contribution to the Group. The Share Option Scheme took effect on 21 September 2017 (the "**Listing Date**"). On 19 July 2018, the Group granted Share Options to certain selected employees which enable them to subscribe 20,000,000 ordinary Shares at an exercise price of HK$0.28 per Share. The Share Options have been expired on 19 July 2021 already. There is no movement of Share options granted during the year ended 30 April 2023.

REPORT OF THE DIRECTORS

During the year ended 30 April 2022, the details of the movement of Share Options granted by the Company to eligible persons are as follows:

			Number of Shares issuable under the Share Options granted						
Eligible persons	Date of grant	Exercisable period	Balance as at 1 May 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 30 April 2022	Exercise price per Share
									HK$
Continuous Contract Employees, excluding Directors	19 July 2018	(note (ii))	14,100,000	–	–	(14,100,000)	–	–	0.280
			14,100,000	–	–	(14,100,000)	–	–	

Notes:

(i) No Share Option was granted during the year ended 30 April 2023 and 2022.

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

(c) the nominal value of a Share.

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 30 April 2023.

EVENTS AFTER REPORTING PERIOD

As of the date of this report, there is no significant event occurring after 30 April 2023.

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 24 to 29 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 30 April 2023 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

Kiddieland International Limited
Lo Hung
Chairman

Hong Kong, 31 July 2023

CORPORATE GOVERNANCE REPORT

The Board of the Company is committed to promoting high standards of corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Throughout the year ended 30 April 2023, the Company has been in compliance with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code which applies to all Directors and all relevant employees who are informed that they are subject to its provisions. Having made specific enquiries to each of the Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 30 April 2023.

BOARD OF DIRECTORS

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

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

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

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

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

During the year ended 30 April 2023, four board meetings and one general meeting were held.

CORPORATE GOVERNANCE REPORT

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

	Attendance
Mr. Lo Shiu Kee Kenneth	5/5
Ms. Lo Shiu Shan Suzanne	5/5
Ms. Sin Lo Siu Wai Sylvia	5/5
Mr. Lo Hung	5/5
Ms. Leung Siu Lin Esther	5/5
Mr. Man Ka Ho Donald	5/5
Mr. Cheng Dominic	4/5
Mr. Sit Hon Wing (appointed on 3 January 2023)	0/0
Mr. Leung Kwok Wai Gary (resigned on 2 January 2023)	4/5

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

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

Continuous professional development of Directors

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

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

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

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

Remuneration Committee

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

CORPORATE GOVERNANCE REPORT

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

The committee met twice during the year ended 30 April 2023. Attendance of individual members is listed below:

	Attendance
Mr. Cheng Dominic	2/2
Mr. Man Ka Ho Donald	2/2
Mr. Sit Hon Wing (appointed on 3 January 2023)	0/0
Mr. Leung Kwok Wai Gary (resigned on 2 January 2023)	2/2
Mr. Lo Shiu Kee Kenneth	2/2

After the year ended 30 April 2023, a meeting of the remuneration committee was held on 31 July 2023 with 100% attendance to review the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

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

Nomination Committee

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

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

The committee met twice throughout the year ended 30 April 2023. Attendance of individual members is listed below:

	Attendance
Mr. Man Ka Ho Donald	2/2
Mr. Cheng Dominic	2/2
Mr. Sit Hon Wing (appointed on 3 January 2023)	0/0
Mr. Leung Kwok Wai Gary (resigned on 2 January 2023)	2/2

CORPORATE GOVERNANCE REPORT

After the year ended 30 April 2023, a meeting of the nomination committee was held on 31 July 2023 with 100% attendance to review the structure, size and composition of the Board, the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for re-election at the annual general meeting. The board diversity policy was also reviewed at the meeting.

Board Diversity Policy

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

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

Audit Committee

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

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

The committee met three times throughout the year ended 30 April 2023. Attendance of individual members is listed below:

	Attendance
Mr. Sit Hon Wing (appointed on 3 January 2023)	0/0
Mr. Leung Kwok Wai Gary (resigned on 2 January 2023)	3/3
Mr. Man Ka Ho Donald	3/3
Mr. Cheng Dominic	3/3

After the year ended 30 April 2023, a meeting of the audit committee was held on 31 July 2023 with 100% attendance to review this report, the Directors' report and the accounts for the year ended 30 April 2023 together with the annual results announcement, with a recommendation to the Board for approval.

AUDITOR'S REMUNERATION

For the year ended 30 April 2023, fees paid/payable to the auditors of the Group for audit and non-audit services amounted to approximately HK$1,100,000 and HK$318,000 respectively. The non-audit services mainly include interim review, tax compliance, internal control assessment, ESG reporting advisory.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

COMPANY SECRETARY

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

During the year ended 30 April 2023, Mr. Cheung has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

COMMUNICATIONS WITH SHAREHOLDERS

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

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

CONSTITUTIONAL DOCUMENTS

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

The Company proposes to amend the Memorandum and Articles of Association in order to comply with the Listing Rules and CG Code that came into effect on 1 January 2022. For details, please refer to the announcement of the Company to be published in due course.

On behalf of the Board

Lo Hung
Chairman

Hong Kong, 31 July 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Company is delighted to publish the Environmental, Social and Governance Report (the "**Report**") to summarize the Group's policies, measures and performance on the key environmental, social and governance ("**ESG**") issues.

Reporting Period

This Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1 May 2022 to 30 April 2023 (the "**Reporting Period**" or "**2023**").

Reporting Scope and Boundary

This Report discloses related policies and initiatives for the core and material business units of the Group in Dongguan, the People's Republic of China (the "**PRC**"), including the manufacturing plant. There is no material change in the scope and boundaries of this Report from that of the ESG report for the year ended 30 April 2022. If the scope and boundaries of the specific contents vary, they are noted in the relevant section of the Report.

Reporting Basis and Principle

This Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") as set out in Appendix 27 of the Listing Rules and on the basis of the four reporting principles — materiality, quantitative, balance and consistency:

- **"Materiality" Principle:**

  The Group determines material ESG issues by stakeholder engagement and materiality assessment. Details are explained in the section headed "Materiality Assessment".

- **"Quantitative" Principle**:

  Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- **"Balance" Principle**:

  This Report identifies the achievements and challenges faced by the Group.

- **"Consistency" Principle**:

  Methodologies adopted for preparing this Report are consistent with last year, unless otherwise stated.

This Report has complied with all "comply or explain" provisions and reported on selected recommended disclosures outlined in the ESG Guide.

The information contained herein is sourced from internal documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's internal management systems. A complete content index is appended to the last section hereof for quick reference. This Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency between the English version and the Chinese version, the English version shall prevail.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Review and Approval

This Report was approved by the Board of Directors of the Group (the "**Board**") on 31 July, 2023, after confirmation by the management of the Group. An electronic version of this report is available on the HKExnews website (www.hkexnew.hk).

Feedback

The Group values the opinions and suggestions of stakeholders on the Report. We welcome you to share your feedback with the Group at geninfo@kiddieland.com.hk.

BOARD STATEMENT

On behalf of the Group, our Board of Directors (the "**Board**") is pleased to present the sixth ESG Report. Engaging in the design, development, production and sale of toy, the Group is committed to operating in an environmentally and socially responsible manner to produce long-term value. We endeavour to undertake more social responsibilities and incorporate sustainable development in our business strategy planning while boosting our business performance. As the most important leading role of the Group, the Board members collectively oversee, directly manage and monitor the Group's ESG issues and progress.

The Group strives to integrate ESG vision and strategies in its business practices and throughout the supply chain; therefore, the Group formalised the interdepartmental ESG Working Group (the "**Working Group**") and ESG Committee (the "**Committee**") to coordinate different departments and enhance their mutual co-operation, to ensure that performance is consistent and stakeholders' expectations can be met. We work together to achieve our sustainability development goals as a team.

We have set clear short-term and long-term sustainable development vision and goals to achieve ongoing emission reduction progress according to governmental requirements of different countries and regions. Relevant emission reduction targets and corresponding strategies are established and sustainable development factors have been incorporated into our strategic planning, business model and other decision-making processes.

Looking ahead, the Board of Directors will continue to review and monitor the environmental, social and corporate governance performance of the Group.

ESG GOVERNANCE STRUCTURE

The Board supports the Group's commitment to fulfilling its environmental and social responsibility and has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Where necessary, the Board will engage third-party independent consultants to help enhance the board of governance in ESG.

The Board has delegated the day-to-day responsibility of the implementation to the ESG Working Group and the ESG Committee. The Working Group and Committee are composed of senior management and core members from different departments of the Group and responsible to assist the Board in fulfilling its oversight responsibilities with regard to, including, but not limited to environmental, health and safety, corporate social responsibility, sustainability, and other public policy matters relevant to the Group. The Working Group and the Committee also work together to review and monitor the implementation of ESG-related policies and practices to ensure compliance with laws and regulations.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

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

Stakeholder	Communication Channel
Government and regulatory agencies	• Annual reports, interim reports, ESG reports and other public information • Supervision and inspection
Shareholders and investors	• Annual general meetings and other general meetings of shareholders • Company website • Press releases/announcements • Annual reports, interim reports, ESG reports and other public information
Employee	• Training • Meetings • Performance evaluation • Survey
Customer	• Fax, email and telephone • Customer satisfaction survey
Suppliers	• Meetings • Site visit • Survey
Community	• Participation in community programmes • ESG reports

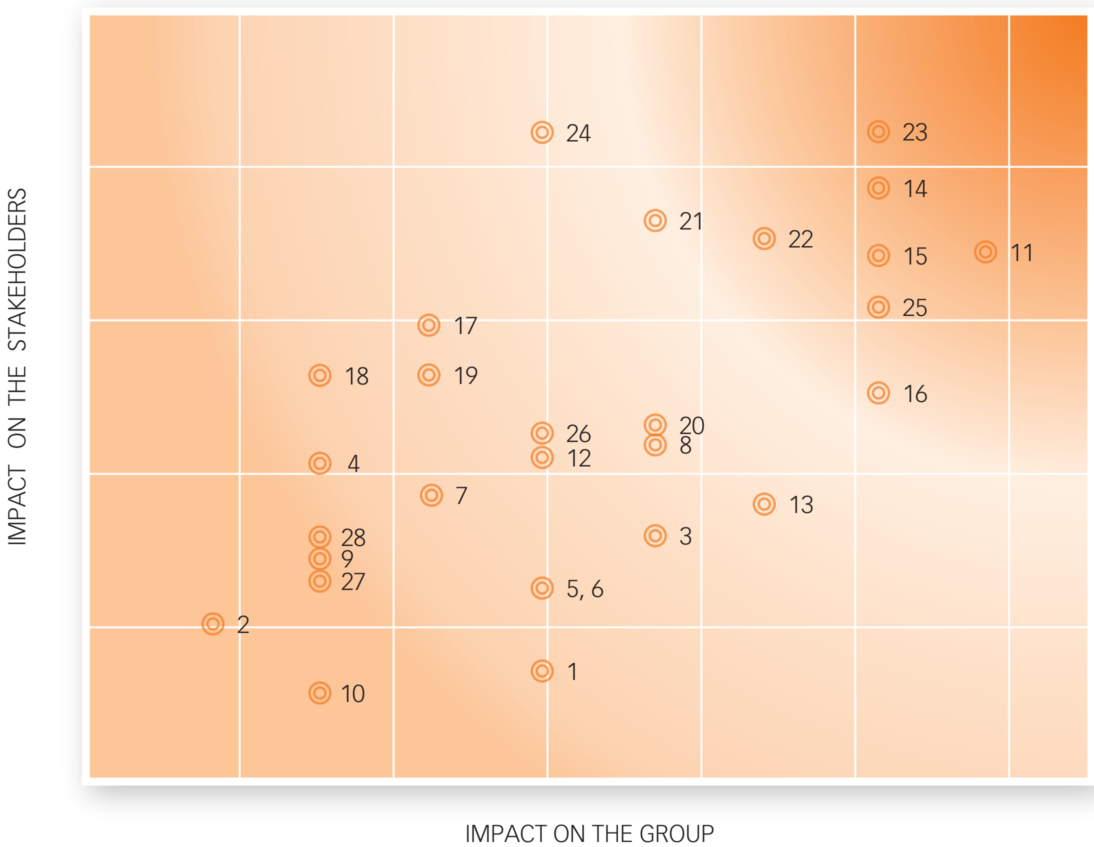
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

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

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

Materiality Matrix



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 Air emissions
2 Greenhouse gas ("**GHG**") emissions
3 Effluents management
4 Waste management
5 Energy efficiency
6 Water efficiency
7 Use of materials
8 Environmental compliance
9 Land use, pollution and restoration
10 Climate change
11 Employment practices
12 Diversity and equal opportunities
13 Anti-discrimination
14 Occupational health and safety
15 Development and training
16 Child labour and forced labour
17 Responsible supply chain management
18 Environmental friendliness on products or service purchased
19 Compliance with regulations on marketing, product and service labelling
20 Customers' privacy and confidentiality
21 Customer satisfaction
22 Intellectual property
23 Safety of products
24 Quality of products
25 Business ethics
26 Anti-corruption training for management and employees
27 Contributions to the society
28 Communication and connection with local community

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL ASPECTS

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

The Group strictly abides by the related laws and regulations, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), the Rules on the Administration concerning Environmental Protection of Construction Projects (建設項目環境保護管理條例), the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects Environmental Protection Acceptance Check on Construction Projects (建設項目竣工環境保護驗收管理辦法), Rule on Classification for Environmental Impact Assessment of Construction Projects (建設項目環境影響評價文件分級審批規定), and Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》). The Group's production plant substantially complied with all applicable local and international environmental regulations.

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

- Compliance with national environmental laws and regulations;

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

- Pollution prevention;

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

- Promotion of clean production; and

- Creation of a harmonious environment for sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions

Air Emissions

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The air emissions[1] are as follows:

Air Emissions	2023 (tonnes)	2022 (tonnes)
Sulphur Oxides (SO_x)	**0.0252**	0.0406
Nitrogen Oxides (NO_x)	**0.0674**	0.1086
Particulate Matters (PM)	**0.000001**	0.000004
Benzene	**0.00005**	0.0001
Toluene	**0.0001**	0.0004
Xylene	**0.00007**	0.0001
Total VOCs	**0.0055**	0.0128
Total	**0.0983**	0.1626

For the year ended 30 April 2023, the total air emissions were 0.0983 tonnes, representing a decrease of approximately 40% over last year (2022: 0.1626 tonnes). The decrease in the total air pollutant emissions was attributed to the cease of manufacturing plant during the Reporting Period. Looking ahead, the Group will continue monitoring the air pollutant emissions and implementing mitigation measures, including its new laboratory equipment business.

Greenhouse Gas (GHG) Emissions

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

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

1 The inorganic air pollutant emission is estimated by making reference to "1st National Survey of Pollution Sources — Industrial Pollutants Emission Factors Handbook" (《第一次全國污染源普查工業污染源 排污係數手 》) and "Technical Guidelines for the Compilation of Emission Inventories of Air Pollutants from Road Vehicles (Trial)" (《道路機動車大氣污染物排放清單編制技術指南（試行）》) by Ministry of Ecology and Environment of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 30 April 2023, the total GHG emissions were 2,286.94 tonnes CO_2 equivalent, and its intensity was 0.0024 tonnes CO_2 equivalent per unit of products. The Group will continuously review and enhance on our GHG reduction measures. Scope 2 emissions were the primary source of total GHG emissions, accounting for approximately 82% of the total GHG emissions. The total GHG emissions had a considerable decrease of approximately 74% as compared to last year (2022: 8,887.00 tonnes CO_2 equivalent) which mainly attributable to the cease of manufacturing plants during the Reporting Period. The GHG emissions by scope are as follows:

GHG Emissions[2]	**2023 (tonnes CO_2 equivalent)**	2022 (tonnes CO_2 equivalent)
Scope 1[3]	**418.37**	632.95
Scope 2[4]	**1,868.57**	8,254.05
Total	**2,286.94**	8,887.00
Intensity (per unit of products)	**0.0024**[5]	0.0045

Wastes

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

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

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2 The estimation methods and emission factors are based on "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, "General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (trial)" (《工業其他行業溫室氣體排放核算方法與報告指南（試行）》), "Emission Factors of China's Regional Power Grid Baseline for Emission Reduction Projects" (《減排項目中國區域電網基准線排放因子》).

3 Scope 1: Direct emission from the business operations that are owned or controlled by the Group. It includes combustion of natural gas, unleaded petrol and fugitive emission from refrigerant.

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

5 The Group's total production volume was 955,673 units during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the year ended 30 April 2023, the total amount of hazardous wastes was approximately 0.295 tonnes, representing a substantial decrease of approximately 86% over last year (2022: 2.18 tonnes). The Group continues to pay close attention to the amount of hazardous wastes produced, including its new laboratory equipment business, to ensure that it will not exceed relevant regulatory limits. For the year ended 30 April 2023, the total amount of non-hazardous wastes was 25.60 tonnes, representing a decrease of approximately 44% over last reporting year (2022: 45.80 tonnes).

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

Hazardous wastes	2023 (tonnes)	2022 (tonnes)
Organic Solvent	**0.11**	0.31
Paint Residue	**0.047**	0.38
Sludge	**0**	0.28
Cloth and Gloves	**0.038**	1.00
Activated Carbon	**0.1**	0.19
Fluorescent Lamp	**0**	0.02
Total	**0.295**	2.18
Intensity (per unit of products)	**0.0000003**[6]	0.000001

Non-hazardous Wastes	2023 (tonnes)	2022 (tonnes)
Domestic Wastes	**25.60**	45.80
Total	**25.60**	45.80
Intensity (per unit of products)	**0.000027**[6]	0.000023

6 The Group's total production volume was 955,673 units during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Wastewater

Wastewater is generated from the process of rinsing metal surface and the water curtain system. All the wastewater is collected and discharged after appropriate treatment. We have installed new pipes, built wells and water volume measuring devices, in doing so, sewage water is flowed to centralised water purification system for treatment before discharging. We obtained the licensing for the discharge of sewage into the drainage network within the territory of the PRC （城鎮污水排入排水管網許可證） in accordance with the requirement of the local regulations. For the year ended 30 April 2023, no wastewater was treated and discharged as the spraying department was ceased. The indicators of the wastewater are as follows:

Wastewater Indicators	2023 (tonnes)	2022 (tonnes)
Chemical Oxygen Demand (COD)	**0**	0.0048
Ammonia Nitrogen	**0**	0.0013
Suspended Solid	**0**	0.0073

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

Use of Resources

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

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

- Maintenance of the machinery is carried out regularly to ensure proper functioning and their efficiencies. One of three transformers is shut down in the slack season;
- Raising the employees' awareness of energy saving;
- Improvement of the production process and management; and
- Reinforcement of the energy management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group formulates energy-saving plan annually and installed energy monitoring system. For the year ended 30 April 2023, the total energy consumption was 2,713.88 MWh, and its intensity was approximately 0.0028 MWh per unit of products. The total energy consumption and its intensity decreased by around 75% and 50% respectively as compared to last year which mainly attributable to the cease of manufacturing plants. Energy consumption by energy type is as follows:

Energy Consumption Types	2023 (MWh)	2022 (MWh)
Direct Consumption		
Petrol	**0.67**	1.89
Natural Gas	**389.69**	773.39
Indirect Consumption		
Electricity	**2,323.52**	10,263.68
Total	**2,713.88**	11,038.96
Intensity (per unit of products)	**0.0028**[7]	0.0056

While operations at the Group's facilities and offices are not water-intensive, water conservation is a focus area and part of its environmental management practices. The Group uses water primarily in restrooms and kitchens, with a small amount for irrigation and processes. Its water reduction efforts are modest since they can only generate minor improvements. Water is supplied by the third party, and there is no significant issue in sourcing water for the business operation. The Group requires managers at its operated facilities to manage water use and develop water conservation plans to reduce consumption, where appropriate. For the year ended 30 April 2023, the total water consumption was 69,855 m^3, and its intensity was 0.07 m^3 per unit of products. The total water consumption and its intensity decreased by approximately 56% and 13% respectively as compared to last year.

Water Consumption	2023 (m^3)	2022 (m^3)
Total	**69,855**	156,979
Intensity (per unit of products)	**0.07**[7]	0.08

[7] The Group's total production volume was 955,673 units during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Apart from energy and water consumptions, the packaging material is one of the resources with significant consumption. For the year ended 30 April 2023, the total packaging material consumption was 707.0 tonnes, and its intensity was approximately 0.00074 tonnes per unit of products. The total packaging material consumption and its intensity decreased by approximately 53% and 4% respectively as compared to last year. The consumption of packaging materials is as follows:

Packaging Materials	**2023 (tonnes)**	2022 (tonnes)
Carton Box	**305.82**	660.52
Coloured Box	**401.38**	848.39
Total	**707.20**	1,508.91
Intensity (per unit of products)	**0.00074**[8]	0.00077

The Environment and Natural Resources

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

- The storage, transport and transfer of chemicals are strictly controlled. Relevant documentations and labelling of different chemicals are maintained properly;

- A discharge system including sewage and exhaust shaft is maintained regularly;

- An online monitoring system is installed to keep track on the wastewater indicators, ensuring the sewage discharged meet the relevant standards ;and

- Emergency response and environmental regulations related trainings are provided to different levels of employees timely to ensure minimal environmental impact when incidents occurred and keep up with the legislation changes in compliance of regulations.

To minimise the environmental impact to the environment, the Group's expenditure on waste management, pollution prevention and online monitoring system cost approximately HK$268,000 during the Reporting Period. Other initiatives implemented to mitigate the environmental impacts from the emissions and resource consumption are mentioned in the sections headed "Emissions" and "Use of Resources" in this ESG report.

8 The Group's total production volume was 955,673 units during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Change

Green Targets

To support the global climate action and aligns with the local governments' emission reduction requirements, we are committed to reducing 50% of greenhouse gas emissions by 2030 and achieving carbon neutrality by 2060. To this end, we established our green targets and action plan to actively manage our environmental footprint and achieve a low-carbon economy.

Aspects	Our Targets	Actions
Air emissions and GHG emissions	Using FY2019 as the baseline year, the Group strives to reduce air emissions and GHG emissions intensity by 5% before 2027	• Reducing the unnecessary power consumption of lighting equipment and unoperated equipment • Promoting equipment optimization with proper maintenance of machineries
Waste	Using FY2019 as the baseline year, the Group strives to reduce waste by 3% every year	• Reducing food waste with better food procurement • Minimizing packaging materials required in our products • Recycling and reusing carton boxes and office paper • Eliminating overordering and reducing obsolete stock with JIT (Just-in-time) inventory management strategy
Water	Using FY2019 as the baseline year, the Group strives to reduce water consumption intensity by 5% before 2027	• Setting monthly water consumption limit and act when specific areas have excessive use • Installing flow controllers in water taps • Using water efficient devices in new plumbing works
Energy	Using FY2019 as the baseline year, the Group strives to reduce energy consumption intensity by 2% before 2027	• Replace traditional lighting with LED lamps • Utilizing renewable energy (e.g. solar energy) instead of electricity generated from fossil fuels

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate change has become a highly concerned topic in the global market as it associates to the long-term sustainability of an organization.

In order to prepare the Group for unforeseeable climate-related disasters, such as hurricane, and extreme weather, a business contingency plan has been established to outline the identified major climate related risks faced by the Group, the manufacturing plant will be affected in identified climate related disaster, emergency preparedness for disaster event, recommended immediate responses and recovery plans for our factory. The implementation of the plan can reduce the disruptions to our operations and supply chain under climate-related events.

The Group recognizes the potential impact of the building premises and ensures our insurance covers fire incidents, third party injuries within our building premises, staff injury during the course of business, and transit loss or damage of shipment of finished goods from manufacturers. The mitigation measures will be viewed timely to prevent major loss.

Another anticipated climate related risk lies on the potential change in governmental policies and regulations due to the increasing global concern on the climate change issues. Our operational teams will regularly review and monitor our business practices and processes to ensure the compliance of the Group. External consultancy service will be pursued when necessary.

Climate Change Policy

Our vision is to deliver high quality, safe and innovative toys to consumers around the world, in a way that respects the environment. We strive to reduce our environmental footprint, through continuous improvement of operational efficiency and adoption of environmentally friendly practices. Climate change also plays a material role impacting financial risks. The table below outlines how the Group responds to the four core elements of the TCFD (Task Force on Climate-related Financial Disclosures) recommendations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Core element	Our Approach
Governance	**Board oversight:** The CEO, Executive Directors, and ESG Working Group conduct meeting at least twice annually to oversee climate-related strategies, policies, actions and disclosure. **Management's role:** The ESG Working Group and ESG Committee supports climate action planning and internal policy setting, and coordinates responses to climate-related risks and opportunities for disclosure. They are responsible to identify, review, and manage the material ESG-related risks and opportunities, including but not limited to climate-related risks along the supply chain. The Committee is also responsible for reviewing the progress of ESG-related issues and goals regularly, and set clear direction on the future ESG development of the Group.
Strategy	**Policies and guidelines:** Our policy addresses climate-related risks in our operation, raises climate change awareness among our internal and external stakeholders and incorporating precautious measures to mitigate business disruption and damages. **Physical Risks:** We assessed the impact of climate-related risks (flooding, extreme wind, heat) at our factory, no severe climate risks were identified. Regular maintenance in buildings, sewages, pipes are carried out for flood risk prevention. Ensure our insurance covers fire incidents, flooding, third party injuries within our building premises, transit loss of finished goods. **Policy and legal Risks:** Climate-related risk lies on the potential change in governmental policies and regulations due to the increasing global concern on the climate change issues. In April 2023, HKEx published a consultation paper that aims to improve climate-related disclosure, to in line with the International Sustainability Standards Board (ISSB) S2 Climate-related Disclosures Standard. Our upper management, operational team will regularly and continuously review and monitor our business practices and processes to ensure the compliance of the Group. External consultancy service will also be pursued when necessary.
Risk Management	Climate-related risks are incorporated into the Group's risk management framework. The Board, ESG Committee and the Working Group monitor and follow up of both physical risks and policy and legal risks and suggest strategic responses.
Metrics and Targets	To evaluate and monitor the climate-related risks, we identified metrics used to assess and manage material climate-related risks; established short, medium and long-term GHG reduction targets aiming for net-zero emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has identified a series of climate-related risks and opportunities relevant to our assets and services and understand the scenarios in which these risks and opportunities may generate a greater impact. These transition and physical risks are discussed in the sections below.

	Risks	Opportunities
Short term (0–1 year)	• Physical risks from extreme weather events • Securing the skills and capability required to implement climate strategy	• Technologies to enhance the performance of operation and energy efficiency
Medium term (5 years)	• Transition risks — Implementation of low-carbon policies for the operation • Transition risks — Supply and demand for certain commodities, products and services may change as climate related risks and opportunities are increasingly taken into account.	• Transitioning to low carbon economy market to meet government decarbonization targets • Opportunities arising from transition enablers
Medium to long term (5+ years)	• Transition risks — Potential new regulation and policies • Transition risks — Development and use of emerging technologies may increase the operational costs, and reduce the Group's competitiveness • Transition risks — the Group reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a lower-carbon economy.	• Transitioning to low carbon economy market to meet government decarbonization targets • Opportunities arising from transition enablers • To work as a pioneer in the industry and build up the relevant reputations

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Action on Climate Change

Our action plan includes but not limited to the followings:

- To encourage employees, suppliers and customers to reduce carbon emissions in their daily operations wherever practicable;
- To reduce carbon footprint through the establishment and implementation of long-term carbon emissions reduction targets;
- To adopt industry best practices to improve energy efficiency in daily operations; and
- To consider climate change in the location for new office site.

SOCIAL ASPECTS

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

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group considers its employees as valuable assets. The Group strives to provide its employees with a decent working environment while providing opportunities for them to develop alongside the Group's growth. The Group adopts employment policies that comply with the related laws and regulations, including but not limited to the Employment Ordinance in Hong Kong, the Labour Law of the PRC (《中華人民共和國勞動法》), the PRC Employment Contract Law (《中華人民共和國勞動合同法》), the Implementing Regulations of the Employment Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), the Social Insurance Law of the PRC Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》).

Compensation, benefits and welfare

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Equal opportunity in recruitment, promotion and dismissal process

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

Working hours and rest period

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

Work has always been a big part of our normal day, while we also believe that in the fundamental importance of balancing work and life. During the Reporting Period, we have organised a new year gathering, to delightfully celebrate the start of the new year with our employees. Looking ahead, we will organise activities to motivate and enhance the overall morale of our employees.

Diversity and anti-discrimination

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

As at the end of the Reporting Period, the number of employees and turnover figures by gender, age group, employment type and geographical region are illustrated in the table below.

Number of Employees	2023	2022
By Gender		
— Male	**17**	305
— Female	**9**	238
By Age Group		
— Below 30	**2**	60
— 30–50	**14**	373
— Above 50	**10**	110
By Employment Type		
— Full Time	**26**	543
— Part Time	**0**	0
By Geographical Region		
— Hong Kong	**19**	23
— The PRC	**7**	520
Total	**26**	543

Employee Turnover Rates[9]	2023 %	2022 %
By Gender		
— Male	**95**	38
— Female	**96**	30
By Age Group		
— Below 30	**96**	56
— 30–50	**97**	32
— Above 50	**89**	25
By Geographical Region		
— Hong Kong	**10**	39
— The PRC	**99**	35
Overall	**95**	35

9 Employee turnover rate = Number of employees in the specified category leaving employment/(Total number of employees left in the specific category during the Reporting Period + Total number of employees in the specific category at the end of Reporting Period). The significant increase in employee turnover rate was due to the cease of manufacturing plant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

The Group takes every reasonable precaution to ensure that employees have a safe working environment. Safety measures and rules are in place for the protection of all employees. The Group has formulated the "Health and Safety Management Procedure" to guarantee the health and safety of employees. The Group strictly abides by the local laws and regulations, for instance, Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and Production Safety Law of the PRC (《中華人民共和國生產安全法》). The Group is committed to taking effective measures to prevent workers from injuries or illnesses in the workplace as follows:

- Conducting on-going training and circulating operation manuals of the production process and proper usage of protective equipment to enhance employees' awareness of safety and health issues at work;

- Maintaining a bright, spacious, clean working environment and providing adequate and sanitary drinking water;

- Providing effective personal protective equipment including first aid kits;

- Ensuring that hazardous chemicals are properly labelled; smoking and naked flame are strictly prohibited in the storage area of such chemicals;

- Conducting fire drills to verify the feasibility of emergency plans;

- Periodically inspecting the hygiene and safety conditions of the production units, any potential risks or deficiencies identified will be reported to responsible departments of the Group for follow up actions and improvement; and

- Implementing a management system for managing overtime work and holiday arrangement to ensure that the employees have proper rest and are properly compensated for overtime work, if any.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Precautionary measures against COVID-19

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

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

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

Development and Training

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

For the year ended 30 April 2023, our employees attended training and seminars covering different topics, including but not limited to quality assurance, chemical storage and handling, fire protection, occupational health hand safety and sustainability matters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at the end of the Reporting Period, the percentage of trained employees and average in training hour by gender and employee category are illustrated in the table below.

Percentages of Employees Receiving Training[10]	2023 %	2022 %
By Gender		
— Male	**100**	80
— Female	**100**	98
By Employee Category		
— Senior Management	**100**	100
— Middle Management	**100**	100
— General Staff	**100**	87
Overall	**100**	87

Average Training Hours[11]	2023 hours/ employee	2022 hours/ employee
By Gender		
— Male	**6.07**	4.36
— Female	**6.09**	5.27
By Employee Category		
— Senior Management	**7.43**	12.73
— Middle Management	**6.15**	6.73
— General Staff	**6.05**	4.61
Overall	**6.07**	4.73

10 Percentage of trained employees = Number of employees received training during the Reporting Period/(Total number of employees left during the Reporting Period + Total number of employees at the end of Reporting Period).

11 Average training hours = Total training hours during the Reporting Period/(Total number of employees left during the Reporting Period + Total number of employees at the Reporting Period).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

The Group establishes comprehensive recruitment procedures to prevent the employment of candidates under the age of 16. Human resources department is responsible for the reviewing of the applicants' personal information in accordance with relevant laws and regulations and labour management procedures to ensure the age of the employees are in line with the regulatory requirement. The Group will ensure that all new employees are employed at their own before their job commencement to ensure no forced labour by signing employment contracts with the new recruits. For employees aged 16 to 17, they are not allowed to work overtime or perform duties with potential hazards. The Group strictly abides by the Labour Law of the PRC (《中華人民共和國職勞動法》), Provisions on the Prohibition of Child Labour (禁止使用童工規定), Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》) and other related labour laws and regulations to prohibit any child and forced labour employment. For the year ended 30 April 2023, the Group was not aware of any case of employment of forced labour or child labour.

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

OPERATING PRACTICES

Supply Chain Management

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To manage the environmental and social impact of our products, we also prioritise procuring wood and paper products from sustainable sources, e.g. carton boxes that are FSC[12] certified. Besides, a portion of our key plastic raw material suppliers have their greenhouse gas emission inventory disclosed and/or have greenhouse gas emissions reduction strategies in place. As at 30 April 2023, we have a total of 75 suppliers, the geographical distribution of suppliers is as follows:

Region	Number of suppliers in 2023
The PRC	70
Taiwan	2
Korea	1
United Arab Emirates	2
Total	75

Product Responsibility

Product Health and Safety

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

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

Quality Assurance

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality control in the production process

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

Quality control of the finished goods

Once a product has been fully assembled, it is subject to testing and checking in accordance with specified requirements. To maintain the high quality of products, full checking on all finished products is performed. Only finished goods that passed the quality control checking are permitted to store in the respective warehouse as stocks; unsatisfactory products will be reworked until they reached the requisite standards. In addition, products are tested by the Group's internal laboratory and third-party laboratories.

Product Return Policy, After-sales Services and Complaint Handling

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

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

To enhance customers' satisfaction with the products, the Group has service hotlines for handling inquiries or complaints from end customers in the U.S. and Canada. In the Reporting Period, the Group received 25 after-sales cases. Most of the inquiries concern lights not operating well and other minor issues, which were properly handled and resolved by the sales team in Hong Kong and the sales representatives. The Group would consider arranging goods return or providing spare parts for repair on a case-by-case basis.

During the year ended 30 April 2023, there were no products recalled for safety and health reasons related to the Group's products and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Privacy and Data Protection

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

Product Labelling

To maintain ethical standards in product labelling, we are committed to comply with the essential safety requirements and obtain declaration of conformity with CE marking. As stipulated in our "Policy of Product Labelling", for products sold in the European Economic Area, a CE marking is affixed with a European Commission Declaration of Conformity prepared under E.U. Regulations. Identification markings, bilingual safety warning or caution and information of the phthalates concentration in toys and children's products are also affixed to Kiddieland's products or packaging.

Marketing and Advertisement

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

Intellectual Property Rights

The Group attaches importance to the protection of our own intellectual property rights in our business, at the same time observe the intellectual property rights of other parties.

During the Reporting Period, we are not aware of any material infringement of our intellectual property rights and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Location	Laws and Regulations
Hong Kong	• The Toys and Children's Products Safety Ordinance (Cap. 424) • The Toys and Children's Products Safety (Additional Safety Standards or Requirements) Regulation (cap. 424C) • The Sale of Goods Ordinance (Cap. 26) • The Personal Data (Privacy) Ordinance (Cap. 486)
The PRC	• The Patent Law of the PRC (《中華人民共和國專利法》) • The Product Quality Law of the PRC (《中華人民共和國產品質量法》) • The Trademark Law of the PRC (《中華人民共和國商標法》)
The E.U.	• The Toy Safety Directive 2009/48/EC • The Product Liability Directive 85/374/EEC • The Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation 2006 • The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations 2012 • The Waste Electrical and Electronic Equipment Regulations 2013 • The General Data Protection Regulation
The United Kingdom	• The General Product Safety Regulations 2015 • The Toys (Safety) Regulations 2011 • Consumer Protection Act 1987
The U.S.	• The Consumer Product Safety Act • The Consumer Product Safety Improvement Act of 2008 • The Child Safety Protection Act • The Federal Hazardous Substances Act • The Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code section 25249.5 et seq., commonly known as "**Proposition 65**") in California

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group is committed to maintaining the highest ethical standards and vigorously enforces the integrity of its business practices. We adopt a zero-tolerance approach to bribery and formulate "Anti-Bribery and Anti-Corruption Policy". The Group strictly abides by the local laws and regulations, including but not limited to the Criminal Law of the PRC (《中華人民共和國刑法》), Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), Prevention of Bribery Ordinance (Cap. 201) in Hong Kong. For the year ended 30 April 2023, the Group was not involved in any significant non-compliance cases or concluded legal cases regarding bribery and corruption practices brought against the Group or our employees.

Under the policy, the Group and its employees are:

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

During the Reporting Period, seminars on anti-corruption, business ethics and anti-money laundering were provided to the directors and employees to raise their awareness and enhance their business integrity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whistleblowing policy

The Group's "Whistleblowing policy" was established to ensure that all cases of suspected wrongdoing are reported and managed in a timely and appropriate manner. The Policy outlines the reporting process for employees to report any concerns including but not limited to criminal offence, fraud, breach of local laws and regulation or the Group's policies and any other improper, unethical or inappropriate behaviour. Employees can raise their concerns by email, orally or in writing, and investigation will be conducted in accordance with all relevant laws and regulation. The Whistleblowing Policy also ensures the whistleblowers reported in good faith would be protected from being victimized or subjected to any detriment, all matters will be kept in high confidentiality and sensitivity manner.

COMMUNITY INVESTMENT

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Kiddieland International Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 65 to 131, which comprise:

- the consolidated statement of financial position as at 30 April 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include 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 30 April 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are the 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 matter identified in our audit is related to impairment of property, plant and equipment, right-of-use assets and intangible assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment, right-of-use assets and intangible assets	
Refer to notes 2.7, 2.9, 2.10, 2.27, 4(d), 5, 16, 17 and 18 to the consolidated financial statements The Group has property, plant and equipment ("**PP&E**"), right-of-use assets ("**ROU**") and intangible assets totaling approximately HK$22,600,000 , net of impairment recognised in prior year, as at 30 April 2023, of which approximately HK$13,231,000 and HK$9,369,000 are related to the Group's toy business and laboratory equipment business, respectively. The Group's toy business and laboratory equipment business are two separate cash generating units. The Group's toy business and laboratory equipment business are suffering from loss for the year of approximately HK$37,842,000 and HK$15,674,000 respectively. During year ended 30 April 2023, the Group identified several intangible assets which are unable to generate any cash flow and impairment loss of approximately HK$1,860,000 was recognised to consolidated statement of comprehensive income. Since the toy business and laboratory equipment business are both loss making, management of the Group considered impairment indicator existed. Accordingly, management of the Group prepared cash flow projection for the toy business and laboratory equipment business for the next 5 years and performed impairment assessments for the property, plant and equipment, right-of-use assets and intangible assets allocated to toy business and laboratory equipment business, and compared the carrying amounts of these assets to the estimated recoverable amounts, to determine whether impairment would be required. Based on management's impairment assessments, no additional impairment loss is recognised for these cash generating units. We focused on this area because the judgements and assumptions adopted in the impairment assessments are subject to high degree of uncertainty.	Our procedures in relation to management's assessment on the impairment of non-financial assets include: • Obtaining an understanding of management's internal control and assessment process of the preparation of cash flow projection 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; • Assessing the appropriateness of key assumptions, including the growth rate, gross profit margin and the discount rate used in the estimation of the recoverable amount based on our knowledge of the underlying business and industry with the involvement of our valuation expert; • Testing management's estimates and assumptions used in the discounted cash flow projection by comparing to the historical financial data, internal data and available market data; • Testing the confirmed sales orders that support the estimated utilisation of the assets that were not impaired and written off, on a sampling basis; • Testing key parameters to supporting evidence, such as subsequent sales and unfulfilled orders and available market data, on a sample basis; • Comparing the result, growth rate and gross margin to the historical performance; and • Performing sensitivity analysis to evaluate the potential impacts on the recoverable amounts Based on the procedures performed above, we found that the Group's impairment assessments of property, plant and equipment, right-of-use assets and intangible assets are supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

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 AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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.

- 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 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.

INDEPENDENT AUDITOR'S REPORT

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

We also provide 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 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 Lam Chun Yee, Johnny.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 July 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 April	
		2023	2022
	Note	**HK$'000**	HK$'000
Revenue	*6*	**176,232**	244,245
Cost of sales	*9*	**(169,465)**	(233,856)
Gross profit		**6,767**	10,389
Other income	*7*	**490**	838
Other (losses)/gains, net	*8*	**(13,707)**	111
Impairment losses on non-financial assets	*16*	**(1,860)**	(32,546)
Selling and distribution expenses	*9*	**(11,784)**	(8,340)
Administrative expenses	*9*	**(31,329)**	(35,164)
Impairment losses on financial assets, net	*3.1(b)*	**(1,496)**	(11,200)
Operating loss		**(52,919)**	(75,912)
Finance income		**133**	21
Finance expenses		**(936)**	(752)
Finance costs, net	*10*	**(803)**	(731)
Loss before taxation		**(53,722)**	(76,643)
Income tax (expenses)/credits	*11*	**(368)**	6,499
Loss for the year		**(54,090)**	(70,144)
Other comprehensive loss for the year			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(1,652)**	(1,556)
Other comprehensive loss for the year, net of tax		**(1,652)**	(1,556)
Total comprehensive loss for the year		**(55,742)**	(71,700)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 April	
		2023	2022
	Note	**HK$'000**	HK$'000
Loss for the year attributable to:			
Owners of the Company		**(50,549)**	(65,541)
Non-controlling interests		**(3,541)**	(4,603)
		(54,090)	(70,144)
Total comprehensive loss attributable to:			
Owners of the Company		**(51,842)**	(67,109)
Non-controlling interests		**(3,900)**	(4,591)
		(55,742)	(71,700)
Basic and diluted losses per share (HK cents)	*15*	**(5.1)**	(6.6)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**7,988**	12,472
Right-of-use assets	*17*	**4,885**	11,247
Intangible assets	*18*	**9,727**	13,433
Deferred income tax assets	*24*	**10,989**	11,357
Deposits and prepayments	*20*	**567**	830
		34,156	49,339
Current assets			
Inventories	*19*	**19,603**	93,423
Trade receivables	*20*	**12,036**	18,260
Other receivables, deposits and prepayments	*20*	**7,705**	10,415
Income tax recoverable		**1,336**	1,336
Cash and bank balances	*21*	**3,379**	8,643
		44,059	132,077
Total assets		**78,215**	181,416
EQUITY			
Owners of the Company			
Share capital	*22*	**100,000**	100,000
Other reserves	*23*	**6,242**	6,242
Exchange reserves	*23*	**87**	1,380
Accumulated losses	*23*	**(71,549)**	(21,000)
		34,780	86,622
Non-controlling interests		**3,372**	7,272
Total equity		**38,152**	93,894

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2023 HK$'000	 2022 HK$'000
LIABILITIES			
Non-current liabilities			
Accruals and other payables	*27*	**2,619**	–
Lease liabilities	*17*	**2,467**	6,780
		5,086	6,780
Current liabilities			
Bank borrowings	*25*	**–**	44,624
Trade and bills payables	*26*	**10,883**	14,280
Accruals and other payables	*27*	**9,844**	14,666
Contract liabilities	*6*	**11,736**	2,530
Lease liabilities	*17*	**2,514**	4,642
		34,977	80,742
Total liabilities		**40,063**	87,522
Total equity and liabilities		**78,215**	181,416

These consolidated financial statements on pages 65 to 131 were approved for issue by the Board on 31 July 2023 and were signed on its behalf.

Mr. Lo Shiu Kee Kenneth
Director

Ms. Lo Shiu Shan Suzanne
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital (note 22) HK$'000	Other reserves (note 23) HK$'000	Exchange reserves (note 23) HK$'000	Retained earnings/ (accumulated losses) (note 23) HK$'000	Non-controlling interests (note 23 and note 33) HK$'000	Total HK$'000
At 1 May 2021	100,000	6,242	2,948	44,541	–	153,731
Loss for the year	–	–	–	(65,541)	(4,603)	(70,144)
Other comprehensive (loss)/income:						
— Currency translation differences	–	–	(1,568)	–	12	(1,556)
Total comprehensive loss	–	–	(1,568)	(65,541)	(4,591)	(71,700)
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	11,863	11,863
At 30 April 2022	100,000	6,242	1,380	(21,000)	7,272	93,894
At 1 May 2022	**100,000**	**6,242**	**1,380**	**(21,000)**	**7,272**	**93,894**
Loss for the year	**–**	**–**	**–**	**(50,549)**	**(3,541)**	**(54,090)**
Other comprehensive loss:						
— Currency translation differences	**–**	**–**	**(1,293)**	**–**	**(359)**	**(1,652)**
Total comprehensive loss	**–**	**–**	**(1,293)**	**(50,549)**	**(3,900)**	**(55,742)**
At 30 April 2023	**100,000**	**6,242**	**87**	**(71,549)**	**3,372**	**38,152**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	*29(a)*	**44,484**	(13,326)
Interest received		**133**	21
Interest paid		**(396)**	(314)
Income tax paid		**–**	(2,784)
Net cash generated from/(used in) from operating activities		**44,221**	(16,403)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,258)**	(7,830)
Proceeds from disposal of property, plant and equipment	*29(b)*	**6,745**	110
Purchase of intangible assets		**(252)**	(8,598)
Settlements of liabilities arising from acquisitions of licenses		**(4,522)**	(5,134)
Net cash used in investing activities		**(287)**	(21,452)
Cash flows from financing activities			
Proceeds from bank borrowings		**97,442**	161,008
Repayment of bank borrowings		**(142,066)**	(126,384)
Repayment of principal element of lease liabilities		**(4,089)**	(3,637)
Repayment of interest element of lease liabilities		**(540)**	(438)
Net cash (used in)/generated from financing activities		**(49,253)**	30,549
Net decrease in cash and cash equivalents		**(5,319)**	(7,306)
Effect on exchange rate differences		**55**	(175)
Cash and cash equivalents and bank overdrafts at beginning of the year		**8,643**	16,124
Cash and cash equivalents and bank overdrafts at end of the year	*21*	**3,379**	8,643

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

The Group has applied the following new and amended standards and interpretations for the first time for its annual period commencing on 1 May 2022:

Annual improvements project (Amendments)	Annual Improvements to HKFRSs 2018–2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
Hong Kong Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations
HKFRS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New standards, amendments to standards and interpretation (collectively refer as "**Amendments**") that are not yet effective and have not been early adopted by the Group

The following new and amended standards and interpretations are not effective for annual periods commencing on or after 1 May 2022 and have not been early adopted by the Group:

HKFRS 17	Insurance Contract[1]
HKFRS 4 (Amendments)	Expiry Date of the Deferral Approach[1]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[1]
HKAS 1 (Revised) (Amendments)	Disclosure of Accounting Policies[1]
HKFRS Practice Statement 2 (Amendment)	Making Materiality Judgements[1]
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors[1]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
HK (IFRIC)-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

Notes:

(1) Effective for annual periods commencing on or after 1 May 2023
(2) Effective for annual periods commencing on or after 1 May 2024
(3) To be determined

The above accounting standards and interpretations have been published but are not mandatory for 30 April 2023 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting

Subsidiaries

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

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

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

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

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

The excess of the

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

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

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

- assets and liabilities for each statement of financial positions presented are translated at the closing rate at the end of reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment

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

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

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

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

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

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

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

2.8 Prepaid operating leases

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

2.9 Intangible assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of non-financial assets

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

2.11 Financial assets

(a) Classification

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

(d) Impairment

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

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

For other financial assets at amortised cost, the Company has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus, no loss allowance provision was recognised at 30 April 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Offsetting financial instruments

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

2.13 Inventories

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Trade and other payables

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

2.18 Borrowings

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

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

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

2.19 Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits

Pension obligations

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

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

Employee leave enticements

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

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

2.22 Share-based payment

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Provisions

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

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

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

2.24 Revenue recognition

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

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

Contract assets and contract liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Other income

(a) Management fee income

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

(b) Interest income

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

(c) Sundry Income

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

2.26 Losses per share

Basic losses per share

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

Diluted losses per share

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

2.27 Leases

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.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

- any restoration costs.

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

2.28 Dividend distribution

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest-rate risk and cash flow interest-rate risk), credit risk and liquidity risk.

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

(a) Market Risk

(i) Foreign exchange risk

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

As at 30 April 2023, certain of the Group's trade and other receivables, cash and bank balances and trade and other payables are denominated in RMB other than the functional currency of the operating unit. If HK$ has strengthened/weakened by 5% against RMB, with all other variables held constant, the loss before income tax for the year would have been approximately HK$104,000 lower/higher (2022: loss before income tax will be HK$65,000 lower/higher).

(ii) Cash flow interest-rate risk

The Group has no significant interest-bearing assets except for bank balances, details of which are disclosed in note 21.

As at 30 April 2023, if the interest rates on bank borrowings had been 50 basis points higher/lower, with all other variables held constant, the loss before income tax for the year would be remain unchanged (2022: loss before income tax will be HK$210,000 higher/lower, mainly as a result of lower/higher interest expenses on floating-rate borrowings).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

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

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on geographical locations, shared credit risk characteristics and aging profiles. The expected loss rates are based on the payment profiles of sales over a specific period before each year end date and the corresponding historical credit losses experienced within the year. The historical loss rates are adjusted to reflect current and forward-looking information including industry outlook and forecasts. On that basis, the loss allowances for trade receivables as at 30 April 2023 and 2022 were determined based on overdue status as follows:

As at 30 April 2023	**Within 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Total**
Expected loss rate (%)	**0.23%**	**–**	**–**	**70.28%**	
Gross carrying amount — trade receivables (HK$'000)	**11,927**	**–**	**–**	**461**	**12,388**
Loss allowance (HK$'000)	**28**	**–**	**–**	**324**	**352**

As at 30 April 2022	Within 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Expected loss rate (%)	0.13%	0.67%	1.30%	52.72%	
Gross carrying amount — trade receivables (HK$'000)	15,652	894	1,465	624	18,635
Loss allowance (HK$'000)	21	6	19	329	375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables (Continued)

The loss allowances for trade receivables as at 30 April 2023 and 2022 reconcile to the opening loss allowances as follows:

	2023 HK$'000	2022 HK$'000
At beginning of the year	**375**	1,126
Reversal of provision for impairment for the year	**(23)**	(479)
Written off for the year	**–**	(272)
At end of the year	**352**	375

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

Other receivables

The Group has considered the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis for the year. To assess whether there is a significant increase in credit risk, the Group considered the actual or expected significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations. As at 30 April 2023, the Company had other receivables of approximately HK$13,198,000 (2022: HK$11,679,000) (note 20) that the directors of the Company were aware that there was a significant increase in credit risk. Since the Group did not have any collateral as security, the Group evaluated the exposure at default and the loss given default of the other receivable, and recognised a loss allowance for the full amount. The expected loss for the remaining other receivable was immaterial and no further loss allowance was recognised.

Movements of the loss allowance for other receivables are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of the year	**11,679**	–
Provision for impairment for the year	**1,519**	11,679
Exchange differences	**(512)**	–
At end of the year	**12,686**	11,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

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

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

	On demand HK$'000	Within 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
As at 30 April 2023					
Trade and bills payables	**–**	**10,883**	**–**	**–**	**10,883**
Accruals and other payables	**–**	**7,692**	**2,619**	**–**	**10,311**
Lease liabilities	**–**	**2,770**	**2,539**	**–**	**5,309**
	–	**21,345**	**5,158**	**–**	**26,503**
As at 30 April 2022					
Trade and bills payables	–	14,280	–	–	14,280
Accruals and other payables	–	9,609	–	–	9,609
Bank borrowings	42,000	2,624	–	–	44,624
Lease liabilities	–	5,280	3,780	3,466	12,526
	42,000	31,793	3,780	3,466	81,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
As at 30 April 2023	–	–	–	–
As at 30 April 2022	44,647	–	–	44,647

As at 30 April 2023, the Group had total banking facilities of approximately HK$242,050,000 (out of which HK$242,050,000 was unutilised) granted by banks which are subject to annual review for renewal.

3.2 Capital risk management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management *(Continued)*

The gearing ratios at each reporting period were as follows:

	2023 **HK$'000**	2022 HK$'000
Bank borrowings	**–**	44,624
Lease liabilities	**4,981**	11,422
Less: cash and bank balances	**(3,379)**	(8,643)
Net debts	**1,602**	47,403
Equity	**38,152**	93,894
Total capital	**39,754**	141,297
Gearing ratio	**4.0%**	33.5%

The decrease in the gearing ratio as at 30 April 2023 is due to the decrease of bank borrowings during the year.

3.3 Fair value estimation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Current and deferred income tax

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

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

(b) Provision for impairment of inventories

The Group assesses annually whether any provision is required to reflect the carrying value of inventories, in accordance with the accounting policy stated in note 2.13. Net realisable values have been determined based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses. This estimation require the use of judgement.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates.

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 of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset 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 consolidated statements of comprehensive income.

During the year end 30 April 2023, management reviewed the carrying amounts of the non-financial assets allocated to the toy business and laboratory equipment business and no impairment loss was recognised for all cash generating units (2022: impairment loss of approximately HK$32,546,000 was recognised for the non-financial assets allocated to toy business), details of which are disclosed in note 16.

(e) Impairment of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

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

During the year ended 30 April 2022, the Group invested and started a new business which is related to manufacturing and selling of laboratory equipment for primary and secondary school. Subsequent to the investment, the Group engaged in two operating segments namely, toy business and laboratory equipment business. The chief operating decision-makers assess the business performance based on a measure of operating results. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the related revenue and results, assets and liabilities of the operating segments of toy business and laboratory equipment business are presented for the years ended 30 April 2023 and 2022.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 30 April 2023

	Toy business HK$'000	Laboratory equipment business HK$'000	Total HK$'000
Revenue	**141,164**	**35,068**	**176,232**
Cost of sales	**(138,675)**	**(30,790)**	**(169,465)**
Gross profit	**2,489**	**4,278**	**6,767**
Segment result	**(37,842)**	**(15,674)**	**(53,516)**
Unallocated:			
Other income			**490**
Other gains, net			**107**
Finance costs, net			**(803)**
Loss before income tax			**(53,722)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 30 April 2022

	Toy business HK$'000	Laboratory equipment business HK$'000	Total HK$'000
Revenue	239,705	4,540	244,245
Cost of sales	(228,296)	(5,560)	(233,856)
Gross profit/(loss)	11,409	(1,020)	10,389
Segment result	(56,220)	(20,641)	(76,861)
Unallocated:			
Other income			838
Other gains, net			111
Finance costs, net			(731)
Loss before income tax			(76,643)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

As at 30 April 2023

	Toy business HK$'000	Laboratory equipment business HK$'000	Total HK$'000
Assets			
Segment assets	**44,936**	**33,220**	**78,156**
Unallocated:			
Property, plant and equipment			**42**
Cash and bank balances			**17**
Total assets			**78,215**
Liabilities			
Segment liabilities	**20,333**	**19,730**	**40,063**
Total liabilities			**40,063**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 30 April 2022

	Toy business HK$'000	Laboratory equipment business HK$'000	Total HK$'000
Assets			
Segment assets	139,247	42,018	181,265
Unallocated:			
Property, plant and equipment			136
Cash and bank balances			15
Total assets			181,416
Liabilities			
Segment liabilities	29,969	12,929	42,898
Unallocated:			
Bank borrowings			44,624
Total liabilities			87,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

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

	2023 HK$'000	2022 HK$'000
America	72,544	146,916
Europe	53,530	78,819
Asia Pacific and Oceania (exclude the PRC)	15,090	13,970
The PRC	35,068	4,540
	176,232	244,245

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

	2023 HK$'000	2022 HK$'000
Hong Kong	42	136
The PRC	13,398	24,413
	13,440	24,549

For the year ended 30 April 2023, there were two (2022: one) customers which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from the customers are as follows:

	2023 HK$'000	2022 HK$'000
Customer A	N/A*	63,768
Customer B	21,758	N/A*
Customer C	19,551	N/A*

* Represent less than 10% of the Group's total revenue for the respective year.

The five largest customers accounted for approximately 38.6% (2022: 47.7%) of the revenue of the Group for the year ended 30 April 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

	2023 HK$'000	2022 HK$'000
Sales of toys	**141,164**	239,705
Sales of laboratory equipments	**35,068**	4,540
Sales of goods	**176,232**	244,245

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

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

	2023 HK$'000	2022 HK$'000
Contract liabilities (sales of goods)	**11,736**	2,530

Revenue recognised that is included in the contract liabilities balance at the beginning of the year amounted to approximately HK$2,530,000.

7 OTHER INCOME

	2023 HK$'000	2022 HK$'000
Sales of scrap materials	**–**	731
Sundry income	**490**	107
	490	838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 OTHER (LOSSES)/GAINS, NET

	2023 HK$'000	2022 HK$'000
Exchange gain, net	**107**	146
Loss on disposal of raw materials (note (i))	**(9,802)**	–
One-off severance payment (note (ii))	**(7,909)**	–
Net gain/(loss) on disposal and written off of property, plant and equipment	**3,897**	(35)
	(13,707)	111

Note:

(i) During year ended 30 April 2023, the Group restructured its toy business and cease to operate its own manufacturing plant in Dongguan and to engage subcontractors for the on going production activities. Under the new arrangement, the subcontractors will procure its own materials for productions and the Group disposed of majority of the raw materials which are unable to be used for future productions amounted to approximately HK$17,130,000 in a total consideration of approximately HK$7,328,000 resulting in a loss of approximately HK$9,802,000.

(ii) During the year ended 30 April 2023, one of the subsidiary of the Group has incurred one-off severance payment in the PRC of approximately HK$7,909,000 due to cease of operation of the manufacturing plant of the toy business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EXPENSES BY NATURE

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

	2023 HK$'000	2022 HK$'000
Auditor's remuneration		
— Audit services	**1,100**	1,100
— Non-audit services	**318**	225
Advertising and promotion expenses	**2,759**	2,416
Amortisation of intangible assets (note 18)	**10,367**	11,583
Bank charges	**300**	709
Commissions	**1,370**	1,990
Consumables	**986**	4,968
Cost of inventories sold (note 19)	**115,733**	111,824
Custom and declaration handling expenses	**759**	1,634
Depreciation of property, plant and equipment (note 16)	**3,359**	13,194
Depreciation of right-of-use assets (note 17)	**4,112**	3,887
Expenses for short-term and low-value operating leases	**5,907**	6,682
Legal and professional fee	**1,010**	3,666
Licenses fees	**3,261**	8,408
Logistics and warehousing expenses	**2,540**	6,126
Other taxes	**515**	1,235
Repair and maintenance expenses	**1,649**	1,931
Product testing expenses	**1,436**	1,387
Reversal of provision for impairment of inventories (note 19)	**(32)**	(180)
Staff costs, including Directors' emoluments (note 12)	**44,558**	79,371
Subcontracting expenses	**1,746**	1,524
Utilities	**3,342**	9,523
Other expenses	**5,483**	4,157
	212,578	277,360

During the year ended 30 April 2023, the Group received subsidies of approximately HK$520,000 (2022: Nil) from the Hong Kong government for paying wages and salaries of Hong Kong employees. In addition, the Group received subsidies of approximately HK$270,000 (2022: Nil) from the government of People's Republic of China for contributions to defined contribution plans of PRC employees during the year ended 30 April 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE COSTS, NET

	2023 HK$'000	2022 HK$'000
Finance income:		
Bank interest income	**133**	21
Finance expenses:		
Bank overdraft interest	**(15)**	(7)
Other bank borrowing interest	**(381)**	(307)
Interest on lease liabilities	**(540)**	(438)
	(936)	(752)
Finance costs, net	**(803)**	(731)

11 INCOME TAX EXPENSES/(CREDITS)

For the year ended 30 April 2023, Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit. The Group's subsidiaries in the PRC are subject to China corporate income tax at a rate of 25% (2022: 25%) on the estimated assessable profits. The Group's subsidiary in the U.S. is subject to U.S. corporate income tax at progressive tax rates ranged from 5% to 39% (2022: 5% to 39%) on the estimated assessable profit.

	2023 HK$'000	2022 HK$'000
Current taxation		
— Hong Kong profits tax	**–**	7
— U.S. corporate income tax	**–**	97
	–	104
Deferred taxation		
— Origination and reversal of temporary differences	**368**	(6,603)
	368	(6,603)
Income tax expenses/(credits)	**368**	(6,499)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSES/(CREDITS) *(Continued)*

The difference between the actual income tax expenses/(credits) charged or credited to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to loss before taxation can be reconciled as follows:

	2023 HK$'000	2022 HK$'000
Loss before taxation	**(53,722)**	(76,643)
Tax calculated at domestic tax rates applicable to loss in respective countries	**(10,296)**	(15,179)
Income not subject to tax	**(1,547)**	(882)
Expenses not deductible for tax purpose	**3,515**	8,156
Tax losses not recognised	**7,447**	1,467
Release of tax loss recognised in prior year	**1,249**	–
Over-provision in prior years	**–**	(61)
Income tax expenses/(credits)	**368**	(6,499)

For the year ended 30 April 2023, the weighted average applicable tax rate was –0.7% (2022: 8.5%)

During the year, approximately HK$4,993,000 of tax losses recognised in prior year was released as the Group expected they are unable to be utilised after the change of business model of toy business.

12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK$'000	2022 HK$'000
Wages, salaries and bonuses	**38,683**	65,989
Retirement benefit costs — defined contribution plan:		
Hong Kong	**364**	421
The PRC	**2,724**	6,442
Other benefits	**2,787**	6,519
	44,558	79,371

The Company and the subsidiaries in Hong Kong participate in the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for qualifying employees of the Group in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. The Group contributes at the lower of HK$1,500 (2022: HK$1,500) or 5% (2022: 5%) of relevant monthly payroll costs to the MPF Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

The eligible employees of the Company's subsidiaries in the PRC are members of pension schemes operated by local government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage ranging from 16% to 18% of relevant payroll costs of these employees to the pension schemes to fund the benefits, subject to a certain ceiling. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group's contributions under the above-mentioned defined contribution plans in the PRC and Hong Kong are expensed as incurred and not reduced by contributions forfeited by those employees who leave the defined contribution plans prior to vesting fully in the contributions.

13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Remunerations of the Directors are set out below:

	For the year ended 30 April 2023								
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing benefits HK$'000	Estimated monetary value of other benefits HK$'000	Employer's contribution to provident fund HK$'000	Remunerations paid or payable in respect of accepting office as Director HK$'000	Emoluments paid or payable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive Directors:									
Mr. Lo Hung	–	40	–	–	–	–	–	–	40
Ms. Leung Siu Lin Esther	–	12	–	–	–	–	–	–	12
Mr. Lo Shiu Kee Kenneth	–	1,798	–	122	–	18	–	–	1,938
Ms. Lo Shiu Shan Suzanne	–	1,166	–	–	–	18	–	–	1,184
Ms. Sin Lo Siu Wai Sylvia	–	1,404	–	109	–	18	–	–	1,531
Independent non-executive Directors:									
Mr. Man Ka Ho Donald	60	–	–	–	–	–	–	–	60
Mr. Cheng Dominic	60	–	–	–	–	–	–	–	60
Mr. Leung Kwok Wai Gary (note (i))	41	–	–	–	–	–	–	–	41
Mr. Sit Hon Wing (note (ii))	19	–	–	–	–	–	–	–	19
	180	4,420	–	231	–	54	–	–	4,885

Notes:

(i) Mr. Leung Kwok Wai Gary resigned as an independent non-executive director of the Company with effect from 3 January 2023.

(ii) Mr. Sit Hon Wing has been appointed as an independent non-executive director of the Company with effect from 3 January 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments *(Continued)*

Remunerations of the Directors are set out below:

	For the year ended 30 April 2022								
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing benefits HK$'000	Estimated monetary value of other benefits HK$'000	Employer's contribution to provident fund HK$'000	Remunerations paid or payable in respect of accepting office as Director HK$'000	Emoluments paid or payable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive Directors:									
Mr. Lo Hung	–	864	–	–	–	–	–	–	864
Ms. Leung Siu Lin Esther	–	576	–	–	–	–	–	–	576
Mr. Lo Shiu Kee Kenneth	–	1,989	–	234	–	18	–	–	2,241
Ms. Lo Shiu Shan Suzanne	–	1,404	–	–	–	18	–	–	1,422
Ms. Sin Lo Siu Wai Sylvia	–	1,404	–	217	–	18	–	–	1,639
Independent non-executive Directors:									
Mr. Man Ka Ho Donald	60	–	–	–	–	–	–	–	60
Mr. Cheng Dominic	60	–	–	–	–	–	–	–	60
Mr. Leung Kwok Wai Gary	60	–	–	–	–	–	–	–	60
	180	6,237	–	451	–	54	–	–	6,922

None of the Directors or chief executives of the Company waived any emoluments during the year ended 30 April 2023 and 2022. The emoluments shown above represent remunerations received from the Group by these executive Directors in their capacities as employees to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 30 April 2023 include three (2022: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2022: two) individuals during the year ended 30 April 2023 are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries, commissions, bonuses, other allowances and benefits in kind	**2,395**	1,992
Employer's contribution to provident fund	**36**	36
	2,431	2,028

The emoluments of these individuals are within the following bands:

	Number of individual	
	2023	2022
Emoluments bands:		
HK$Nil–1,000,000	**–**	1
HK$1,000,001–1,500,000	**2**	1
	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DIVIDENDS

No final dividend for the year ended 30 April 2023 was declared or paid by the Company (2022: Nil).

15 LOSSES PER SHARE

(a) Basic losses per share

	2023	2022
Loss attributable to the owners of the Company (HK$'000)	**(50,549)**	(65,541)
Weighted average number of ordinary shares in issue (in thousand)	**1,000,000**	1,000,000
Basic losses per share (HK cents)	**(5.1)**	(6.6)

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

(b) Diluted losses per share

Diluted losses per share for the year ended 30 April 2023 is the same as basic losses per share as there is no potential dilutive share.

Diluted losses per share for year ended 30 April 2022 is the same as basic losses per share as the potential ordinary shares in relation to the share options granted to the employees (note 28) are anti-dilutive and we do not assume any conversation or exercise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds and tools HK$'000	Moulds work-in-progress HK$'000	Total HK$'000
As at 1 May 2021								
Cost	12,960	11,128	9,672	8,707	88,680	273,205	9,831	414,183
Accumulated depreciation	(10,002)	(10,891)	(9,536)	(8,647)	(83,185)	(241,100)	–	(363,361)
Net book value	2,958	237	136	60	5,495	32,105	9,831	50,822
Year ended 30 April 2022								
Beginning of the year	2,958	237	136	60	5,495	32,105	9,831	50,822
Addition	715	186	648	42	1,522	322	4,395	7,830
Depreciation (note 9)	(2,445)	(89)	(144)	(34)	(990)	(9,492)	–	(13,194)
Impairment losses	(358)	–	–	–	(2,152)	(27,102)	(2,934)	(32,546)
Disposal and written off	–	–	(3)	–	(142)	–	–	(145)
Transfer upon completion	–	–	–	–	–	9,835	(9,835)	–
Exchange differences	6	(5)	(14)	(1)	(63)	(161)	(57)	(295)
End of the year	876	329	623	67	3,670	5,507	1,400	12,472
As at 30 April 2022 and 1 May 2022								
Cost	13,264	11,301	10,241	8,743	85,192	40,368	1,400	170,509
Accumulated depreciation and impairment losses	(12,388)	(10,972)	(9,618)	(8,676)	(81,522)	(34,861)	–	(158,037)
Net book value	876	329	623	67	3,670	5,507	1,400	12,472
Year ended 30 April 2023								
Beginning of the year	**876**	**329**	**623**	**67**	**3,670**	**5,507**	**1,400**	**12,472**
Addition	**73**	**17**	**73**	**102**	**148**	**–**	**1,845**	**2,258**
Depreciation (note 9)	**(851)**	**(87)**	**(349)**	**(39)**	**(388)**	**(1,645)**	**–**	**(3,359)**
Disposal and written off	**–**	**(9)**	**–**	**(33)**	**(2,060)**	**(1)**	**(745)**	**(2,848)**
Transfer upon completion	**–**	**–**	**–**	**–**	**–**	**2,242**	**(2,242)**	**–**
Exchange differences	**(28)**	**(13)**	**(26)**	**1**	**(197)**	**(230)**	**(42)**	**(535)**
End of the year	**70**	**237**	**321**	**98**	**1,173**	**5,873**	**216**	**7,988**
As at 30 April 2023								
Cost	**12,390**	**4,800**	**6,766**	**7,306**	**2,959**	**28,577**	**216**	**63,014**
Accumulated depreciation	**(12,320)**	**(4,563)**	**(6,445)**	**(7,208)**	**(1,786)**	**(22,704)**	**–**	**(55,026)**
Net book value	**70**	**237**	**321**	**98**	**1,173**	**5,873**	**216**	**7,988**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Depreciation expenses recognised in the consolidated statement of comprehensive income

	2023 HK$'000	2022 HK$'000
Cost of sales	**2,861**	12,473
Administrative expenses	**498**	721
	3,359	13,194

(b) Impairment of property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets

The value of property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets are assessed at the end of each reporting period for indications of impairment with reference to evaluation undertaken by management. For assets with impairment indicators, management performed evaluation to assess the recoverable amount of each asset being the higher of its value in use or its fair value less costs of disposal. As at 30 April 2023, management performed two separate impairment assessments for the toy business and laboratory equipment business.

The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management, with major assumptions such as revenue growth rate, gross profit margin and discount rate. Management determined that no further impairment is required.

Toy business segment

As at 30 April 2023, the carrying amount of the property, plant and equipment, right-of use assets, intangible assets and prepayments for non-current assets in toy business segment was approximately HK$13,231,000 (2022: HK$17,911,000). No impairment loss was recognised for the year ended 30 April 2023 (2022: impairment loss of HK$32,546,000).

Key assumptions used in the value-in-use calculations for the recoverable amount of non-financial assets are as follows:

	2023	2022
Weighted average annual revenue growth rate:	**5%**	2%
Gross profit margin:	**16%**	14%
Discount rate:	**12%**	11%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Impairment of property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets *(Continued)*

Laboratory equipment business segment

As at 30 April, 2023, the carrying amount of the property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets in laboratory equipment business segment was approximately HK$11,229,000 (2022: HK$20,071,000). Except for specific impairment loss of approximately HK$1,860,000 recognised for several software which is unable to generate cash flow during the year ended 30 April 2023, no additional impairment loss was recognised for the year ended 30 April 2023 (2022: Nil).

Key assumptions used in the value-in-use calculations for the recoverable amount of non-financial assets are as follows:

Weighted average annual revenue growth rate:	15%
Gross profit margin:	28%
Discount rate:	15%

17 LEASES AND RIGHT-OF-USE ASSETS

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

	Factories and buildings, office premise, warehouse and staff quarter HK$'000
Net book value at 1 May 2021	4,480
Addition	10,949
Depreciation (note 9)	(3,887)
Exchange differences	(295)
Net book value at 30 April 2022 and 1 May 2022	11,247
Lease modification	**(778)**
Depreciation (note 9)	**(4,112)**
Exchange differences	**(1,472)**
Net book value at 30 April 2023	**4,885**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

	2023 HK$'000	2022 HK$'000
Right-of-use assets		
Factories and buildings, office premise, warehouse and staff quarter	**4,885**	11,247
Lease liabilities		
Current	**2,514**	4,642
Non-current	**2,467**	6,780
	4,981	11,422

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

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

	2023 HK$'000	2022 HK$'000
Depreciation of right-of-use assets	**(4,112)**	(3,887)
Interest expenses (included in finance costs)	**(540)**	(438)
Expenses relating to short-term and low-value operating leases	**(5,907)**	(6,682)

The total cash outflows for leases in the year ended 30 April 2023 were approximately HK$10,536,000 (2022: HK$10,724,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	2023 HK$'000	2022 HK$'000
Software	**2,974**	7,792
Licenses	**6,753**	5,641
	9,727	13,433
Beginning of the year	**13,433**	8,330
Addition	**8,867**	17,022
Less: amortisation (note 9)	**(10,367)**	(11,583)
Less: impairment losses (note 16)	**(1,860)**	–
Exchange differences	**(346)**	(336)
End of the year	**9,727**	13,433

During the year ended 30 April 2023, the Group identified several software which is unable to generate any cash flow and impairment loss of approximately HK$1,860,000 (2022: Nil) was recognised for the relevant software.

Licenses represent minimum payments under license arrangement for non-exclusive rights of manufacturing toy products with specific cartoon icons and distributing to certain countries.

During the year ended 30 April 2023, amortisation charge of approximately HK$10,124,000 (2022: HK$11,116,000) and HK$243,000 (2022: HK$467,000) were charged to cost of sales and administrative expenses, respectively.

19 INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**4,448**	27,826
Work-in-progress	**8,247**	34,153
Finished goods	**7,842**	32,410
Provision for impairment of inventories	**(934)**	(966)
	19,603	93,423

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$115,733,000 (2022: HK$111,824,000). The cost of sales for the year ended 30 April 2023 included a reversal of provision for impairment of inventories of approximately HK$32,000 (2022: reversal of provision for impairment HK$180,000). The cost of sales for the year ended 30 April 2022 also included an abnormal inventories loss of approximately HK$3,390,000 due to misappropriation of inventories by the non-controlling shareholder of a subsidiary.

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

	2023 HK$'000	2022 HK$'000
Beginning of the year	**(966)**	(1,146)
Reversal of provision for impairment for the year (note 9)	**32**	180
End of the year	**(934)**	(966)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 HK$'000	2022 HK$'000
Trade receivables	**12,388**	18,635
Less: loss allowance (note 3.1(b))	**(352)**	(375)
Trade receivables, net	**12,036**	18,260
Deposits	**5,440**	1,664
Prepayments	**1,656**	8,005
Other receivables	**13,862**	13,255
	20,958	22,924
Less: loss allowance (note 3.1(b))	**(12,686)**	(11,679)
Other receivables, deposits and prepayments, net	**8,272**	11,245
Less: prepayments for property, plant and equipment and factory rental deposits classified as non-current assets	**(567)**	(830)
Current portion	**7,705**	10,415

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

During the year ended 30 April 2023, the Group identified some of the long aged other receivables and management has reassessed the credit risk of those balances and impairment loss of approximately HK$1,519,000 (2022: Nil) was recognised in the consolidated statement of comprehensive income regarding to theses balances. The Group does not hold any collateral as security.

During the year ended 30 April 2022, the Group recognised a provision of loss allowance for other receivables for approximately HK$11,679,000. The directors of the Company became aware that the non-controlling shareholder of a non-wholly owned subsidiary of the Company, who had an amount due to the subsidiary for approximately HK$11,679,000 owing to the capital contribution to the subsidiary, was imposed the restricting high consumption order by the Courts in the PRC, was involved in multiple disputes over private lending and was being ruled against in some lawsuits. The Group regarded there was a significant increase in credit risk since inception and evaluated the lifetime expected credit loss of this receivable. Accordingly, the Group determined to recognise a provision of loss allowance for the full amount. The Group does not hold any collateral as security.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

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

	2023 HK$'000	2022 HK$'000
US$	**11,915**	18,662
HK$	**483**	1,189
RMB	**20,944**	21,708
Others	**4**	–
	33,346	41,559

The Group grants credit periods to customers ranged from 0 to 180 days. As at 30 April 2023, the ageing analysis of trade receivables in gross amount based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
Within 3 months	**10,821**	9,504
3 months to 1 year	**1,243**	8,807
Over 1 year	**324**	324
	12,388	18,635

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

	2023 HK$'000	2022 HK$'000
Beginning of the year	**(375)**	(1,126)
Reversal of provision for impairment for the year (note 3.1(b))	**23**	479
Written off for the year	**–**	272
End of the year	**(352)**	(375)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND BANK BALANCES

	2023 **HK$'000**	2022 HK$'000
Cash at banks	**3,227**	8,438
Cash on hand	**152**	205
	3,379	8,643
Maximum exposure to credit risk	**3,227**	8,438

Cash and bank balances are denominated in the following currencies:

	2023 **HK$'000**	2022 HK$'000
US$	**1,034**	2,529
HK$	**1,340**	890
RMB	**998**	5,218
Others	**7**	6
	3,379	8,643

As at 30 April 2023, cash and bank balances of approximately HK$1,498,000 (2022: HK$4,053,000) were held in the PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND BANK BALANCES *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Cash at banks	**3,227**	8,438
Cash on hand	**152**	205
	3,379	8,643

22 SHARE CAPITAL

	2023		2022	
	Number of shares (in thousand)	**Nominal value HK$'000**	Number of shares (in thousand)	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At end of the year	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At beginning of the year and end of the year	**1,000,000**	**100,000**	1,000,000	100,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 OTHER RESERVES

	Share premium HK$'000	Share-based payment reserves HK$'000	Capital reserves HK$'000	Exchange reserves HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 May 2021	4,877	1,320	45	2,948	44,541	53,731
Loss for the year	–	–	–	–	(65,541)	(65,541)
Other comprehensive loss: — Currency translation differences	–	–	–	(1,568)	–	(1,568)
Total comprehensive loss	–	–	–	(1,568)	(65,541)	(67,109)
At 30 April 2022	4,877	1,320	45	1,380	(21,000)	(13,378)
At 1 May 2022	**4,877**	**1,320**	**45**	**1,380**	**(21,000)**	**(13,378)**
Loss for the year	**–**	**–**	**–**	**–**	**(50,549)**	**(50,549)**
Other comprehensive loss: — Currency translation differences	**–**	**–**	**–**	**(1, 293)**	**–**	**(1,293)**
Total comprehensive loss	**–**	**–**	**–**	**(1,293)**	**(50,549)**	**(51,842)**
At 30 April 2023	**4,877**	**1,320**	**45**	**87**	**(71,549)**	**(65,220)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DEFERRED INCOME TAX

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

	Tax losses HK$'000	Decelerated tax depreciation HK$'000	Capital injection *(note (i))* HK$'000	Others HK$'000	Total HK$'000
Deferred income tax assets:					
At 1 May 2021	4,841	1,007	816	67	6,731
Credited/(charged) to consolidated statement of comprehensive income	5,502	(29)	(780)	(67)	4,626
At 30 April 2022 and 1 May 2022	10,343	978	36	–	11,357
Charged to consolidated statement of comprehensive income	**(103)**	**(258)**	**(7)**	**–**	**(368)**
At 30 April 2023	**10,240**	**720**	**29**	**–**	**10,989**

	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
Deferred income tax liabilities:			
At 1 May 2021	(1,903)	(74)	(1,977)
Credited to consolidated statement of comprehensive income	1,903	74	1,977
At 30 April 2022 and 1 May 2022	–	–	–
Credited to consolidated statement of comprehensive income	**–**	**–**	**–**
At 30 April 2023	**–**	**–**	**–**

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$10,947,000 (2022: HK$3,055,000) as at 30 April 2023, in respect of losses amounting to approximately HK$55,529,000 (2022: HK$18,512,000) as at 30 April 2023 as it is not certain that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

The expiry date of these tax losses are as follows:

	2023 HK$'000	2022 HK$'000
Expiring in year 2025	**4,993**	–
Expiring in year 2028	**16,003**	–
Without expiry date	**34,533**	18,512
	55,529	18,512

25 BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank borrowings, secured	**–**	44,624
	–	44,624
Less: non-current portion	**–**	–
Current portion	**–**	44,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BANK BORROWINGS *(Continued)*

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

	2023 **HK$'000**	2022 HK$'000
US$	**–**	2,624
HK$	**–**	42,000
	–	44,624

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

	2023 **HK$'000**	2022 HK$'000
Within 1 year	**–**	44,624

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

The weighted average effective interest rates for the year ended 30 April 2023 are as follows:

	2023	2022
Bank overdrafts	**N/A**	5.75%
Bank borrowings, secured	**N/A**	2.41%

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

	2023 **HK$'000**	2022 HK$'000
6 months or less	**–**	44,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BANK BORROWINGS *(Continued)*

The Group has the following undrawn bank borrowing facilities:

	2023 HK$'000	2022 HK$'000
Expiring within 1 year	**242,050**	197,426

As at 30 April 2023, the Group had total banking facilities of approximately HK$242,050,000 (2022: HK$242,050,000) granted by banks and all of them are subject to annual review for renewal.

All bank facilities granted to the Group were guaranteed by the Company and banking facilities of approximately HK$215,050,000 were secured by properties owned by related companies (note 31(e)).

26 TRADE AND BILLS PAYABLES

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

	2023 HK$'000	2022 HK$'000
Within 1 month	**4,542**	7,728
1 to 2 months	**5,760**	4,877
2 to 3 months	**196**	1,391
Over 3 months	**385**	284
	10,883	14,280

Trade and bills payables are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
US$	**9,541**	3,647
HK$	**103**	7,280
RMB	**1,239**	3,353
	10,883	14,280

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 ACCRUALS AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Accrued expenses		
— Staff costs	**1,965**	4,924
— Utilities	**37**	759
— Freight expenses	**22**	26
— Professional services fees	**1,180**	1,268
— Licenses fees	**–**	478
— Interest expenses	**–**	27
Provision for employees' benefits		
— Other benefits	**187**	133
Licenses liabilities	**6,712**	3,290
Other accruals	**2,360**	3,761
	12,463	14,666
Less: non-current portion	**(2,619)**	–
Current portion	**9,844**	14,666

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

	2023 HK$'000	2022 HK$'000
US$	**6,992**	4,355
HK$	**2,195**	5,121
RMB	**3,247**	5,167
Others	**29**	23
	12,463	14,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE-BASED PAYMENT EXPENSES

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

The weighted average fair value of the Share Options granted determined by using the Binomial Options Pricing Model was HK$0.066 per share option. The significant inputs into the model were annualised volatility of 44%, exercise multiple of 2.2 and expected dividend yield of 0%. The share-based payment expenses incurred for the Share Options for the year ended 30 April 2023 were Nil (2022: Nil).

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to net cash generated from/(used in) operations

	2023 HK$'000	2022 HK$'000
Loss before taxation	**(53,722)**	(76,643)
Adjusted for:		
Interest income	**(133)**	(21)
Interest expenses	**936**	752
Depreciation of property, plant and equipment (note 16)	**3,359**	13,194
Depreciation of right-of-use assets (note 17)	**4,112**	3,887
Amortisation of intangible assets (note 18)	**10,367**	11,583
(Gain)/loss on disposal of property, plant and equipment (note 8)	**(3,897)**	35
Impairment losses on financial assets, net (note 3.1(b))	**1,496**	11,200
Impairment losses on property, plant and equipment (note 16)	**–**	32,546
Impairment losses on intangible assets (note 18)	**1,860**	–
Reversal of provision for impairment of inventories (note 19)	**(32)**	(180)
	(35,654)	(3,647)
Changes in working capital:		
Decrease in inventories	**72,788**	1,950
Decrease in trade receivables	**5,954**	7,001
Decrease/(increase) in other receivables, deposits and prepayments	**1,391**	(6,337)
Decrease in trade and bills payables	**(3,251)**	(6,534)
Increase/(decrease) in accruals, other payables and contract liabilities	**3,256**	(5,759)
Net cash generated from/(used in) operations	**44,484**	(13,326)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Proceeds from disposal of property, plant and equipment

	2023 HK$'000	2022 HK$'000
Net book value	**2,848**	145
Net gain/(loss) on disposal of property, plant and equipment	**3,897**	(35)
Proceeds from disposal of property, plant and equipment	**6,745**	110

(c) Net debt reconciliation

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

	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	**3,379**	8,643
Lease liabilities	**(4,981)**	(11,422)
Borrowings — repayable within one year (including bank overdrafts)	**–**	(44,624)
Net debt	**(1,602)**	(47,403)
Cash and liquid investments	**3,379**	8,643
Gross debt — fixed interest rates	**(4,981)**	(11,422)
Gross debt — variable interest rates	**–**	(44,624)
Net debt	**(1,602)**	(47,403)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Net debt reconciliation *(Continued)*

	Other assets	Liabilities from financing activities			
	Cash and bank balances HK$'000	Lease liabilities HK$'000	Bank overdrafts HK$'000	Borrowings due within 1 year HK$'000	Total HK$'000
Net debt as at 1 May 2021	17,559	(4,376)	(1,435)	(10,000)	1,748
Cash flows, net	(8,741)	4,075	1,435	(34,624)	(37,855)
Foreign exchange adjustments	(175)	266	–	–	91
Other non-cash movements	–	(11,387)	–	–	(11,387)
Net debt as at 30 April 2022 and 1 May 2022	**8,643**	**(11,422)**	**–**	**(44,624)**	**(47,403)**
Cash flows, net	**(5,319)**	**4,629**	**–**	**44,624**	**43,934**
Foreign exchange adjustments	**55**	**1,574**	**–**	**–**	**1,629**
Other non-cash movements	**–**	**238**	**–**	**–**	**238**
Net debt as at 30 April 2023	**3,379**	**(4,981)**	**–**	**–**	**(1,602)**

30 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 HK$'000	2022 HK$'000
Financial assets — at amortised cost:		
Trade receivables	**12,036**	18,260
Other receivables and deposits	**19,302**	14,919
Cash and bank balances	**3,379**	8,643
	34,717	41,822
Financial liabilities — at amortised cost:		
Trade and bills payables	**10,883**	14,280
Accruals and other payables	**10,311**	9,609
Lease liabilities	**4,981**	11,422
Bank borrowings	**–**	44,624
	26,175	79,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS

(a) Name of related parties

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

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

(b) Transactions with related parties

	2023 HK$'000	2022 HK$'000
Rental expenses:		
Operating lease expense for office paid or payable to Top Dragon Enterprise Investment Limited (note (i))	**3,000**	4,880

Note:

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

(c) Year-end balances with related parties

	2023 HK$'000	2022 HK$'000
Operating lease expense payable to:		
Top Dragon Enterprise Investment Limited	**–**	400

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

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

	2023 HK$'000	2022 HK$'000
Wages, salaries and bonuses	**6,995**	8,409
Retirement benefits	**90**	90
Other benefits	**231**	451
	7,316	8,950

(e) Other arrangement

During the year ended 30 April 2023, two related companies, Esther & Victor Limited and Top Dragon Enterprise Investment Limited, pledged their properties to banks to make available to the Group's bank facilities of approximately HK$215,050,000 (2022: HK$215,050,000).

32 CONTINGENT LIABILITIES

As at 30 April 2023, the Group has contingent liabilities as follows:

	2023 HK$'000	2022 HK$'000
Irrevocable standby letter of credit	**–**	3,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SUBSIDIARIES

Name of subsidiaries	Place of incorporation and kind of legal entity	Date of incorporation/ establishment	Principal business	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by the Company 2023	2022	Proportion of ordinary shares indirectly held by the Company 2023	2022
Kiddieland Group Limited	British Virgin Islands ("**BVI**"), limited liability company	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**100%**	100%	**–**	–
Kiddieland Trading Limited	BVI, limited liability company	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**–**	–	**100%**	100%
Kiddieland Manufacturing Limited	BVI, limited liability company	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**–**	–	**100%**	100%
Kiddieland Toys Limited	Hong Kong, limited liability company	7 May 2001	Sales and marketing of toys	10,000 ordinary shares of HK$1	**–**	–	**100%**	100%
Kiddieland Industrial Limited	Hong Kong, limited liability company	3 October 1997	Toys development, manufacturing activities and managing the production facilities in Tangxia, Dongguan, Guangdong Province, the PRC	10,000 ordinary shares of HK$1	**–**	–	**100%**	100%
Innotech & Associates Limited	Hong Kong, limited liability company	7 August 1998	Merchandising of production materials for toys and providing design services for all graphic design requirements in toys production	10,000 ordinary shares of HK$1	**–**	–	**100%**	100%
W. Great Worth Limited	Hong Kong, limited liability company	30 May 1997	Providing management services to our Group	10,000 ordinary shares of HK$1	**–**	–	**100%**	100%
Kiddieland Toy, Inc.	United States of America ("**U.S.**"), limited liability company	8 June 1999	Import and distribution of toy products in U.S.	60 ordinary shares of US$10	**–**	–	**100%**	100%
Kiddieland Toy Limited	England and Wales, limited liability company	29 December 1999	Representative office	100 ordinary shares of GBP1	**–**	–	**100%**	100%
Kiddieland Toys Limited B.V.	The Netherlands, limited liability company	23 October 2019	Representative office	100 ordinary shares of EUR1	**–**	–	**100%**	100%
東莞精勵塑膠電子有限公司 (Dongguan Innotech Jingli Ltd.) (a)*	PRC, limited liability company	16 October 2018	Manufacturing of toy products	HK$80,700,000 (b)	**–**	–	**100%**	100%
廣東童園科技有限公司 (Guangdong Kiddieland Technology Co., Ltd.)*	PRC, limited liability company	15 December 2021	Development and manufacturing of laboratory equipment and score evaluation system	RMB40,000,000	**–**	–	**75%**	75%
深圳市童園科技有限公司 (Shenzhen Kiddieland Technology Co., Ltd.)*	PRC, limited liability company	27 February 2023	Development and manufacturing of laboratory equipment and score evaluation system	– (c)	**–**	–	**75%**	–
廣州聯達智慧技術有限公司 (Guangzhou Lianda Smart Technology Co., Ltd.)*	PRC, limited liability company	21 November 2022	Research and test development of laboratory equipment and score evaluation system	– (d)	**–**	–	**75%**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SUBSIDIARIES *(Continued)*

Notes:

(a) Registered as a wholly foreign-owned enterprise under the law of the PRC.

(b) Dongguan Innotech Jingli Ltd. is a limited liability company incorporated in the PRC with registered capital of HKD85,500,000. As at 30 April 2023, the Group is yet to pay up registered capital of HKD4,800,000 to this subsidiary.

(c) Shenzhen Kiddieland Technology Co., Ltd is a limited liability company incorporated in the PRC with registered capital of RMB2,000,000 during the year. As at 30 April 2023, the Group is yet to pay up registered capital of RMB2,000,000 to this subsidiary.

(d) Guangzhou Lianda Smart Technology Co., Ltd. is a limited liability company incorporated in the PRC with registered capital of RMB10,000,000 during the year. As at 30 April 2023, the Group is yet to pay up registered capital of RMB10,000,000 to this subsidiary.

* English translation is for identification purpose only

Non-controlling interests

Guangdong Kiddieland Technology Co. Ltd., a 75% (2022: 75%) owned subsidiary of the Company, has non-controlling interests of 25% which is material to the Group.

The summarised financial information of Guangdong Kiddieland Technology Co., Ltd. and its wholly-owned subsidiaries, Shenzhen Kiddieland Technology Co., Ltd. and Guangzhou Lianda Smart Technology Co., Ltd., before intra-group elimination, are presented as below:

	2023 HK$'000	2022 HK$'000
For the year ended 30 April		
Revenue	**35,068**	4,540
Loss for the year	**(14,163)**	(18,412)
Total comprehensive loss for the year	**(15,599)**	(18,364)
Loss allocated to non-controlling interests	**(3,900)**	(4,591)
For the year ended 30 April		
Cash flows generated from/(used in) operating activities	**2,228**	(21,554)
Cash flows used in investing activities	**(68)**	(11,304)
Cash flows (used in)/generated from financing activities	**(3,195)**	35,752
Net cash (outflows)/inflows	**(1,035)**	2,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SUBSIDIARIES *(Continued)*

	2023 HK$'000	2022 HK$'000
As at 30 April		
Current		
Assets	**18,968**	19,494
Liabilities	**(17,263)**	(6,149)
Net current assets	**1,705**	13,345
Non-current		
Assets	**14,252**	22,524
Liabilities	**(2,467)**	(6,780)
Net non-current assets	**11,785**	15,744
Net assets	**13,490**	29,089
Accumulated non-controlling interests	**3,372**	7,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2023 HK$'000	2022 HK$'000
ASSETS		
Non-current asset		
Investment in a subsidiary	**12,289**	12,289
Current assets		
Prepayments	**543**	1,413
Amounts due from subsidiaries	**74,438**	105,095
Cash and bank balances	**18**	16
	74,999	106,524
Total assets	**87,288**	118,813
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	**100,000**	100,000
Share premium	**157,268**	157,268
Share-based payment reserves	**1,320**	1,320
Accumulated losses	**(171,300)**	(139,785)
Total equity	**87,288**	118,803
LIABILITIES		
Current liability		
Accruals	**–**	10
Total liabilities	**–**	10
Total equity and liabilities	**87,288**	118,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Share premium *(note (i))* HK$'000	Share-based payment reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2021	157,268	1,320	(115,109)	43,479
Loss for the year	–	–	(24,676)	(24,676)
At 30 April 2022 and 1 May 2022	157,268	1,320	(139,785)	18,803
Loss for the year	**–**	**–**	**(31,515)**	**(31,515)**
At 30 April 2023	**157,268**	**1,320**	**(171,300)**	**(12,712)**

Note:

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

FIVE YEARS FINANCIAL SUMMARY

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

RESULTS

	Year ended 30 April				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**176,232**	244,245	301,901	276,321	289,049
(Loss)/profit before taxation	**(53,722)**	(76,643)	6,926	187,260	(8,832)
Income tax (expenses)/credits	**(368)**	6,499	(327)	(23,429)	(529)
(Loss)/profit for the year	**(54,090)**	(70,144)	6,599	163,831	(9,361)
Attributable to:					
Owners of the Company	**(50,549)**	(65,541)	6,599	163,831	(9,361)
Non-controlling interests	**(3,541)**	(4,603)	–	–	–

ASSETS AND LIABILITIES

	As at 30 April				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Assets					
Non-current assets	**34,156**	49,339	71,083	83,059	151,657
Current assets	**44,059**	132,077	142,411	162,157	169,389
Total assets	**78,215**	181,416	213,494	245,216	321,046
Equity and liabilities					
Equity attributable to owners of the Company	**34,780**	86,622	153,731	143,440	127,944
Non-controlling interests	**3,372**	7,272	–	–	–
Total equity	**38,152**	93,894	153,731	143,440	127,944
Non-current liabilities	**5,086**	6,780	3,510	28,422	4,395
Current liabilities	**34,977**	80,742	56,253	73,354	188,707
Total liabilities	**40,063**	87,522	59,763	101,776	193,102
Total equity and liabilities	**78,215**	181,416	213,494	245,216	321,046

Note:

The summary of the consolidated results of the Group for the five years ended 30 April 2019, 2020, 2021, 2022 and 2023 and of the assets, equity and liabilities as at 30 April 2019, 2020, 2021, 2022 and 2023 are extracted from the Company's published audited financial statements.