kidsland

凱知樂

kidsland international holdings limited
凱知樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2122)

2024

ANNUAL REPORT

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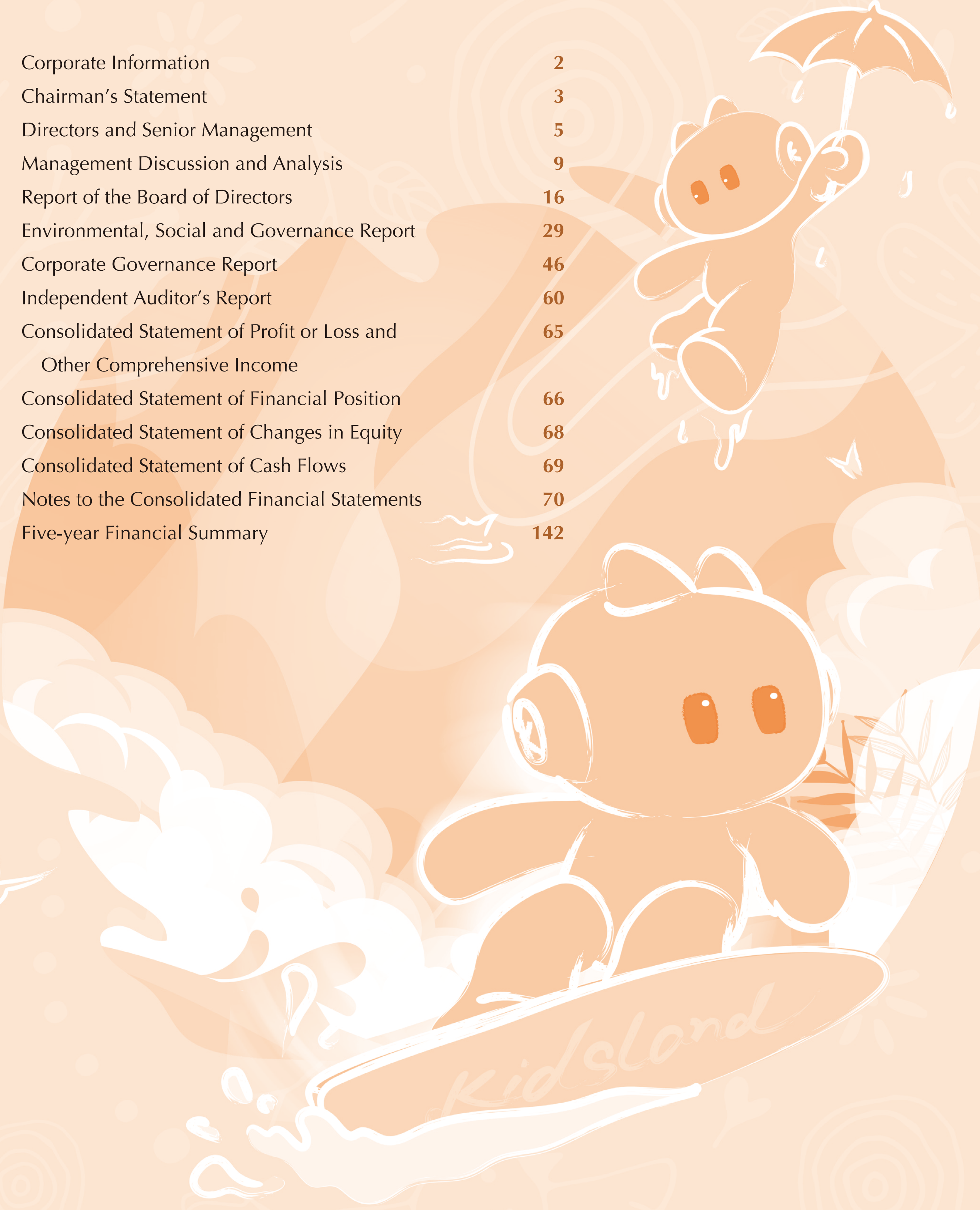


CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Mr. Du Ping

Independent Non-executive Directors
Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Mr. Albert Thomas da Rosa, Junior
(appointed on 17 July 2024)
Dr. Lam Lee G. (resigned on 18 April 2024)

AUDIT COMMITTEE

Mr. Cheng Yuk Wo *(Chairman)*
Mr. Huang Lester Garson
Mr. Albert Thomas da Rosa, Junior
(appointed on 17 July 2024)
Dr. Lam Lee G. (resigned on 18 April 2024)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lee Ching Yiu *(Chairman)* (appointed on 19 April 2024)
Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Dr. Lam Lee G. *(Chairman)* (resigned on 18 April 2024)

COMPANY SECRETARY

Ms. Tung Wing Yee Winnie

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu
Ms. Tung Wing Yee Winnie

INDEPENDENT AUDITOR

Moore CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
1001–1010, North Tower
World Finance Centre, Harbour City
19 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

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

Building A8, Yansha No. 50
Anjialou Road
Chaoyang District
Beijing, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
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

PRINCIPAL BANKERS

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

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

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung, Solicitors

COMPANY'S WEBSITE

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

LISTING INFORMATION

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

Stock Code
2122

Board Lot
2,000 shares

CHAIRMAN'S STATEMENT

We have been developing our business and evolving our strategy to continuously adapt to the markets and overcome the many challenges since the inception of business and our initial public offering in 2017.

The year ended 31 December 2024 (the "Year" or the "Reporting Period") marked a pivotal year for the consumer market. While challenges persisted, clearer trends and evolving consumer needs began to emerge.

Consumers are no longer solely focused on products with high price-to-value ratios, they are increasingly seeking emotional value. This shift has led to a divergence in brand performance, with some experiencing double-digit growth while others struggled to adapt to the new consumption sentiment. The rise of domestic trends highlights that Gen Z (the generation born between the mid-to-late 1990s and the early 2010s, typically, from 1997 to 2012) consumers are no longer infatuated with foreign brands. In the retail sector, competition has intensified with the advent of new retail models and heightened consumer experience expectations. In this environment, making strategic choices – what to prioritize and what to scale back – have become critical.

In response to these market dynamics, we have implemented several initiatives in the Reporting Period to enhance our business performance.

We have strengthened our collaboration with Spin Master, becoming its exclusive offline distributor for the iconic intellectual property ("IP"), Paw Patrol, and its innovative digi-pet brands, Bitzee and Punirunes. This partnership nearly doubled Spin Master's sales in 2024. Our partnership with Kayou, a leading trading card company, accelerated with the soaring popularity of My Little Pony Trading Cards, has achieved nearly 40% growth in sales in 2024. Jellycat, available in selected retail stores, has achieved a 55% growth in 2024. Collectively, Spin Master, Kayou, and Jellycat grew by 94% in 2024, accounting for nearly 12% of our total Mainland China business.

We have also expanded collaborations with local Chinese brands like Blockee and kidult-focused products such as 52 Toys and Rolife. These partnerships broadened our target audience, introduced fresh offerings, and enhanced our market competitiveness. Although their shares remain small due to the early stage of collaboration, their impressive growth rates indicated significant potential.

During the Reporting Period, we have established a new business division dedicated to exploring and developing the kidult market. Beyond integrating more kidult products into Kidsland and FAO stores, we have expanded our Hall One kidult stores to four additional cities. These stores feature products ranging from IP merchandise to capsule toys and figurines, targeting teenagers and young adults to capitalize on emerging market trends. We have also collaborated closely with IP owners to test IP pop-up stores, reinforcing our commitment to diversifying our business and expanding our customer base.

In terms of operating costs, we have undertaken significant measures to reduce operating costs and improve efficiency. Our Mainland China operation was restructured to align with future strategic needs, optimizing our structure for greater competitiveness. During the Reporting Period, our selling, distribution, general and administrative expenses decreased by 13.9%, compared to the year ended 31 December 2023 (the "Prior Period").

In supply chain management, we have enhanced our sales forecasting process with advanced tools and strengthened inventory control discipline. These efforts resulted in a reduction of approximately RMB72.5 million in inventory and 20 days in inventory turnover days for the Reporting Period.

2024 marked the start of our transformation journey. While the full impact of these measures will take time to reflect in our financial performance, and may entail short-term costs, we are confident that the steps taken will yield significant benefits in 2025 and beyond. Despite unsatisfactory top-line and bottom-line results in 2024, we believe our actions have laid a solid foundation for future growth.

In 2025, we will continue to align our business strategy with market trends, focusing on the following priorities:

– Building an organization that prioritizes consumer and customer needs.

– Doubling down on the kidult segment through partnerships with leading brands and the development of private-label products.

– Launching innovative retail formats with optimized product mixes, store layouts, and enhanced consumer experiences.

– Relentlessly focusing on retail margin improvement through product portfolio optimization and cost management.

– Leveraging AI to improve operational efficiency and explore new business opportunities.

– Implementing a long-term plan to reduce logistics costs while maintaining speed to market.

We are also excited to announce a new agreement with Spin Master to distribute Paw Patrol toys in Hong Kong, Macau and Taiwan starting 2025.

With the team's unwavering efforts, I am confident that 2025 will be a transformative year for Kidsland. We anticipate improved financial performance and greater returns for our people, customers, and shareholders.

I extend my gratitude to all stakeholders for their continued support and confidence in our journey. Special thanks to my team for their dedication and hard work during this transformative period.

Lee Ching Yiu
Chairman

Hong Kong, 28 March 2025

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lee Ching Yiu, aged 69, was appointed as Executive Director in 2017. He is also the Chairman, the Chief Executive Officer, the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Lee is the founder of the Group and is primarily responsible for overall management, strategy and operations of the Group. Prior to establishing the Group, Mr. Lee has been engaged in toy manufacturing and has gained more than 30 years of experience in the industry. Mr. Lee received his Bachelor of Arts degree from the University of Hong Kong in November 1979. He had been a director of the Tung Wah Group of Hospitals from April 2019 to April 2021.

Ms. Zhong Mei, aged 54, was appointed as Executive Director in 2017. She is the Co-chief Executive Officer of the Company and the Managing Director of Kidsland in Mainland China who oversees the operations of the Group in Mainland China, while also serving as director for various Group subsidiaries. Prior to joining the Group in July 2001, Ms. Zhong was the sales and marketing director of Beijing Hong Kong Garland Trading Company Limited, a branded toys distributor, from March 1999 to June 2001, where she oversaw organizational development and sales and marketing operations of the firm's overseas business. From November 1993 to February 1999, Ms. Zhong served as national business manager of the toys division of East Asiatic Company (China) Limited, a wholly-owned subsidiary of Santa Fe Group A/S, where she also oversaw organizational development and operations of the firm's overseas business. Ms. Zhong received her Bachelor's degree in English from the Civil Aviation University of China in July 1992 and Executive Master's degree in Business Administration from the China Europe International Business School in September 2005.

Non-executive Director

Mr. Du Ping, aged 54, was appointed as Non-executive Director in 2017. He has been the financial controller of Lovable Holdings Limited since July 2005, overseeing financial reporting and management. Mr. Du received his Bachelor of Accounting degree from the Capital University of Economics and Business in July 1993, and his Master's degree in Business Administration from the National University of Singapore in August 2000. Mr. Du was admitted as a certified public accountant in China in November 1993 and recognised by the Ministry of Personnel and the Ministry of Finance as a Chinese Accountant in Mainland China in October 1994.

Independent Non-executive Directors

Mr. Cheng Yuk Wo, aged 64, was appointed as Independent Non-executive Director on 20 October 2017. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Cheng is currently the proprietor of Erik Cheng & Co., a certified public accountant practice in Hong Kong. Mr. Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from the London School of Economics in August 1984 and a Bachelor of Arts degree in Accounting from the University of Kent in July 1983. He has been a fellow of the Institute of Chartered Accountants in England and Wales since August 1998, a fellow of the HKICPA since January 1999, and a fellow of the Institute of Chartered Professional Accountants of Canada since November 1990. Mr. Cheng has over 30 years of experience in financial and corporate advisory services in mergers, acquisitions, and investments. He worked at Coopers & Lybrand (now known as PricewaterhouseCoopers) in London between 1984 and 1987 and Swiss Bank Corporation (now known as UBS AG) in Toronto between 1989 and 1992. He has held senior management positions in a number of Hong Kong listed companies.

Mr. Cheng is an independent non-executive director of each of Chia Tai Enterprises International Limited (stock code: 3839), China Renewable Energy Investment Limited (stock code: 987), CPMC Holdings Limited (stock code: 906), CSI Properties Limited (stock code: 497), Liu Chong Hing Investment Limited (stock code: 194), Miricor Enterprises Holdings Limited (stock code: 1827) and Somerley Capital Holdings Limited (stock code: 8439). Mr. Cheng resigned as an independent non-executive director of C.P. Pokphand Company Limited (stock code: 43) on 18 January 2022 (which was privatized on 18 January 2022) and Top Spring International Holdings Limited (stock code: 3688) on 30 September 2024.

Mr. Huang Lester Garson, aged 65, was appointed as Independent Non-executive Director on 20 October 2017. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Huang is a practicing solicitor and managing partner at P.C. Woo & Co., where he oversees its probate and trust administration practice and was appointed as co-chairman in January 2016. He became a qualified solicitor of Hong Kong in March 1985, a notary public in 1997, and Civil Celebrant of Marriages in 2006. Also, a qualified solicitor of England and Wales since 1990, a solicitor and barrister in Australia since 1991 and in Singapore since 1995. Mr. Huang has acquired over 30 years of post-qualification experience as a solicitor. Mr. Huang graduated from the University of Hong Kong in 1982 with a Bachelor of Laws degree and in 1983 with a Postgraduate Certificate in Laws and graduated from the Chinese University of Hong Kong in 2006 with a Master of Education degree.

The Government of the Hong Kong Special Administrative Region appointed Mr. Huang as a Justice of the Peace in 2002 and awarded him a Silver Bauhinia Star in 2018 for serving the public. He has been the chairman of the Council of the City University of Hong Kong since January 2018. He is the chairman of the Standing Committee on Language Education and Research. He has also been the director of each of Faithful Servant Charitable Foundation Limited since August 2019 and Pacific Basin Economic Council Limited since May 2022. Mr. Huang served as a member of the Hospital Authority from December 2012 to December 2018 and a non-executive director of the Securities and Futures Commission from November 2015 to November 2021. He was the president of the Law Society of Hong Kong from 2007 to 2009 and has been a fellow of The Hong Kong Institute of Directors since January 2000.

Mr. Huang is an independent non-executive director of each of Guoco Group Limited (stock code: 53) and Lam Soon (Hong Kong) Limited (stock code: 411). Mr. Huang has been appointed as a Steward of the Hong Kong Jockey Club (a company incorporated) and has taken up directorships in The Hong Kong Jockey Club (Charities) Limited, The Hong Kong Jockey Club Membership Services Limited, The Jockey Club Kau Sai Chau Public Golf Course Limited and The Hong Kong Jockey Club Equine Welfare Research Foundation Limited since April 2020. He is also a director of each of The Jockey Club CPS Limited since August 2021, HKJC Horse Race Betting Limited and HKJC Lotteries Limited since September 2022 and Institute of Philanthropy Limited since January 2024. Mr. Huang resigned as an independent non-executive director of Top Glove Corporation Bhd., a company listed on the Official List of Bursa Malaysia Securities on 13 September 2022.

Mr. Albert Thomas da Rosa, Junior, Bronze Bauhinia Star (BBS), aged 71, was appointed as Independent Non-executive Director on 17 July 2024. He is also a member of the Audit Committee. Mr. da Rosa obtained his Bachelor of Laws degree (LL. B. (Hons)), Postgraduate Certificate in Laws (P.C.LL.), and Master of Laws degree (LL.M.) from The University of Hong Kong ("HKU") and his Bachelor in Religious Studies (BRSc) (cum laude) from the Pontifical Urbanian University (Rome).

Mr. da Rosa has practiced as a Hong Kong solicitor for over 40 years in general practice with a corporate commercial emphasis and is currently a consultant with Raymond Siu and Lawyers. He also qualified as a solicitor of the Supreme Court of England and Wales, a barrister and solicitor of the Supreme Court of the Australian Capital Territory, a registered practitioner of the High Court of Australia for practice as barrister in any Federal Court of Australia, and an advocate and solicitor of the Supreme Court of Singapore. He is a member of the Standing Committee on Standards and Development and a member of the Working Party for In-House Lawyers of The Law Society of Hong Kong since 2015 and 2020 respectively. He sits on the Faculty Board of HKU Faculty of Law and is an external examiner of all three law schools in Hong Kong universities. He serves as a member of the Disciplinary Panel Pool of the Insurance Authority pursuant to the Insurance Ordinance (Cap. 41) to decide on disciplinary actions against authorized insurers and licensed insurance intermediaries and as member of the Disciplinary Committee Panel of the Social Workers Registration Board pursuant to the Social Workers Registration Ordinance (Cap. 505). Between 1998 and 2014, he was appointed by the Chief Justice of Hong Kong as a member, a Deputy Tribunal Convenor, and finally the Tribunal Convenor of the Solicitors Disciplinary Tribunal under Legal Practitioners Ordinance (Cap. 159). Between 2006 and 2020, he was appointed by the Chief Executive of Hong Kong as a member, a Deputy Chairman, and finally the Chairman of the Board of Review (Inland Revenue Ordinance) pursuant to the Inland Revenue Ordinance (Cap. 112) to adjudicate on tax appeals. Since 2014, he is a member of International Association of Tax Judges.

Mr. da Rosa is a Fellow of the Chartered Institute of Arbitrators (FCIArb) and the Hong Kong Institute of Arbitrators (FHKIArb). He is also a panel arbitrator of Asia Africa Legal Consultative Organization (AALCO亞非法協) Hong Kong Regional Arbitration Centre. In 2009, he qualified as an Accredited Mediator of Centre for Effective Dispute Resolution (CEDR U.K.). He is also an accredited General Mediator of Hong Kong Mediation Accreditation Association Limited, an Admitted General Mediator of The Law Society of Hong Kong, and a panel member of mediators of the Hong Kong Institute of Arbitrators. He is a fellow of The Hong Kong Institute of Directors (FHKIoD) and a fellow of the Hong Kong Securities and Investment Institute (FHKSI). Between 2003 and 2009, he was a member of Academic and Accreditation Advisory Committee of the Securities and Futures Commission of Hong Kong (SFC) appointed pursuant to the Securities and Futures Ordinance (Cap. 571).

Between 1996 and 2022, Mr. da Rosa continuously acted as non-executive director and independent non-executive director for various companies listed on the Stock Exchange. In the past three years, he last served as a non-executive director of TCL Electronics Holdings Limited (stock code: 1070) up to 2022. He also acted as company secretary for various Hong Kong listed companies for over 25 years. Mr. da Rosa had been a non-executive director of Innovative International (Holdings) Limited ("Innovative"; then stock code 0729), a company incorporated in Bermuda and listed on the Stock Exchange, until his retirement at the conclusion of its annual general meeting held on 3 September 2001. Innovative was then an investment holding company and its subsidiaries were principally engaged in the design, manufacturing and marketing of antennae and car-related consumer products as well as strategic development and investment. Innovative entered into a debt restructuring agreement in July 2001 for an amount of debt of approximately HK$660 million. Receivers and managers of all the properties and assets of Innovative were appointed in October 2001 pursuant to the terms of composite guarantee and debenture granted to its secured creditors. Thereafter, Innovative entered into schemes of arrangement for restructuring in both Hong Kong and Bermuda. The restructuring was completed in 2002 and with listing status retained and company name changed to Gorient (Holdings) Limited on 28 May 2003. The listing status of this company (then renamed as FDG Electric Vehicles Limited) was cancelled by the Stock Exchange on 31 January 2022.

Since 2017, Mr. da Rosa became a member of the Central Management Committee for Catholic Diocesan Schools appointed by the Catholic Diocese of Hong Kong in respect of about 100 kindergartens, primary and secondary schools of the Diocese. He is also a member and director of various charities and charitable foundations in Hong Kong.

SENIOR MANAGEMENT

Mr. Wang Junfeng, aged 54, is the Group's vice president of sales in Mainland China who oversees sales channel management. Prior to joining the Group in April 2023, Mr. Wang served as general manager of sales of China at Spin Master (Dongguan) Toys Company Limited from 2019 to 2023, general manager of overseas business at Alpha Animation and Culture Company Limited in 2018, vice president and general manager of China at Mattel Company Limited from 2001 to 2018, sales manager of Eastern China at Sims Company Limited from 1996 to 2001 and product manager at Inchcape (Shanghai) Trading Company Limited from 1993 to 1996.

Ms. Zhang Ying, aged 60, is the Group's national director overseeing sales and operations of national retail stores in Mainland China. Ms. Zhang is a director at Beijing Huizhilesi Commercial Company Limited. She is also overseeing the Group's LCS (LEGO Certified Store) business in Mainland China.

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

Ms. Cao Yuelin, aged 51, is the Group's marketing director in Mainland China, overseeing brand management and marketing strategies. From March 1995 to March 1999, Ms. Cao served as the sales supervisor of the toys department at East Asiatic Company, where she was primarily responsible for sales and marketing in Beijing.

Ms. Liu Li, aged 49, is the Group's finance director in Mainland China, overseeing finance and accounting management. Prior to joining the Group in December 2021, Ms. Liu served as chief financial officer at Mofang Online Recruitment (Beijing) Technology Company Limited from 2016 to 2021 and finance director at Innofidei Company Limited from 2011 to 2016. From 2005 to 2011, Ms. Liu received training as a professional accountant at Deloitte Touche Tohmatsu (Beijing Branch). In 2008, Ms. Liu qualified as a certified public accountant in China.

Mr. Ng Kwok Shek Marco, aged 49, is the Group's general manager, Hong Kong and Macau retail. He joined the Group in June 2016 and oversees its Hong Kong and Macau retail operations. From March 2013 to May 2016, Mr. Ng was a sales manager at Lane Crawford (Hong Kong) Limited, where he oversaw sales operations for menswear and womenswear. From October 2010 to February 2013, Mr. Ng was the operations director at the retailer Golfjunkie (China) Ltd. From July 2008 to September 2010, Mr. Ng served as an area manager at ImagineX Group, a premier retailer, where he was responsible for the Hong Kong and Southern China sales performance of Marc Jacobs and Marc. by Marc Jacobs.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year, Kidsland International Holdings Limited (the "Company", together with its subsidiaries, the "Group") recorded a decrease in revenue of 15.7% to approximately RMB974.5 million from approximately RMB1,155.7 million for the Prior Period, due to the weak market sentiment and consumption downgrading with consumers becoming more cautious about spending. The changing consumption patterns with consumers increasingly seeking products with both high price-to-value ratios and emotional value also diverged brand performance.

The Group's gross profit margin remained stable at 29.3% for the Reporting Period and 29.8% for the Prior Period. The Group kept exploring innovative products and optimising product assortment, which offset the depression of short-term gross profit margin resulted from stock clearance activities. Stock clearance activities continuously reduced inventory backlog by 24.1% during the Reporting Period. Inventory turnover days dropped to 141 days and cash conversion cycle improved to 97 days for the Reporting Period (Prior Period: 161 days and 131 days, respectively). Such improvements enabled the Group to keep agile in adapting to future development with a healthier foundation.

Total selling, distribution, general and administrative expenses decreased by 13.9% from approximately RMB539.9 million for the Prior Period to approximately RMB465.1 million for the Reporting Period. A net loss after tax of approximately RMB202.4 million was recorded for the Reporting Period (Prior Period: approximately RMB210.9 million).

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 31 December 2024, this network consisted of:

Self-operated Retail Channels

– 518 self-operated retail points of sale including retail shops and consignment counters (31 December 2023: 559)

– 36 online stores (31 December 2023: 31)

Wholesale Channels

– 270 distributors (31 December 2023: 306) which sell our products through third-party retailers or their own retail shops, totaling more than 900 (31 December 2023: more than 1,600)

– 12 hypermarket and supermarket chains (31 December 2023: 12) with a sum of 420 retail points (31 December 2023: 412)

– 2 online key accounts (31 December 2023: 2)

Detailed breakdowns of our distribution network are as follows:

1. Self-operated Retail Channels

1.1 Retail Shops

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

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

	2024	2023
Retail shops		
At the beginning of the year	155	172
Addition of new retail shops	16	7
Closure of retail shops	(31)	(24)
At the end of the year	140	155

1.2 Consignment Counters

The majority of our consignment counters were located in well-known department stores and a renowned regional toy store chain, most of which operated under the Kidsland brand. During the Reporting Period, we continued to optimise our network of consignment counters.

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

	2024	2023
Consignment counters		
At the beginning of the year	404	415
Addition of new consignment counters	26	37
Closure of consignment counters	(52)	(48)
At the end of the year	378	404

1.3 Online Stores

During the Reporting Period, we opened seven flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com, and closed two. As of 31 December 2024, we had 36 online stores in total, compared with 31 as of 31 December 2023.

2. Wholesale Channels

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

2.1 Distributors

As of 31 December 2024, we had 270 distributors (31 December 2023: 306), which sell our products through third-party retailers or their own retail shops, totaling more than 900 (31 December 2023: more than 1,600) in Mainland China.

The table below shows the changes in the number of distributors for the years indicated:

	2024	2023
Distributors		
At the beginning of the year	**306**	342
Addition of new distributors	**63**	88
Expiry without renewal of distribution agreements	**(99)**	(124)
At the end of the year	**270**	306

2.2 Hypermarket and Supermarket Chains

As of 31 December 2024, we had wholesale arrangements with 12 hypermarket and supermarket chains (31 December 2023: 12) with a sum of 420 retail points (31 December 2023: 412) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

The table below shows the changes in the number of hypermarket and supermarket chains for the years indicated:

	2024	2023
Hypermarket and supermarket chains		
At the beginning of the year	**12**	12
Addition of new hypermarket and supermarket chains	**3**	1
Termination or expiry of agreements with hypermarket and supermarket chains	**(3)**	(1)
At the end of the year	**12**	12

2.3 Online Key Accounts

The table below shows the changes in the number of online key accounts for the years indicated:

	2024	2023
Online key accounts		
At the beginning of the year and at the end of the year	**2**	2

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue decreased by 15.7% to approximately RMB974.5 million from approximately RMB1,155.7 million for the Prior Period, due to the weak market sentiment and consumption downgrading with consumers becoming more cautious about spending. The changing consumption patterns with consumers increasingly seeking products with both high price-to-value ratios and emotional value also diverged brand performance.

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

	2024 RMB'000	2023 RMB'000
Self-operated retail channels		
– Retail shops	504,414	647,950
– Consignment counters	202,328	258,408
– Online stores	56,598	58,731
Sub-total	763,340	965,089
Wholesale channels		
– Distributors	196,768	145,425
– Hypermarket and supermarket chains	7,814	35,500
– Online key accounts	6,566	9,724
Sub-total	211,148	190,649
Total	974,488	1,155,738

Self-operated Retail Channels

The self-operated retail channels recorded a decrease in revenue of 20.9% to approximately RMB763.3 million for the Reporting Period compared to the Prior Period, attributed to the drop in revenue from retail shops, consignment counters and online stores by 22.2% to approximately RMB504.4 million, 21.7% to approximately RMB202.3 million and 3.6% to approximately RMB56.6 million, respectively.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels increased by 10.8% to approximately RMB211.1 million. Revenue from distributors rose by 35.3% to approximately RMB196.8 million, while revenue from hypermarket and supermarket chains as well as online key accounts dropped by 78.0% to approximately RMB7.8 million and 32.5% to approximately RMB6.6 million, respectively.

Revenue from Hong Kong, Macau and overseas (after inter-segment elimination) recorded a decrease of 22.3% from approximately RMB243.6 million for the Prior Period to approximately RMB189.2 million for the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 15.1% from approximately RMB811.2 million for the Prior Period to approximately RMB688.6 million for the Reporting Period. The Group's gross profit margin remained stable at 29.3% for the Reporting Period and 29.8% for the Prior Period. The Group kept exploring innovative products and optimising product assortment, which offset the depression of short-term gross profit margin resulted from stock clearance activities. Stock clearance activities continuously reduced inventory backlog during the Reporting Period. Gross profit decreased from approximately RMB344.6 million for the Prior Period to approximately RMB285.8 million for the Reporting Period.

Other Income

Other income, consisting mainly of government grants, rebates from platform service providers of online stores and promotional service income, decreased by approximately RMB2.4 million from approximately RMB5.4 million for the Prior Period to approximately RMB3.0 million for the Reporting Period, mainly resulting from the drop in promotional service income.

Other Losses, Net

Other losses, net was mainly attributable to net exchange differences. Other losses, net of approximately RMB9.1 million recorded for the Reporting Period (Prior Period: approximately RMB7.7 million), mainly resulting from depreciation of Renminbi ("RMB").

Impairment Loss/Reversal of Impairment Loss on Financial Assets, Net

The amount represented provision made for impairment loss on trade and bill receivables. Provision for impairment loss of approximately RMB1.6 million was recorded for the Reporting Period (Prior Period: reversal of impairment loss of approximately RMB0.5 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 14.0% from approximately RMB486.7 million for the Prior Period to approximately RMB418.8 million for the Reporting Period, which was mainly attributable to intensified expense management, especially on concessionaire fees, outsourced personnel service fees and lease-related expenses.

General and Administrative Expenses

General and administrative expenses dropped by 12.9% from approximately RMB53.1 million for the Prior Period to approximately RMB46.3 million for the Reporting Period, resulting from control over lease-related expenses and staff costs.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, borrowings and loans from a related company, remained stable at approximately RMB12.6 million for the Reporting Period and approximately RMB12.5 million for the Prior Period.

Loss for the Period

A loss of approximately RMB202.4 million was recorded for the Reporting Period (Prior Period: approximately RMB210.9 million).

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 161 days for the Prior Period to 141 days for the Reporting Period. Trade receivables turnover days remained stable at 18 days for the Reporting Period and the Prior Period. Trade payables turnover days increased from 48 days for the Prior Period to 62 days for the Reporting Period.

Cash Conversion Cycle

Cash conversion cycle is a metric that shows the amount of time it takes a company to convert its investment in inventory to cash, which equals to inventory turnover days plus trade receivables turnover days minus trade payables turnover days. The cash conversion cycle of the Group decreased from 131 days for the Prior Period to 97 days for the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB16.5 million in property, plant, and equipment, mainly to renovate shops (Prior Period: approximately RMB14.3 million).

Liquidity and Financial Resources

The Group's cash position as of 31 December 2024 was approximately RMB19.4 million, compared to approximately RMB24.5 million as of 31 December 2023. The current ratio calculated by dividing total current assets by total current liabilities and quick ratio calculated by dividing total current assets excluding inventories and right of return assets by total current liabilities excluding lease liabilities as of 31 December 2024 were 1.0 and 0.4, respectively (31 December 2023: 1.2 and 0.5, respectively).

As of 31 December 2024, the Group had aggregate banking facilities of approximately RMB141.0 million (31 December 2023: approximately RMB167.2 million) for bank loans and trade financing, of which approximately RMB0.7 million (31 December 2023: approximately RMB42.5 million) was unutilised as of the same date.

As of 31 December 2024, the Group had a loan facility from a related company of approximately RMB231.5 million (31 December 2023: approximately RMB135.9 million), of which approximately RMB139.8 million (31 December 2023: approximately RMB85.3 million) was utilised as of the same date.

Gearing Ratio

The table below analyses the Group's capital structure as of 31 December 2024:

	2024 **RMB'000**	2023 RMB'000
Cash and cash equivalents	**16,636**	21,937
Borrowings	**(107,220)**	(76,655)
Loans from a related company	**(139,792)**	(85,302)
Interest payables of loans from a related company	**(7,671)**	(5,388)
Loan from a director of the Company	**(15,000)**	–
Lease liabilities	**(73,506)**	(92,522)
Net debt position	**(326,553)**	(237,930)
Total (deficit)/equity	**(83,900)**	113,285

The Group was in a net debt position of approximately RMB326.6 million as of 31 December 2024 (31 December 2023: approximately RMB237.9 million). As the Group was of net deficit position, the management of the Group considered as irrelevant to further analyse its gearing ratio as of 31 December 2024, as calculated by dividing the Group's net debt by the Group's total deficit (31 December 2023: gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, approximately 210.0%).

Charge of Assets

As of 31 December 2024, the Group had restricted cash of approximately RMB2.7 million mainly for bank guarantee of a trade finance facility (31 December 2023: approximately RMB2.5 million).

Contingent Liabilities

As of 31 December 2024, the Group did not have significant contingent liabilities (31 December 2023: Nil).

Foreign Exchange

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

Significant Investment Held and Material Acquisition and Disposal

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

Capital Structure

As of 31 December 2024, the Company's share capital comprised 800,000,000 issued ordinary shares with nominal value of HK$0.01 each. There was no change in the share capital of the Company during the Reporting Period.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Future Plan for Material Investment or Capital Assets

As at 31 December 2024, the Group did not have other plans for material investments and capital assets.

REPORT OF THE BOARD OF DIRECTORS

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

PRINCIPAL ACTIVITIES AND PERFORMANCE ANALYSIS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in toy and related lifestyle product retailing and wholesaling in Mainland China, Hong Kong and Macau. Activities of the Company's principal subsidiaries are set out in note 35 of the Consolidated Financial Statements.

Note 4 of the Consolidated Financial Statements contains a performance analysis of the Group's revenue channels (e.g. retail, wholesale) and geographical segments.

BUSINESS REVIEW AND PROSPECT

The Chairman's Statement on pages 3 to 4 and the section headed Management Discussion and Analysis on pages 9 to 15 of this annual report provide analysis on the key financial performance indicators of the Group for the Year.

The financial risk management objectives and policies of the Group are set out in note 32 of the Consolidated Financial Statements.

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

EVENTS AFTER THE REPORTING PERIOD

Loan Capitalisation

On 27 December 2024, the Company, Asian Glory Holdings Limited ("Asian Glory") and Lovable Products Trading Limited ("Lovable Products Trading") entered into a loan capitalisation agreement (the "Loan Capitalisation Agreement"), pursuant to which, the parties have conditionally agreed that the unsecured loan of HK$100,000,000, bearing interest of 2% per annum, due from the Group to Lovable Products Trading (the "Loan") would be settled through the issuance of 305,914,286 capitalisation ordinary shares (for the settlement of HK$21,414,000 of the Loan) and 1,122,657,143 capitalisation convertible preference shares (the "Capitalisation Convertible Preference Shares") (for the settlement of HK$78,586,000 of the Loan), both at the issue price of HK$0.07, representing a premium of approximately 94.44% over the closing price of HK$0.036 per share of the Company (the "Share") on the date of the Loan Capitalisation Agreement, to Asian Glory (the "Loan Capitalisation"). The Loan Capitalisation was approved by the shareholders of the Company (the "Shareholders") at the Company's extraordinary general meeting held on 24 January 2025 ("202501 EGM") and completed on 19 February 2025. For details, please refer to the Company's announcements dated 27 December 2024 and 24 January 2025 (collectively, the "Loan Capitalisation Announcements"), and the Company's circular dated 9 January 2025 (the "EGM Circular").

Amendment of Constitutional Documents

In order to authorise the creation of the Capitalisation Convertible Preference Shares, the issue of the Capitalisation Convertible Preference Shares and the incorporation of the terms of the Capitalisation Convertible Preference Shares, the Company has adopted the third amended and restated memorandum and articles of association (the "Third Amended M&A") by a special resolution passed by the Shareholders at the 202501 EGM. For details, please refer to the Loan Capitalisation Announcements and the EGM Circular. The Third Amended M&A is available on the respective websites of the Stock Exchange and the Company.

Save for the above, no other important event affecting the Group that had taken place after 31 December 2024 and up to the date of this annual report.

RESULTS

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

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any dividend for the Year (2023: Nil).

DIVIDEND POLICY

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

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

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

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

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

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

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

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

(d) the Group's liquidity position;

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

(f) restrictions under the Cayman Islands laws and the Articles of Association; and

(g) other factors that the Board considers relevant.

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

ANNUAL GENERAL MEETING

The Company's annual general meeting shall be held on Friday, 13 June 2025 (the "2025 AGM"). A notice convening the 2025 AGM, along with other relevant documents, will be published and disseminated to the Shareholders in accordance with the requirements under the Articles of Association and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2025 AGM

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Tuesday, 10 June 2025 to Friday, 13 June 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2025 AGM, the non-registered Shareholders must lodge their duly completed and stamped transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 9 June 2025.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

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

The Group is always committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. A report on the environmental, social and governance aspects has been prepared with reference to the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Listing Rules and is set out in the section headed Environmental, Social and Governance Report on pages 29 to 45 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 142 of this annual report.

SHARE CAPITAL

Changes in the Company's share capital during the Year are set out in note 21 of the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its securities listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such securities (including sale of treasury shares) during the Year.

As at 31 December 2024, the Company did not hold any treasury shares.

RESERVES

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

As of 31 December 2024, no reserves of the Company were available for distribution to the Shareholders (2023: approximately RMB56.3 million).

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's five largest suppliers in aggregate accounted for approximately 83% of the total purchases; and the Group's largest supplier accounted for approximately 41% of the total purchases. The Group's five largest customers in aggregate accounted for approximately 5% of the total sales.

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

DIRECTORS

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

Non-executive Director:
Mr. Du Ping

Independent Non-executive Directors:
Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Mr. Albert Thomas da Rosa, Junior (appointed on 17 July 2024)
Dr. Lam Lee G. (resigned on 18 April 2024)

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment, and shall be eligible for re-election. Accordingly, Mr. Albert Thomas da Rosa, Junior will retire from office as Director and, being eligible, will offer himself for re-election as Director at the 2025 AGM.

In accordance with articles 84(1) and 84(2) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Any further Director so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall be determined by lot. Accordingly, Ms. Zhong Mei and Mr. Cheng Yuk Wo will retire from office as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the 2025 AGM.

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

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

CONFIRMATION OF INDEPENDENCE FROM THE INEDs

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs have been independent from their respective date of appointment to 31 December 2024 and remain independent as of the date of this annual report.

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

As of 31 December 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares

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

(L) denotes long position

Notes:

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

(2) Mr. Lee Ching Yiu, the chairman of the Board, an Executive Director and the chief executive officer of the Company, is the sole shareholder of Asian Glory. By virtue of the SFO, Mr. Lee Ching Yiu is deemed to be interested in the Shares held by Asian Glory. Asian Glory owns approximately 92% of Lovable International Holdings Limited ("Lovable"). By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.

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

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

(5) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 31 December 2024.

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

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

Save as disclosed above and to the best knowledge of the Directors, as of 31 December 2024, none of the Directors or chief executives of the Company had or was deemed to have any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As of 31 December 2024, so far as are known to the Board, the following persons (other than the Directors and chief executives of the Company) or entities had an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO:

Interest in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/interested	Approximate percentage of shareholding(3)
Ms. Tang Hoi Lun	Interest of spouse(1)	439,224,523 (L)	54.90%
Asian Glory	Beneficial owner	425,206,524 (L)	53.15%
	Held by controlled corporation(2)	17,999 (L)	0.00%

(L) denotes long position

Notes:

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

(2) Lovable holds 17,999 Shares. Asian Glory owns approximately 92% of Lovable. By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.

(3) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 31 December 2024.

Save as disclosed above, as of 31 December 2024, the Directors are not aware that any other persons (other than any Directors or chief executives of the Company) or entities had an interest or short position in the Shares or underlying Shares, which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEMES

The Post-IPO Share Option Scheme

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

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As of the date of this annual report, the Post-IPO Share Option Scheme had a remaining life of more than 2 years.

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

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

The aggregate number of underlying Shares of options granted, whether through the Post-IPO Share Option Scheme or other means, must never exceed 10% of the total number of issued Shares unless Shareholders approve otherwise. As of 31 December 2024, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 52,600,000 Shares, which represented 6.6% of the Shares in issue (excluding treasury Shares, if any) as of the same date.

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

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

No share option was granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme since its adoption and up to 31 December 2024. No share option was outstanding under the Post-IPO Share Option Scheme as of 31 December 2024.

The Pre-IPO Share Option Scheme

On 20 October 2017, the Pre-IPO Share Option Scheme was adopted, through a written resolution passed by the then shareholders, to motivate, retain, and reward eligible full-time key employees, consultants, and Directors of the Company or any of its subsidiaries (the "Pre-IPO Eligible Participants"). As of the date of this annual report, the Pre-IPO Share Option Scheme had a remaining life of more than 2 years.

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

	Outstanding at the beginning of the Year	Exercised during the Year	Lapsed or cancelled during the Year	Granted during the Year	Outstanding at the end of the Year
Directors					
Mr. Lee Ching Yiu	4,000,000	–	–	–	4,000,000
Ms. Zhong Mei	4,000,000	–	–	–	4,000,000
Mr. Du Ping	1,500,000	–	–	–	1,500,000
Employees	22,100,000	–	4,200,000	–	17,900,000
Total	31,600,000	–	4,200,000	–	27,400,000

On this scheme's inception date, 47,500,000 share options, each with an exercise price of HK$0.8 per Share, were granted to eligible directors and employees of the Company. For the Year, options comprising 4,200,000 underlying Shares (2023: 2,100,000 underlying Shares) granted under the Pre-IPO Share Option Scheme lapsed, and the corresponding share option reserves of RMB3,476,000 (2023: RMB1,714,000) were reclassified as retained earnings. As of 31 December 2024, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 27,400,000 Shares, which represented 3.4% of the Shares in issue (excluding treasury Shares, if any) as of the same date.

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

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

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme since its adoption and up to 31 December 2024.

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

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

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

At its meeting held on 28 March 2025, the Remuneration Committee reviewed the share option schemes.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than the transactions disclosed in note 34 of the Consolidated Financial Statements and in the section headed "Connected Transactions" on page 25, there were no other transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS

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

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

On 1 January 2024, Shanghai Haisile entered into a lease agreement (the "PRC Lease Agreement") with Land Smart Development Limited ("Land Smart"), who agreed to lease the premises situated on 21/F, No. 2067 Yanan West Road, Changning District, Shanghai, the PRC (中國上海市長寧區延安西路2067號21層) with a gross floor area ("GFA") of approximately 250 sq.m. (the "PRC Premises") to Shanghai Haisile for office use from 1 January 2024 to 31 December 2024 (both days inclusive). The total rent for the 12-month term ended 31 December 2024 was approximately RMB312,000 (exclusive of utilities and management fees). The lease agreement has been renewed on 1 January 2025.

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

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

On 1 July 2023, Kidsland HK Limited entered into a lease agreement (the "HK Lease Agreement") with Politor Limited, who agreed to lease the premises situated on 28/F, Times Tower, 391–407 Jaffe Road, Wan Chai, Hong Kong with a GFA of approximately 142 sq.m. (the "HK Premises") to Kidsland HK Limited for office use from 1 July 2023 to 30 June 2024 (both days inclusive). The HK Lease Agreement has been renewed on 1 July 2024 at a monthly rent of HK$55,000 (inclusive of the government rates, rent and management fees). As a result, the total rent for the 12-month term ended 31 December 2024 was HK$660,000.

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

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

Kidsland HK Limited entered into a loan agreement on 27 August 2019 and amendment agreements with Lovable Products Trading, who agreed to provide a loan facility of approximately RMB231.5 million (2023: approximately RMB135.9 million) of which approximately RMB139.8 million was utilised as of 31 December 2024 (2023: approximately RMB85.3 million).

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

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

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

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

NON-COMPETITION UNDERTAKING

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

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

SIGNIFICANT RELATED PARTY TRANSACTIONS

The continuing connected transactions disclosed in the section headed "CONNECTED TRANSACTIONS" above also constitute related party transactions under the HKFRS Accounting Standards.

Note 34 of the Consolidated Financial Statements contains a summary of significant related party transactions made during the Year.

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

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2024, the Group had approximately 1,100 employees (including both in-house and outsourced employees) (31 December 2023: approximately 1,300 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Year amounted to approximately RMB95.2 million and RMB71.9 million, respectively (2023: approximately RMB104.6 million and RMB82.6 million, respectively). The Group's remuneration packages comply with legislation in relevant jurisdictions and are decided based on market conditions and employees' levels of experience and qualifications; bonuses are awarded based on employee performance and the Group's financials. The Company has adopted two share option schemes on 20 October 2017 (the "Share Option Schemes"). Details of the Share Option Schemes are set out on pages 22 to 24. The Group has been ensuring adequate training and professional development opportunities to employees.

PERMITTED INDEMNITY PROVISION

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

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

EQUITY-LINKED AGREEMENT

Save for the disclosure under the section headed "Share Option Schemes" and the sub-section headed "Loan Capitalisation", the Company has not entered into any equity-linked agreement during the Year or there was not any subsisting equity-linked agreement entered into by the Company at the end of the Year.

TAX RELIEF

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

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors since the date of the interim report for the six months ended 30 June 2024 are set out below:

On 30 September 2024, Mr. Cheng Yuk Wo has resigned as an independent non-executive director of Top Spring International Holdings Limited (stock code: 3688), a company listed on the Stock Exchange.

INDEPENDENT AUDITOR OF THE COMPANY ("AUDITOR")

The Consolidated Financial Statements were audited by Moore CPA Limited ("Moore"). A resolution will be submitted to the 2025 AGM to re-appoint Moore as Auditor.

Change of the Auditor for the past three years

The Company appointed PricewaterhouseCoopers as the Auditor for the financial years ended 31 December 2019 to 2021. PricewaterhouseCoopers resigned as the Auditor with effect from 18 November 2022 and Moore was appointed as the Auditor by the Board to fill the vacancy with effect from the same date.

On behalf of the Board

Mr. Lee Ching Yiu, *Chairman*
28 March 2025

ABOUT THIS REPORT

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

The Report covers the period from 1 January 2024 to 31 December 2024 (the "Reporting Period" or "FY2024").

BOARD STATEMENT – ESG GOVERNANCE STRUCTURE

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

REPORTING STANDARDS

The Group prepares the Report in compliance with the relevant requirements stipulated in the ESG Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 of the Listing Rules. We have appointed an independent consulting firm to offer professional advice for preparing the Report.

REPORTING PRINCIPLES

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

Materiality

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

Quantitative

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

Balance

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

Consistency

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

REPORTING SCOPE

The Group is principally engaged in the trading and sale of toys and related lifestyle products in Mainland China, Hong Kong and Macau. The scope of the ESG Report covers the environmental, social and governance performances of the Group's principal operating activities spanning over the period from 1 January 2024 to 31 December 2024. With regard to KPIs, the reporting scope includes data from Mainland China, Hong Kong, and Macau offices and retail locations to maintain consistency with the annual report.

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

BOARD APPROVAL

The Report has been approved by the Board of Directors (the "Board") before publication.

COMMENTS AND FEEDBACK

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

APPROACH TO SUSTAINABLE DEVELOPMENT

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

STAKEHOLDER ENGAGEMENT

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

We communicate and engage with stakeholders by organizing daily communication, general meetings at all business levels and regular ESG-related engagement during the Reporting Period.

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

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

MATERIALITY ASSESSMENT

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

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

(1) Identification

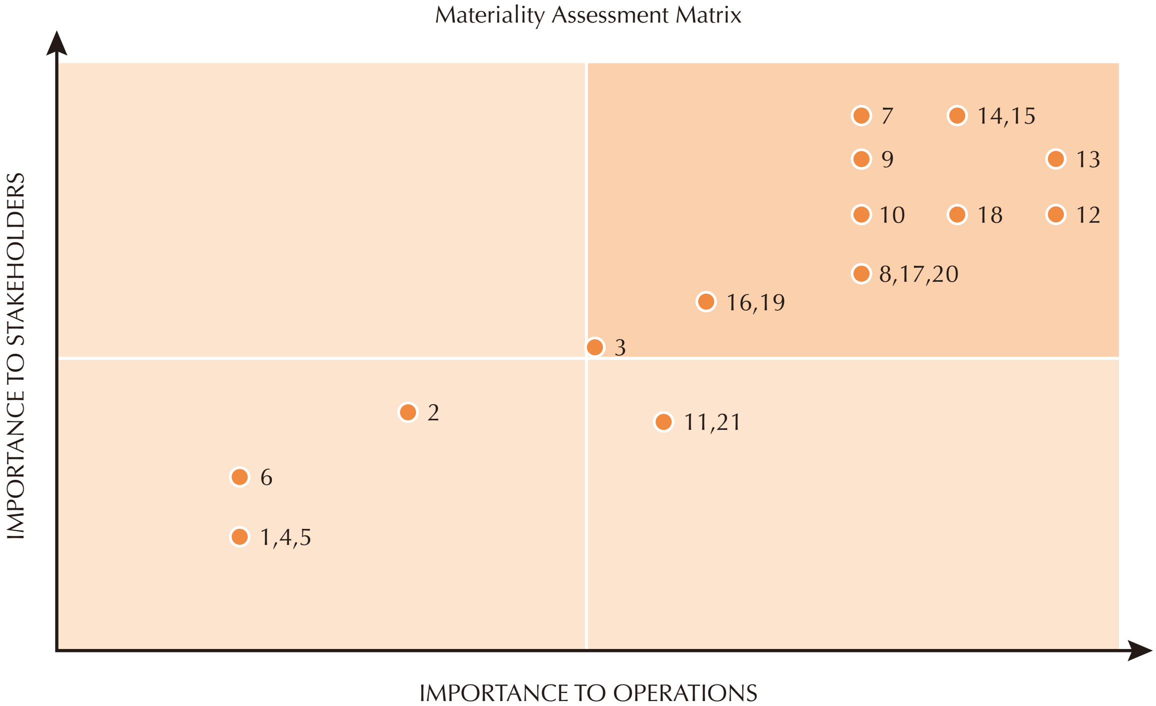
In accordance with the ESG Reporting Guide, all fundamental sustainability topics were identified. In the context of the latest sustainability landscape, the Group has determined the following 21 ESG Materiality topics that are deemed to have an impact on the environment and society through our operations.

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

(2) Prioritization

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

Materiality Assessment Matrix



The following chart shows the level of materiality topics ranking:

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

(3) Application

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

ENVIRONMENTAL PROTECTION

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

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

Aspect A1: Emissions and Wastes Generated

Energy and greenhouse gas (GHG) emissions

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

The operations and activities of the Group do not directly generate any hazardous air emissions and pollutants. The Group does not generate any direct greenhouse gas emissions (Scope 1). Energy consumption and GHG emissions in the Group are mainly contributed by electricity consumption in offices and stores. Recognizing the upstream and downstream impacts in our value chain, we disclose aspects of our Scope III emissions. Although its contribution to the total carbon footprint is relatively small, we have accounted for our indirect greenhouse gas emissions from business air travel and the methane production from paper waste decomposition in landfills.

During the Reporting Period, there were two main reasons for the decrease in carbon emissions from purchased electricity. Firstly, the reduction in the number of retail stores led to a decrease in electricity consumption, as some stores in Mainland China were closed due to changes in the Mainland China market. Secondly, the purchased electricity emission factor in Mainland China was updated during the Reporting Period. The following charts summarize the GHG emissions of the Group during the Reporting Period.

Greenhouse Gas Emissions[1]	Unit	FY2024	FY2023
Scope I (Direct Emissions)	tCO_2e	0	0
Scope II (Indirect Emissions)	tCO_2e	1,937	3,488
Electricity purchased	tCO_2e	1,937	3,488
Scope III (Other Indirect Emissions)	tCO_2e	114	112
Business air travels	tCO_2e	80	79
Paper waste disposed at landfills	tCO_2e	34	33

		Unit	FY2024	FY2023
Total	(Scope I & II)	tCO_2e	1,937	3,488
	(Scope I & II & III)	tCO_2e	2,051	3,600
Carbon intensity	(Scope I & II)	tCO_2e per million revenue in RMB	1.99	3.02
	(Scope I & II & III)	tCO_2e per million revenue in RMB	2.10	3.11

Measures to reduce emission

The Group is committed to reducing our carbon footprint. The Group has also set GHG emissions targets for the next five years, using FY2023 as the base year. It is planned that the GHG emissions intensity (tCO_2e per million revenue in RMB) will be reduced by a minimum of 5% in FY2028 as compared to the FY2023 level (i.e. approximately 3.11 tCO_2e per million revenue in RMB). Scopes I and II emissions are addressed through our energy reduction initiatives (See Section: Aspect A2 Use of Resources – Energy). Scope III emissions incur throughout our upstream and downstream activities, and we employ the following measures to minimise such emissions.

- We make the utmost effort to avoid business traveling and opt for direct flights when we are given the choice.
- We make extensive use of video-conferencing, as opposed to business traveling.
- Service personnel location tracking is employed to facilitate efficient deployment and minimum travel.

Remark:

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

(ii) For Mainland China operations in 2024, GHG emissions associated with electricity purchased in 2024 are calculated using the Announcement on the Release of CO_2 Emission Factors for Electricity in 2022 (Announcement No. 33 of 2024) issued by the Ministry of Ecology and Environmental Protection and the 100-year Global Warming Potentials, provided by the Intergovernmental Panel on Climate Change (IPCC) in its Fifth Assessment Report (CO_2: 1, CH_4: 28, N_2O: 265).

(iii) For Hong Kong and Macau region, GHG emissions associated with electricity purchased in 2024 are based on the latest available emission factors provided by power companies.

Waste management

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

Measures to reduce waste generation

The Group actively promotes green office practices, aiming to minimize the generation of waste and maximize the efficient use of resources. In terms of paper consumption, the Group promotes a paperless office, office papers were from recyclable sources. The Group focuses on purchasing supplies manufactured from recycled materials such as tissue paper. The Group also encourages its staff members to scale down font size and reduce paper margins and set up double-sided printing. We continue to improve the paperless office, starting with online approval process, reducing the number of document printing, and recommending the circulation of electronic documents on a daily basis. The Group has also set waste reduction targets for the next five years, taking FY2023 as the baseline year. It is targeted that the intensity of non-hazardous waste generated in FY2028 (in kilograms per RMB million of revenue) will be reduced by a minimum of 5% as compared to the FY2023 level (i.e. approximately 5.95 kilograms per RMB million of revenue).

Non-hazardous Waste Consumption	Unit	FY2024	FY2023
Paper consumption	kg	3,450	3,568
Paper consumption intensity	kg per million revenue in RMB	3.54	3.09
Carton boxes consumption	kg	3,642	3,304
Carton boxes consumption intensity	kg per million revenue in RMB	3.74	2.86
Total non-hazardous waste consumption:	kg	7,092	6,872
Total non-hazardous waste intensity	kg per million revenue in RMB	7.28	5.95

Aspect A2: Use of Resources

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

- Enabling the off-timer function of office equipment such as photocopiers, printers and computer monitors in its offices, allowing such equipment that has been idle for a long time to automatically power down;
- Setting an appropriate office temperature; and
- When purchasing new office equipment, preference will be given to those with Grade 1 energy label.

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

Energy
As energy consumption is closely linked to global warming, the Group has been striving to improve energy management. Therefore, we have implemented electricity-saving measures in the office to raise the awareness of all our employees on environmental protection. We encourage our staff to turn off all unnecessary lighting systems and other electronic devices, such as printers, computers, etc., to avoid the idling of electrical appliances. Meanwhile, partial lighting of the office has been installed with light-emitting diodes instead of compact fluorescent lamps which can reduce electricity consumption as compared with compact fluorescent lamps. The Group has also set energy consumption targets for the next five years, using FY2023 as the base year. It is planned that the energy consumption intensity (kWh/million revenue in RMB) will be reduced by a minimum of 5% in FY2028 as compared to the FY2023 level (i.e. approximately 3,395 kWh/million revenue in RMB).

During the Reporting Period, the increase of electricity consumption intensity compared to last year was mainly due to a decrease in revenue.

Energy consumption

Electricity Consumption	Unit	FY2024	FY2023
Electricity consumption	kWh	3,383,580	3,923,693
Electricity consumption intensity	kWh per million revenue in RMB	3,472	3,395

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

Packaging material for finished products
As the Group's operations do not directly involve any industrial production and do not have any factory facilities, no significant packaging materials are generated.

Aspect A3: The Environment and Natural Resources
The Group focuses on business impact on the environment and natural resources and pursues the best practices for environmental protection. In addition to complying with relevant environmental laws and regulations and international standards to properly preserve the natural environment, the Group has integrated the concept of environmental protection and natural resources conservation into its internal management and daily operations with the aim of achieving environmental sustainability.

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

Aspect A4: Climate Change

The Group is principally engaged in the trading and sale of toys and related lifestyle products in Mainland China, Hong Kong and Macau. As part of the community, we do not live aside from the impact of climate change. The Group manages the issue with respect to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which outlines four components: Governance, Strategy, Risk Management, and Metrics and Targets. With reference to TCFD's risk categorization, the Group has identified climate-related risks and corresponding management measures:

Physical risks

When coming across extreme weather conditions, the Group will implement flexible working arrangements and preventive measures by the instructions of the local government's emergency management authorities to safeguard the safety of employees and the Company's property. The Group also actively implements management policies and conservation measures on the use of resources in its operations and improves the efficiency of its office facilities. For example, the replacement of LED lighting systems, reduction in the use of disposable plastic, daily use of bucket water instead of bottled water, etc., to minimize the risk of environmental entities.

Transformation risks

To achieve sustainable development, the PRC government has implemented the "2030 Carbon Peak and 2060 Carbon Neutral" targets, and the Hong Kong Stock Exchange has required listed companies to enhance climate-related disclosures in their ESG reports. Non-compliance with the disclosure requirements may damage the Group's reputation. To comply with the relevant disclosure requirements, the Group has strengthened the training for the management to be aware of ESG work and has a commissioner responsible for ESG matters.

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

The Group commits to continue to pay close attention to the possible impact of climate change on our business, strategy, and financial performance, and fully support global climate-related actions.

SOCIAL RESPONSIBILITY

Aspect B1: Employment

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

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

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

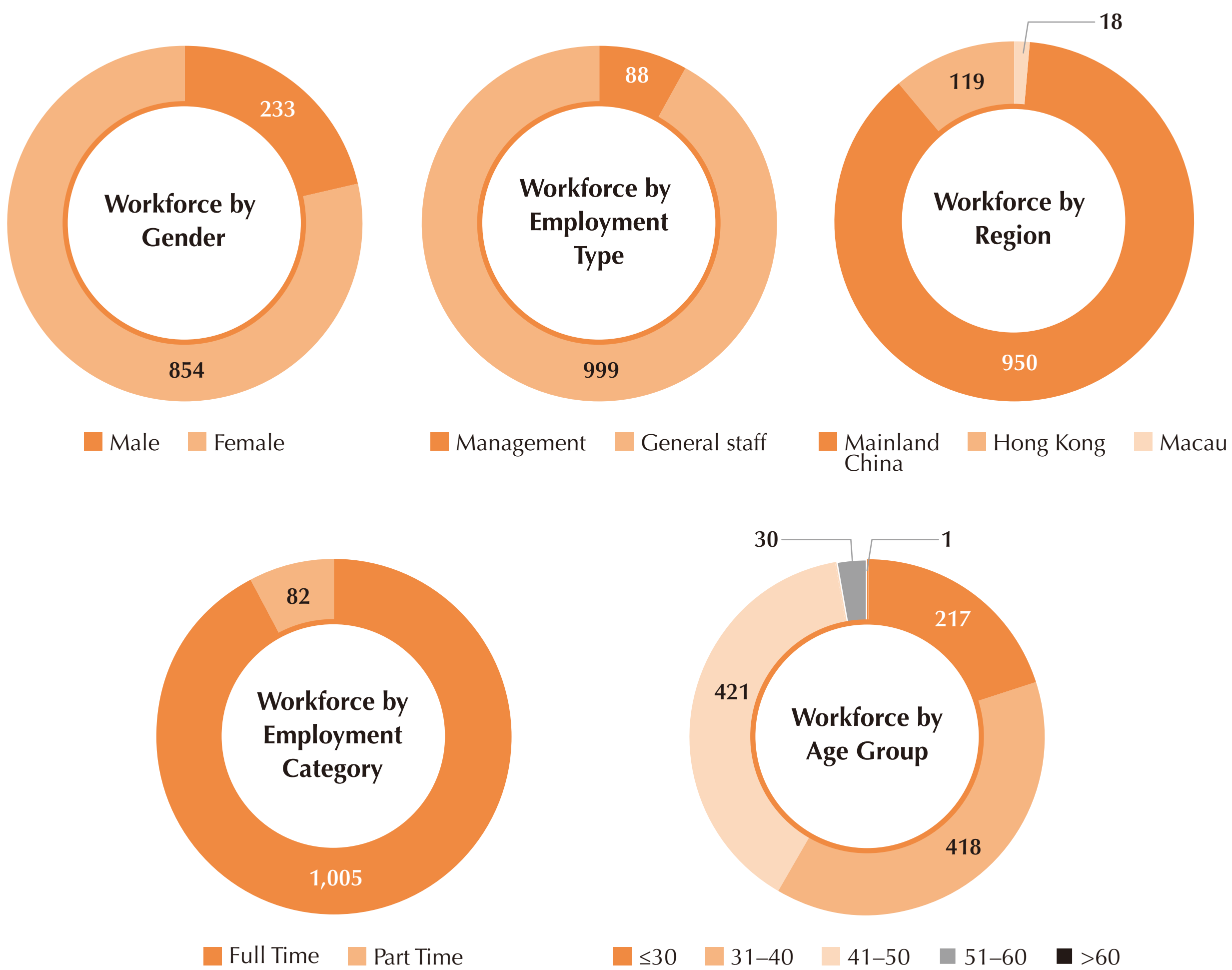
The Group has adopted the Employee Handbook to regulate the workflow of recruiting, induction and training, employee transfers, dismissals, and promotions. The Employee Handbook is aligned with the local labor laws of Mainland China, Hong Kong and Macau, and includes key corporate policies. Newly recruited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

The Group attaches great importance to talent acquisition, and we recognize that the success of an enterprise is inseparable from its employees at all levels. In 2024, we looked for passionate people through a variety of recruitment channels including internal referral, social media recruitment, online recruitment, talent market and head hunters to strengthen our workforce. Kidsland aims to provide employees with a supportive workplace built with a culture of respect and dignity that enables employees to provide excellent service to customers.

During the year ended 31 December 2024, to the best of our directors' knowledge, the Group was not aware of any material non-compliance or breach of relevant laws and regulations regarding employment.

As at 31 December 2024, the Group had 1,087 employees. The data of the Group's number of employees and turnover by type in the Reporting Period are listed below:

Employee Distribution as at 31 December 2024



Employee turnover[2]

		No. of Staff
Total	Overall number (Turnover rate)	598 (55.0%)
By gender	Male (Turnover rate)	183 (78.5%)
	Female (Turnover rate)	415(48.6%)
By age group	30 or below (Turnover rate)	271(124.9%)
	31–40 (Turnover rate)	163(39.0%)
	41–50 (Turnover rate)	127 (30.2%)
	51–60 (Turnover rate)	37 (123.3%)
	Above 60 (Turnover rate)	0 (0.0%)
By geographical regions	Mainland China (Turnover rate)	424 (44.6%)
	Hong Kong (Turnover rate)	140 (117.6%)
	Macau (Turnover rate)	34 (188.9%)

Employment and employee welfare

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

The Group emphasizes maintaining a close relationship with employees and ensuring their well-being. Therefore, we organize a range of team-building activities and develop effective communication channels with employees including birthday parties, team gatherings and festival celebrations. To encourage social bonding in the workplace, the Group has also arranged recreational events during the Reporting Period, such as afternoon tea. We have also arranged regular meetings with employees to listen to employees' opinions.

The Group organizes different types of activities to promote communication among different departments of employees and increase employees' sense of belonging to the Group.

Salary, benefits and retirement

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

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

Remark:

(2) The employee turnover rate is calculated by the total number of staff that left in 2024 divided by the total number of staff under respective categories as of the end of 2024.

Equal opportunity and non-discrimination

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

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

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

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

Aspect B2: Workplace Health and Safety

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

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

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

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

Due to the nature of the Group's business, the chance of employees encountering work-related injuries is low. The Group has 1 work-related injuries and 76 lost days due to work injury during the Reporting Period. There was no record of work-related fatality in the past three reporting years.

Aspect B3: Development and Training

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

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

In employee training, we add the "environmental protection and green concept" as a principle, and a series of green measures have been implemented to create a green training concept. The tools used in activities do not use disposable material. Sales Assistant training is excluded in the below tables.

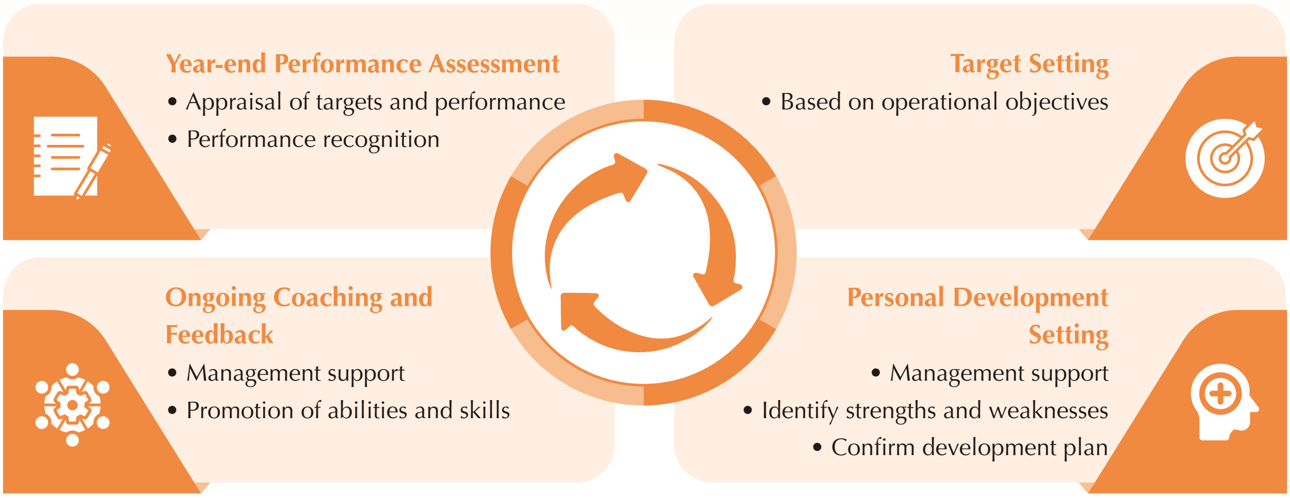
Training hours completed of employees during the Reporting Period[3]

		Total	Average Training Hours Per Employee
Number of training hours		9,963	9.17
By gender	Male	240	1.03
	Female	9,723	11.39
By employee type	Management	64	0.73
	General staff	9,899	9.91

Remark:

(3) The average training hours per employee is calculated by the total number of training hours (excluding sales assistant training in Mainland China operations) in 2024 divided by the total number of staff under the respective category as of the end of 2024.

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



Aspect B4: Labor Standards

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

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

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

Aspect B5: Supply Chain Management

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

Kidsland shall continue to enhance its own environmental and social performances, and continue to perfect its supply chain management. In the long run, the Group shall cooperate with its business partners closely, and encourage communication and exchange of experiences among its partners to achieve sustainable development, so as to facilitate the sustainable growth of the whole industry. During the Reporting Period, the Group partnered with a total of 129 suppliers.

Number of suppliers by geographical region

Region	Unit	FY2024
Mainland China	Numbers	59
Hong Kong	Numbers	70

Aspect B6: Product Responsibility

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

Product quality and safety

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

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

Intellectual property

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

Data protection policies

The Group is committed to protecting the privacy and confidentiality of the collected personal data. The Group has established internal policies on handling personal data recorded from employees, customers and other business partners to ensure compliance with relevant local regulations, in particular, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and Macau Personal Data Protection Law. We collect data only in a lawful and fair way, for directly related purposes of which the data subject is clearly notified. Providing related personnel with information security training, the personal data inventory is secured to prevent any unauthorized or accidental access. We ensure the data is accurate and not kept longer than necessary and the period stipulated by respective laws. We utilize technology to aid the safeguarding of the personal data inventory, such as anti-virus software and firewalls, network diagnostic tools and data encryption. Mechanisms are also in place that ensure any infringement of personal data privacy protection rights is dealt with on time.

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

Aspect B7: Anti-corruption

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

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

During the Reporting Period, the Group did not violate any anti-corruption laws and regulations that had a significant impact on the operation of the Group, and the Group and its employees were not involved in any concluded lawsuits regarding corruption.

Aspect B8: Community Investment

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

Kidsland has developed community involvement focus areas that relate to our business model in the areas of children. We encourage all staff to give back to the community by volunteering, donating or sponsoring local events. During the Reporting Period, the Group donated (i) 216 toys amounting to a total of RMB14,904 to the Birdie Charitable Foundation ("小鳥慈善基金") Children's Rare Disease Project; and (ii) 3,173 toys amounting to a total of RMB64,390 to the Beijing Yongzhen Charity Foundation ("北京永真公益基金會").

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the principles and code provisions as set out in the section headed "Part 2 – Principles of good corporate governance, code provisions and recommended best practices" of the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the "CG Code") as its own code on corporate governance. The Company has complied with all applicable code provisions as set out in the CG Code for the Year and up to the date of this annual report except for the deviation as stated below:

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

CORPORATE CULTURE, VALUE AND STRATEGY

Since its inception in 2001, the Group has been adhering to the brand appeal of "stimulating curiosity" and implementing the corporate mission of "accompanying every family to grow happily". The Group puts customers first and is committed to becoming a competitive and influential innovative enterprise in the toy market. The Group's business philosophy is to carefully select high-quality toys from around the world, to build and cultivate brands, and to create a high-quality toy life of the customers of all ages.

During the years, the Group has successfully created a one-stop toy marketing service platform, with the core strategy of selecting toys strictly, that focuses on children of all ages, young groups as well as renowned international brands. By analyzing market demand, the Group continues to explore innovative products and peripheral products related to popular IPs to bring diversified products and experiences to customers of all ages.

The Board is of the principal role to foster a corporate culture and to guide the conduct and behaviours of the employees, and to ensure that the corporate culture, value and business strategies are aligned throughout the Group, with the ultimate aim of generating and preserving value of the group over the longer term. The Board will continuously review the Group's business strategies and will prompt measures to meet market changes.

SECURITIES TRANSACTIONS BY DIRECTORS

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

LEADERSHIP

Board of Directors

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

Board Composition

The composition of the Board during the Year and up to the date of this report is:

Executive Directors

Mr. Lee Ching Yiu *(Chairman, CEO and chairman of Nomination Committee)*
Ms. Zhong Mei

Non-executive Director

Mr. Du Ping

INEDs

Mr. Cheng Yuk Wo *(chairman of Audit Committee)*
Mr. Huang Lester Garson *(chairman of Remuneration Committee)*
Mr. Albert Thomas da Rosa, Junior *(appointed on 17 July 2024)*
Dr. Lam Lee G. *(chairman of Nomination Committee) (resigned on 18 April 2024)*

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

Chairman and Chief Executive Officer

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

INEDs

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

Mr. Albert Thomas da Rosa, Junior was appointed as an INED on 17 July 2024. On 16 July 2024, he has (i) obtained legal advice from Loong & Yeung, Solicitors, a firm of solicitors qualified to advise on Hong Kong law, as regards the requirements under the Listing Rules that are applicable to him as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange; and (ii) confirmed his understanding of his obligations as a Director.

Rules 3.10(1) and 3.10A of the Listing Rules provide that the Board must include at least three INEDs and these INEDs must represent at least one-third of the board, and Rule 3.21 of the Listing Rules provides that the Audit Committee shall comprise at least three members (collectively, the "INED & AC Requirements").

Upon the resignation of Dr. Lam Lee G. as an INED on 18 April 2024, the Company had failed to comply with the INED & AC Requirements until 17 July 2024, when Mr. Albert Thomas da Rosa, Junior was appointed as an INED. Apart from this, the Company has met all the requirements of Rules 3.10(1), 3.10A and 3.21 of the Listing Rules throughout the Year.

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Mr. Albert Thomas da Rosa, Junior, who was appointed as a Director on 17 July 2024, has obtained legal advice on Hong Kong Law, as regards the requirements under Listing Rules.

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

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

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

Name of Directors	Type of Trainings
Mr. Lee Ching Yiu	A, B
Ms. Zhong Mei	A, B
Mr. Du Ping	A, B
Mr. Cheng Yuk Wo	A, B
Mr. Huang Lester Garson	A, B
Mr. Albert Thomas da Rosa, Junior (appointed on 17 July 2024)	A, B
Dr. Lam Lee G. (resigned on 18 April 2024)	A, B

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

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

DIRECTOR APPOINTMENT AND RE-ELECTION

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

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

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

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

COMPANY SECRETARY

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

Ms. Tung Wing Yee Winnie ("Ms. Tung") has been appointed as the Company Secretary with effect from 1 November 2021. Ms. Tung was nominated by Boardroom Corporate Service (HK) Limited ("Boardroom") to be the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary persons at the Company with whom Ms. Tung has been contacting in respect of company secretarial matters are Mr. Lee Ching Yiu, an Executive Director, the Chairman and the CEO and Ms. Li Yuk Yan, the financial controller of the Company.

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee comprises three INEDs: Mr. Cheng Yuk Wo (as committee chairman), Mr. Huang Lester Garson and Mr. Albert Thomas da Rosa, Junior (appointed on 17 July 2024) and Dr. Lam Lee G. (resigned on 18 April 2024). It is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment, or removal of external auditors; (ii) reviewing draft interim reports, annual reports, and financial statements (including any significant financial reporting judgments mentioned in them); and (iii) overseeing the Company's financial reporting, risk management, and internal control systems.

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

During the Year, the Audit Committee held three meetings during which the Audit Committee reviewed and discussed the audited annual results for the year ended 31 December 2023 with the senior management of the Company and external auditor, reviewed and discussed the unaudited interim results for the six months ended 30 June 2024 with the senior management of the Company and external auditor, assessed the independence of the Company's auditors, reviewed the appointment of external auditors, had meetings with external auditors, reviewed the accounting policies adopted by the Group, and reviewed the internal control, financial control, risk management systems and effectiveness of internal audit function of the Group. A subsequent meeting on 27 March 2025 allowed the Audit Committee to review the Group's internal control, financial control, risk management systems and effectiveness of internal audit function (including those relating to Environmental, Social and Governance risk, performance and reporting) of the Group, and annual financial statements for the Year, which the Audit Committee believed to be compliant with accounting standards, the Listing Rules, and other legal requirements.

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

Nomination Committee

The Nomination Committee comprises an Executive Director, Mr. Lee Ching Yiu (as committee chairman) (appointed on 19 April 2024), Dr. Lam Lee G. (as committee chairman) (resigned on 18 April 2024), as well as two INEDs, namely Mr. Huang Lester Garson and Mr. Cheng Yuk Wo. It is mainly responsible for (i) reviewing the Board's composition, structure, size, and diversity; (ii) assessing the independence of the INEDs; (iii) making recommendations to the Board on the nomination, appointment or re-appointment of Directors; and (iv) succession-planning, regarding in particular, the Chairman and CEO.

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

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

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

(a) character, experience and integrity;

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

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

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

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

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

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

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

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

Remuneration Committee

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

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

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. It is also responsible for the review and/or approval of matters relating to the Company's share schemes under Chapter 17 of the Listing Rules.

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

At its meeting held on 28 March 2025, the Remuneration Committee reviewed the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

The remuneration of Directors was determined by their experience, responsibility, workload, and time devoted to the Group. Executive Directors and employees were awarded bonuses according to the performance of the Group and their individual performance. Details of the Directors' remuneration are set out in note 10 of the Consolidated Financial Statement.

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

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

Remuneration Band	Number of individuals
Less than HK$1,000,000 (equivalent to approximately RMB912,700)	10
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB912,701 to RMB1,369,050)	4
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,369,051 to RMB1,825,400)	2
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,281,751 to RMB2,738,100)	1

Details of the remuneration of Directors and senior management are set out in notes 9 and 10 of the Consolidated Financial Statements.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

CORPORATE GOVERNANCE POLICIES

The Company recognizes that a comprehensive corporate governance management structure is crucial in helping the Company to implement its strategies and policies effectively and consistently throughout the Group, and safeguard the long-term interests of its shareholders. Accordingly, the Company has established a number of policies and mechanism and has continuously reviewed them to ensure that the Group meets the requirements of the applicable laws and regulations and the practical needs of the Group.

Board Diversity Policy

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

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

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

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

At the meeting held on 28 March 2025, the Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy during the Year and considered that the Board Diversity Policy was appropriate and constantly implemented effectively to maintain the Board's diverse composition.

Workforce Diversity

As at 31 December 2024, the gender ratio the Company's workforce (calculated by dividing the number of female staff by the number of male staff) was 3.7:1. The Company is satisfied with the gender diversity in its workforce. The Company recognizes and embraces the benefits of having a diverse workforce, its employee recruitment will be based on merit while taking diversity into account. The Company will continue to enhance the diversity of its workforce.

Anti-Corruption and Whistle-Blowing Policies

The Company has established a group-wise anti-corruption policy, the KIDSLAND Anti-corruption Management Policy, which outlines the Company's expectations and requirements on prevention, detection, reporting and investigation of any suspected fraud, corruption and other similar irregularities; and to provide information and guidance on recognizing and dealing with bribery and corruption. For further details of the Group's anti-corruption mechanism and practice, please refer to the section headed Aspect B7: Anti-corruption of the Environmental, Social and Governance Report on page 45 of this annual report.

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability, the Company has established a whistle-blowing policy which forms an important part of its effective risk management and internal control systems.

Board Meetings and Mechanisms Ensuring Independent Views Available to the Board

The Company has established mechanisms to ensure that a strong independent element on, and independent views and input are available to the Board and the Board is responsible to review the effectiveness of this mechanism on an annual basis. The Board tries to ensure independent views by (1) monitoring the composition of the Board and Board Committees; (2) conducting independence assessment; and (3) providing necessary support and adequate information to the INEDs (as to other directors) to allow independence inputs. At the meeting held on 28 March 2025, the Board has reviewed and was satisfied with the implementation and effectiveness of the mechanisms during the Year.

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

During the Year, the Board held five meetings. The Board meetings are regularly held for at least four times a year at approximately quarterly intervals to discuss overall strategy as well as operations and financial performance of the Group. Up to the date of this annual report, one Board meeting was held on 28 March 2025. All Directors were given opportunities to include any matters in the agenda for regular Board meetings and review documents and information about matters to be discussed at Board meetings. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers are sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed.

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

General Meetings

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

Attendance Records

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

	Attendance/Number of Meetings for the Year				
Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Mr. Lee Ching Yiu	4/5	–	–	0/1	1/1
Ms. Zhong Mei	5/5	–	–	–	1/1
Mr. Du Ping	5/5	–	–	–	1/1
Mr. Cheng Yuk Wo	5/5	3/3	1/1	1/1	1/1
Mr. Huang Lester Garson	5/5	3/3	1/1	1/1	1/1
Mr. Albert Thomas da Rosa, Junior (appointed on 17 July 2024)	3/3	2/2	–	–	0/0
Dr. Lam Lee G. (resigned on 18 April 2024)	1/1	1/1	1/1	–	0/0

INDEPENDENT AUDITOR'S RESPONSIBILITY AND REMUNERATION

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

During the Year, the remunerations paid/payable to the Auditors, Moore, is set out as follows:

Services rendered	Fee paid/payable RMB'000
Audit services – annual audit	1,440
Non-audit services – review of interim financial information	137
Total	1,577

The non-audit services are engaged only as they are more effective or economical than those available from other service providers and will not constitute adverse impact on the independence of the external auditor. The nature and ratio of annual fees to external auditor for non-audit services and for audit services in 2024 have been scrutinised by the Audit Committee.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Internal Control and Risk Management

The Board acknowledges that it is responsible for safeguarding corporate governance through monitoring and reviewing the effectiveness of the risk management and internal control systems (including those relating to Environmental, Social and Governance risk, performance and reporting) regularly through the Audit Committee.

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

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

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

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

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

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

Procedures and Internal Controls for the Handling and Disseminating Inside Information

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

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

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

INTERNAL AUDIT FUNCTION

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

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

The Company has adopted a number of policies and procedures with the objective of ensuring that all the Shareholders will have equal and timely access to information about the Company in order to enable them to exercise their rights in an informed manner and allow them to engage actively with the Company.

General meetings

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

Convening EGMs

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

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

Enquiries to the Board

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

Director Nominations

A Shareholder wishing to nominate a candidate to become a Company director must deposit a written notice (the "Notice") to Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for the attention of the Company Secretary.

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

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

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

Procedures for Shareholders to put forward proposals at general meetings

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

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

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

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

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

Investor Relations

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

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

At its meeting held on 28 March 2025, the Board has reviewed the aforesaid policies and procedures. Having taking into consideration of the effectiveness of the communications between the Company and the Shareholders, the Board was satisfied with their implementation and effectiveness.

VOTING BY POLL

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

CONSTITUTIONAL DOCUMENTS

No change was made to the Company's constitutional documents during the Year.

For the purpose of authorising the creation of the Capitalisation Convertible Preference Shares, the issue of the Capitalisation Convertible Preference Shares and the incorporation of the terms of the Capitalisation Convertible Preference Shares, the Company has adopted its Third Amended M&A by a Shareholders' special resolution at the 202501 EGM held on 24 January 2025. For details, please refer to the Loan Capitalisation Announcements and the EGM Circular. The Third Amended M&A is available on the respective websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT

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大華馬施雲
會計師事務所有限公司

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

OPINION

We have audited the consolidated financial statements of Kidsland International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 141, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessing net realisable value of inventories	
At 31 December 2024, net inventory balance of the Group amounted to approximately RMB228,906,000. The inventories are carried at the lower of cost and net realisable value. The Group is engaged in the retail business of toys and related lifestyle products and is subject to changing consumer demands and preferences for certain brands. Management's judgment is required for assessing the net realisable value of inventories in light of the status of the cooperative relationship with the brand owners and product characteristics, which would impact the future clearance sales plan. Management determines the appropriate write-down of inventories based on a detailed historical sales analysis of inventories by brand, the Group's future sales plans of these inventories and historical experience on selling prices and costs necessary to make the sale for these inventories to estimate the net realisable value. We focused on this area due to the significant value of inventories and the material estimates made by management on assessing the net realisable value of inventories.	Our procedures for assessing the appropriateness of management's judgments applied in assessing the net realisable value of inventories included: • Obtained an understanding of the management internal control and assessment process of the net realisable value ("NRV") of different brands of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated the assessment of cooperative relationship with brand owners made by management with respect to different brands of inventories as to their latest status of cooperation; • Evaluated the future sales plans and product characteristics through enquiries with management and with reference to historical instances of clearance sales and its corresponding sales analysis, which contained information as to historical selling prices and associated costs necessary to make the sale; • Compared, on a sample basis, the unit cost of inventories at the reporting date with sales price achieved subsequent to the end of the reporting period; • Tested, on a sampling basis, the supporting documents of latest selling prices of similar inventory items; • Assessed the appropriateness and reasonableness on the NRV by evaluating the estimated selling price less its costs to sell made by the management; • Assessed the historical accuracy of management's process for calculating the write-down of inventories by examining the utilisation or release of the write-down recorded at the end of the previous financial year during the current year and whether there is any indication of management bias; and • Tested the mathematical accuracy of management's year end calculation of write-down of inventories.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the Group's underperforming retail stores	
Management determined that each retail store is a cash-generating unit ("CGU"). Certain of the Group's retail stores were loss making which, as an impairment indicator, indicated that impairment assessment of the relevant stores' leasehold improvement and right-of-use assets had to be performed. As at 31 December 2024, provision for impairment of leasehold improvement and right-of-use assets amounted to RMB14,543,000 and RMB13,200,000, respectively. Management judgment is required to identify those stores requiring provision and determining the amount of provision for impairment of leasehold improvement and right-of-use assets, including the identification of impairment indicators and the determination of economic benefit deriving from operating those stores during the remaining non-cancellable lease period. The recoverable amount of each CGU was determined based on value-in-use calculation which involved the use of key assumptions in a discounted cash flow model, including revenue growth, gross profit margin and discount rate. We focused on this matter because the impairment assessment of the Group's underperforming retail stores is subject to an elevated level of estimation uncertainty.	Our procedures for assessing the appropriateness of management's judgments applied in impairment assessment of the Group's underperforming stores included: • Obtained an understanding of the management internal control and assessment process of the management's procedures in the identification of underperforming stores which were loss making and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Assessed the valuation methodology adopted in management's preparation of the discounted cash flow forecast for the value-in-use calculation; • Evaluated the key assumptions used in the cash flow forecast, including revenue growth and gross profit margin, by comparing to actual historical performance of the relevant stores, and the business plans approved by management; • Involved our internal valuation specialists to evaluate the discount rate used in the forecast with reference to industry research; and • Tested the mathematical accuracy of the discounted cash flow model and the calculation of provisions.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 skepticism 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.

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance 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 those charged with governance, 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.

Moore CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors
Yeung Chau Ho
Practising Certificate Number: P08313
Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	*4*	**974,488**	1,155,738
Cost of sales	*7*	**(688,640)**	(811,184)
Gross profit		**285,848**	344,554
Other income	*5*	**3,004**	5,372
Other losses, net	*6*	**(9,098)**	(7,708)
(Impairment loss)/reversal of impairment loss on financial assets, net	*7*	**(1,574)**	535
Selling and distribution expenses	*7*	**(418,831)**	(486,737)
General and administrative expenses	*7*	**(46,254)**	(53,119)
Operating loss		**(186,905)**	(197,103)
Finance costs	*8*	**(12,561)**	(12,536)
Loss before income tax		**(199,466)**	(209,639)
Income tax expense	*11*	**(2,943)**	(1,306)
Loss for the year		**(202,409)**	(210,945)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		**2,295**	3,131
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**2,929**	519
Other comprehensive income for the year, net of tax		**5,224**	3,650
Total comprehensive expense for the year		**(197,185)**	(207,295)
Loss for the year attributable to:			
– owners of the Company		**(202,151)**	(210,495)
– non-controlling interest		**(258)**	(450)
		(202,409)	(210,945)
Total comprehensive expense for the year attributable to:			
– owners of the Company		**(196,796)**	(206,739)
– non-controlling interest		**(389)**	(556)
		(197,185)	(207,295)
Loss per share, basic and diluted (RMB cents)	*12*	**(25.27)**	(26.31)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	20,387	24,228
Right-of-use assets	15	63,561	81,309
Intangible assets	16	2,373	7,822
Financial asset at fair value through profit or loss ("FVTPL")	17	–	–
Rental deposits	19	15,561	19,865
Deferred tax assets	26	13,153	15,990
		115,035	149,214
Current assets			
Inventories	18	228,906	301,448
Trade and bill receivables	19	40,742	57,050
Other receivables, deposits and prepayments	19	49,897	47,782
Right of return assets	4(g)	254	52
Tax recoverable		–	729
Restricted cash	20	2,747	2,541
Cash and cash equivalents	20	16,636	21,937
		339,182	431,539
(DEFICIT)/EQUITY			
Attributable to owners of the Company			
Share capital	21	6,931	6,931
(Deficit)/reserve	22	(96,721)	100,075
		(89,790)	107,006
Non-controlling interests		5,890	6,279
Total (deficit)/equity		(83,900)	113,285

	Notes	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Loans from a related company	*25*	**139,792**	85,302
Loan from a director of the Company	*25*	**15,000**	–
Other payables	*23*	**2,903**	2,984
Lease liabilities	*15*	**27,717**	30,992
		185,412	119,278
Current liabilities			
Trade payables	*23*	**116,960**	117,154
Other payables and accruals	*23*	**74,435**	82,502
Borrowings	*24*	**107,220**	76,655
Lease liabilities	*15*	**45,789**	61,530
Contract liabilities	*4(g)*	**7,883**	9,665
Current tax liabilities		**418**	684
		352,705	348,190
Net current (liabilities)/assets		**(13,523)**	83,349
Total assets less current liabilities		**101,512**	232,563
Net (liabilities)/assets		**(83,900)**	113,285

The consolidated financial statements on pages 65 to 141 were approved by the Board of Directors on 28 March 2025 and were signed on its behalf.

Lee Ching Yiu	**Zhong Mei**
Director	*Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2024

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 *(Note 22)*	Statutory reserve RMB'000 *(Note 22)*	Capital reserve RMB'000 *(Note 22)*	Translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2023	6,931	323,968	(118,988)	4,443	185,068	5,666	27,139	(120,482)	313,745	6,835	320,580
Loss for the year	–	–	–	–	–	–	–	(210,495)	(210,495)	(450)	(210,945)
Other comprehensive income/ (expense) for the year	–	–	–	–	–	3,756	–	–	3,756	(106)	3,650
Total comprehensive income/ (expense) for the year	–	–	–	–	–	3,756	–	(210,495)	(206,739)	(556)	(207,295)
Transfer	–	–	–	11	–	–	–	(11)	–	–	–
Share options lapsed	–	–	–	–	–	–	(1,714)	1,714	–	–	–
Balance at 31 December 2023	6,931	323,968	(118,988)	4,454	185,068	9,422	25,425	(329,274)	107,006	6,279	113,285
Balance at 1 January 2024	6,931	323,968	(118,988)	4,454	185,068	9,422	25,425	(329,274)	107,006	6,279	113,285
Loss for the year	–	–	–	–	–	–	–	(202,151)	(202,151)	(258)	(202,409)
Other comprehensive income/ (expense) for the year	–	–	–	–	–	5,355	–	–	5,355	(131)	5,224
Total comprehensive income/ (expense) for the year	–	–	–	–	–	5,355	–	(202,151)	(196,796)	(389)	(197,185)
Share options lapsed	–	–	–	–	–	–	(3,476)	3,476	–	–	–
Balance at 31 December 2024	6,931	323,968	(118,988)	4,454	185,068	14,777	21,949	(527,949)	(89,790)	5,890	(83,900)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Net cash generated from operations	*33(a)*	**5,257**	49,410
Income tax refunded/(paid)		**429**	(181)
Net cash from operating activities		**5,686**	49,229
Cash flows from investing activities			
Purchases of property, plant and equipment		**(16,538)**	(13,940)
Proceeds on disposal of property, plant and equipment		**451**	3
Interest received		**64**	109
Net cash used in investing activities		**(16,023)**	(13,828)
Cash flows from financing activities			
New borrowings raised	*33(c)*	**106,002**	62,400
Repayment of borrowings	*33(c)*	**(75,932)**	(18,401)
Proceeds from loans from a related company	*33(c)*	**51,870**	33,022
Proceeds from loan from a director of the Company	*33(c)*	**15,000**	–
Interest paid	*33(c)*	**(3,836)**	(2,277)
Guarantee fees paid	*33(c)*	**(925)**	(665)
Principal elements of lease payments	*33(c)*	**(81,727)**	(98,994)
Interest elements of lease payments	*33(c)*	**(5,647)**	(7,194)
Net cash from/(used in) financing activities		**4,805**	(32,109)
Net (decrease)/increase in cash and cash equivalents		**(5,532)**	3,292
Effect of foreign exchange rate changes, net		**231**	155
Cash and cash equivalents at beginning of year		**21,937**	18,490
Cash and cash equivalents at end of year	*20*	**16,636**	21,937

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

1 GENERAL INFORMATION

Kidsland International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands under the Companies Act Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 April 2017. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The parent of the Company is Asian Glory Holdings Limited ("Asian Glory"), a limited company incorporated in the British Virgin Islands (the "BVI"). The ultimate controlling party of the Company is Mr. Lee Ching Yiu, who is also the chairman and executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are trading and sale of toys and related lifestyle products. The Group mainly operates in Mainland China (the "PRC"), Hong Kong and Macau.

The consolidated financial statements are presented in Renminbi ("RMB"), while the functional currency of the Company is Hong Kong dollar ("HK$").

Certain comparative figures have been re-presented to conform with current year's presentation. These reclassifications have no effect on financial position, results for the year or cash flows of the Group.

2 MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

Going concern assessment

For the going concern basis assessment, the directors of the Company have thoroughly evaluated the Group's future liquidity, operating performance, and available financing sources. These include, materially, a loan capitalisation of HK$100,000,000 for an existing amount due to a related company (item (i) below) and a renewed, unutilised loan facility of HK$100,000,000 (item (ii) below). Based on this assessment, the directors of the Company are in the opinion that the projected cash flows generated from operating activities, investing, and financing activities will continue to be sufficient to meet the Group's operational and financing needs when they fall due in the next twelve months from the date of approval of these consolidated financial statements.

For the year ended 31 December 2024, the Group incurred a loss for the year of approximately RMB202,409,000. As at 31 December 2024, the Group's net current liabilities was RMB13,523,000 and net liabilities of RMB83,900,000, of which the Group's cash and cash equivalents amounted to approximately RMB16,636,000 as compared to the Group's borrowings of approximately RMB107,220,000, repayable within the next twelve months from the end of the reporting period.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation of consolidated financial statements (Continued)

Going concern assessment (Continued)

In light of the circumstances outlined above, the directors of the Company have been implementing the following measures to enhance and strengthen the Group's financial position and liquidity:

(i) Loan capitalisation of HK$100,000,000 of the amount due to a related company

On 27 December 2024, the Company, Asian Glory and Lovable Products Trading Limited ("Lovable Products Trading") entered into a loan capitalisation agreement. Among the unsecured loan with the principal amount of HK$100,000,000 (equivalent to approximately RMB92,600,000) (note 25) due to Lovable Products Trading (included in loans from a related company), of which:

(a) HK$21,414,000 would be settled through the issuance of 305,914,286 of new shares of the Company to Asian Glory (the "Capitalisation Ordinary Shares"); and

(b) HK$78,586,000 would be settled through the issuance of 1,122,657,143 new convertible preference shares, with fixed cumulative preferential cash dividends at a rate of 2% per annum on the issue price, to Asian Glory (the "Capitalisation Convertible Preference Shares"),

both at the issue price of HK$0.07 per Capitalisation Ordinary Share and Capitalisation Convertible Preference Share (the "Loan Capitalisation").

The Loan Capitalisation was approved by the shareholders of the Company at the the Company's extraordinary general meeting held on 24 January 2025. In the opinion of the directors of the Company, the Loan Capitalisation enables the Group obtaining financial support from the shareholder of the Company to settle its existing liabilities without utilising the existing financial resources and can avoid cash outflows and future interest payments for the loan. Also, after the completion of the Loan Capitalisation, the gearing level of the Group will be reduced, thereby improving the financial position of the Group. The Group has worked tirelessly to adapt its business model to the new market trends in the industry and the directors of the Company are currently evaluating the Group's financial strategy and considering to execute the concrete plans to optimise operations and enhance operational efficiency.

The Loan Capitalisation was completed on 19 February 2025.

The issuance of the Capitalisation Ordinary Shares would lead to an increase in share capital, share premium and capital reserve with an aggregate amount of HK$21,414,000 (equivalent to approximately RMB19,829,000).

In addition, the Group has engaged Norton Appraisals Holdings Limited, an independent qualified professional valuer not connected to the Group, to perform a valuation of the fair value of the Capitalisation Convertible Preference Shares on the initial recognition, using binomial model. The fair values of the debt component and equity component of the Capitalisation Convertible Preference Shares are HK$5,037,000 and HK$73,549,000 (equivalent to approximately RMB4,664,000 and RMB68,106,000), respectively.

As if the Loan Capitalisation had been completed on 31 December 2024, the net liabilities of the Group would have been increased from approximately RMB83,900,000 to net assets of approximately RMB4,035,000.

Details of which are set out in Note 37, the Company's announcement dated 27 December 2024 and 24 January 2025 and the Company's circular dated 9 January 2025;

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation of consolidated financial statements (Continued)

Going concern assessment (Continued)

(ii) *Renewed loan facility with HK$100,000,000 unutilised portion from a related company*

On 31 December 2024, the Company renewed and expanded a loan facility from Lovable Products Trading, from HK$150,000,000 (equivalent to approximately RMB135,930,000) as at 31 December 2023 to HK$250,000,000 (equivalent to approximately RMB231,500,000), in which approximately HK$100,000,000 (equivalent to approximately RMB91,708,000) remained an initial stand-by, unutilised facility as of 31 December 2024, as detailed in Note 25, in order to provide financial support to the Group;

(iii) *Negotiation on renewal of existing borrowings*

For the borrowings which will be maturing within 12 months after the end of this reporting period, the Group is actively negotiating with the banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group's working capital and financial requirements in the future will continue to be met. The directors of the Company do not expect to experience significant difficulties in renewing most of these borrowings upon their maturities and there is no indication that these bank lenders will not renew the existing borrowings upon the Group's request. The directors of the Company have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturity;

(iv) *Exploring new sales channels and product lines to facilitate the sales*

The Group is actively exploring new sales channels and product lines to boost sales and attract a diverse range of new customers; and

(v) *Cost-saving measures to be further implemented*

The Group is implementing active cost-saving measures to manage selling and distribution expenses, general and administrative expenses, employing various strategies to enhance operating cash flows and ensure sufficient funding for the Group's working capital needs.

After taking into account the impact of above measures, the directors of the Company have conducted a thorough review of the Group's projected cash flows, and are in the opinion and confident that the Group will have adequate cash resources to satisfy its future working capital and financing needs as and when they fall due in the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Principal accounting policies

The preparation requires the use of certain material accounting estimates and also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)" (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or noncurrent, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Principal accounting policies (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)" (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments") (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Principal accounting policies (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

2.3 Principal of consolidation

2.3.1 Subsidiaries

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

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

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

2.3.2 Changes in ownership interests

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, while the functional currency of the Company is HK$.

(b) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income, within other losses, net.

(c) Group companies

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

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Exchange differences relating to the retranslation of the Company's net assets in HK$ to the Group's presentation currency in RMB are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

2.7 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised in the consolidated statement of profit or loss and other comprehensive income.

2.8 Intangible assets

Trademark

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

Distribution right

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Impairment of non-financial assets

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

2.10 Investments and other financial assets

(a) Classification

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

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

- those to be measured at amortised cost.

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

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

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.10 Investments and other financial assets (Continued)

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

(i) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(ii) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.10 Investments and other financial assets (Continued)

(d) Impairment of financial assets (Continued)

(iii) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

2.11 Offsetting financial instruments

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

2.12 Inventories

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.13 Trade and bills receivables

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

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

2.14 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.15 Share capital

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

2.16 Trade and other payables

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

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.18 Taxation

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred tax

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

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.19 Employee benefits

(a) Employee benefit entitlements

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

(b) Pension obligations

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

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

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

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

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

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

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

If the vested equity instruments are later lapsed and are not exercised, the corresponding amount recognised for services received from an employee is transferred from share option reserve to accumulated losses.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.20 Share-based payments (Continued)

(b) Share-based payment transactions among group entities

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

2.21 Provisions

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

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

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

2.22 Revenue recognition

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

(a) Sales of goods – retail and concessionaire sales

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

(b) Sales of goods – internet sales

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.22 Revenue recognition (Continued)

(c) Sales of goods – wholesales

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

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

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

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

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

2.23 Interest income

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.24 Leases

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

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

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

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

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.24 Leases (Continued)

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.25 Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.26 Borrowing costs

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

2.27 Film rights investment

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

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

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

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

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

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

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

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

(b) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a material judgment that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgment by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in Note 2.1 to the consolidated financial statements.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Estimation of net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less costs necessary to make the sale. These estimates are based on current market conditions and the historical experience of selling products of similar nature. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Management's judgment is required for assessing the net realisable value of inventories in light of the status of the cooperative relationship with the brand owners and product characteristics, which would impact the future clearance sales plan. Management determines the appropriate write-down of inventories based on a detailed historical sales analysis of inventories by brand, the Group's future sales plans of these inventories and historical experience on selling prices for these inventories to estimate the net realisable value. Management reassesses the estimation at the end of each reporting period.

As at 31 December 2024, the net inventory balance of the Group amounted to approximately RMB228,906,000 (2023: RMB301,448,000). The inventories are carried at the lower of cost and net realisable value.

(b) Estimation of impairment of non-financial assets

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

Management judgment 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 value in use calculated by the net present value of future cash flows which are estimated based upon the continued use of the assets in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. 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 statement of profit or loss and other comprehensive income.

As at 31 December 2024, the carrying amounts of property, plant and equipment, intangible assets and right-of-use assets amounted to RMB20,387,000, RMB2,373,000 and RMB63,561,000 (2023: RMB24,228,000, RMB7,822,000 and RMB81,309,000) respectively.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(c) *Fair value of film rights*

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

As at 31 December 2024, the carrying amount of film rights, included in financial asset at FVTPL, was nil (2023: Nil).

(d) *Impairment of financial assets*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 32.1(b).

(e) *Estimation of useful lives of property, plant and equipment*

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

(f) *Income taxes*

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

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

4 REVENUE AND SEGMENT INFORMATION

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

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

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

Segment liabilities mainly exclude current tax liabilities, borrowings, loans from a related company, loan from a director of the Company and other liabilities that are managed on a central basis.

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

(a) The following is an analysis of the Group's segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2024:

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	785,288	195,766	(6,566)	974,488
Reporting segment (loss)/profit excluding depreciation and amortisation	(84,885)	3,988	–	(80,897)
Depreciation and amortisation	(70,307)	(24,315)	–	(94,622)
Reportable segment results	(155,192)	(20,327)	–	(175,519)
Unallocated other income				64
Unallocated corporate expenses				(6,571)
Unallocated other losses, net				(10,545)
Unallocated finance costs				(6,895)
Loss before income tax				(199,466)
Income tax expense				(2,943)
Loss for the year				(202,409)

4 REVENUE AND SEGMENT INFORMATION (Continued)

(b) The following is an analysis of the Group's segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2023:

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	912,130	247,774	(4,166)	1,155,738
Reporting segment (loss)/profit excluding depreciation and amortisation	(82,460)	13,515	–	(68,945)
Depreciation and amortisation	(90,640)	(29,530)	–	(120,170)
Reportable segment results	(173,100)	(16,015)	–	(189,115)
Unallocated other income				109
Unallocated corporate expenses				(7,975)
Unallocated other losses, net				(7,330)
Unallocated finance costs				(5,328)
Loss before income tax				(209,639)
Income tax expense				(1,306)
Loss for the year				(210,945)

4 REVENUE AND SEGMENT INFORMATION (Continued)

(c) The following is an analysis of the Group's assets and liabilities as at 31 December 2024 by reportable segment:

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Segment assets	375,175	46,506	421,681
Deferred tax assets			13,153
Unallocated assets			19,383
Total assets per consolidated statement of financial position			454,217
Segment liabilities	207,841	65,975	273,816
Current tax liabilities			418
Borrowings			107,220
Loans from a related company			139,792
Loan from a director of the Company			15,000
Unallocated liabilities			1,871
Total liabilities per consolidated statement of financial position			538,117

(d) The following is an analysis of the Group's assets and liabilities as at 31 December 2023 by reportable segment:

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Segment assets	474,152	65,404	539,556
Deferred tax assets			15,990
Unallocated assets			25,207
Total assets per consolidated statement of financial position			580,753
Segment liabilities	219,757	83,261	303,018
Current tax liabilities			684
Borrowings			76,655
Loans from a related company			85,302
Unallocated liabilities			1,809
Total liabilities per consolidated statement of financial position			467,468

4 REVENUE AND SEGMENT INFORMATION (Continued)

(e) The following is an analysis of the Group's other segment information as at 31 December 2024 by reportable segment:

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Additions to non-current assets	68,696	17,502	86,198
Depreciation and amortisation	70,307	24,315	94,622
Impairment loss on financial assets	1,574	–	1,574
Impairment loss on right-of-use assets	6,360	847	7,207
Impairment loss on property, plant and equipment	1,199	660	1,859
Impairment loss on intangible assets	2,197	1,975	4,172
Write-down of inventories	10,537	377	10,914

(f) The following is an analysis of the Group's other segment information as at 31 December 2023 by reportable segment:

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Additions to non-current assets	73,608	11,042	84,650
Depreciation and amortisation	90,640	29,530	120,170
Reversal of impairment loss on financial assets	(535)	–	(535)
Impairment loss on right-of-use assets	6,069	1,554	7,623
Impairment loss on property, plant and equipment	2,763	592	3,355
Impairment loss on intangible assets	750	1,966	2,716
Write-down of inventories	11,250	572	11,822

4 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2024 RMB'000	2023 RMB'000
Current assets		
Right of return assets	254	52
Current contract liabilities		
– Receipts in advance	5,505	6,089
– Customer loyalty programme	2,124	3,466
– Liability arising from expected sales return	254	110
Total	7,883	9,665

As at 1 January 2023, right of return assets amounted to RMB305,000 and contract liabilities amounted to RMB8,775,000.

There are no unsatisfied performance obligations as at 31 December 2024.

Where a customer has a right to return a product within a given period, the Group recognises a liability arising from expected sales return of RMB254,000 (2023: RMB110,000) for the amount of consideration received for which the entity does not expect to be entitled. The Group also recognises a right to the returned goods of RMB254,000 (2023: RMB52,000) measured by reference to the former carrying amount of the goods. The costs to recover the products are not material because the customers usually return them in a saleable condition.

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	9,665	8,775

4 REVENUE AND SEGMENT INFORMATION (Continued)

(h) Sales and distribution channels

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

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

	2024 RMB'000	2023 RMB'000
Self-operated retail channels		
– Retail shops	**504,414**	647,950
– Consignment counters	**202,328**	258,408
– Online stores	**56,598**	58,731
Wholesale channels		
– Distributors	**196,768**	145,425
– Hypermarket and supermarket chains	**7,814**	35,500
– Online key accounts	**6,566**	9,724
	974,488	1,155,738

For the years ended 31 December 2024 and 2023, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

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

	2024 RMB'000	2023 RMB'000
The PRC	**63,059**	77,925
Hong Kong, Macau and overseas	**23,262**	35,434
Total	**86,321**	113,359

5 OTHER INCOME

	2024 RMB'000	2023 RMB'000
Interest income	**64**	109
Government grants *(Note)*	**1,024**	2,256
Promotional service income	**377**	2,096
Rebates from platform service providers of online stores	**1,007**	455
Sundry income	**532**	456
	3,004	5,372

Note: Various government subsidies have been received from the local government authorities for subsidising the operating activities and acquisition of fixed assets. During the year ended 31 December 2024, subsidy income amounting to RMB1,024,000 (2023: RMB2,256,000) are recognised in profit or loss. No deferred government grant (2023: Nil) was recognised in the consolidated statement of financial position due to the conditions of the grants being not yet fulfilled.

6 OTHER LOSSES, NET

	2024 RMB'000	2023 RMB'000
Net exchange loss	**(10,545)**	(7,372)
Fair value loss on financial asset at FVTPL	**–**	(290)
Gain on lease modifications	**2,003**	130
Loss on disposal of property, plant and equipment	**(521)**	(109)
Others	**(35)**	(67)
	(9,098)	(7,708)

7 EXPENSES BY NATURE

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

	2024 RMB'000	2023 RMB'000
Auditors' remuneration		
– Audit services	1,440	1,376
– Non-audit services	137	135
Amortisation of intangible assets *(Note 16)*	1,349	1,336
Depreciation of property, plant and equipment	17,681	26,122
Depreciation of right-of-use assets	75,592	92,712
Cost of inventories	665,330	786,923
Write-down of inventories, net (included in cost of sales)	10,914	11,822
Rental expenses in respect of		
– variable leases payments	2,561	4,574
– short-term leases	38,800	31,529
Advertising and promotional expenses	11,659	19,209
Concessionaire fees	66,681	80,855
Employee benefit expenses (including directors' emoluments) *(Note 9)*	95,192	104,610
Outsourced personnel service fees	71,865	82,598
Provision for/(reversal of) impairment loss on trade receivables	801	(728)
Provision for impairment loss on bill receivables	773	193
Other receivables written-off	–	57
Impairment loss on property, plant and equipment *(Note (a))*	1,859	3,355
Impairment loss on right-of-use assets *(Note (a))*	7,207	7,623
Impairment loss on intangible assets *(Note (b))*	4,172	2,716
Transportation costs	15,421	17,512
Building management fees	31,272	32,229
Retail shop expenses	16,789	18,425
Office expenses	2,618	2,988
Travel expenses	1,778	3,084
Insurance	943	995
Others	12,465	18,255
	1,155,299	1,350,505

Notes:

(a) The Group determines each individual retail store as a separately identifiable cash-generating unit ("CGU") and monitors their financial performance. A provision for impairment of the Group's property, plant and equipment and right-of-use assets of RMB1,859,000 and RMB7,207,000, respectively for the year ended 31 December 2024 (2023: RMB3,355,000 and RMB7,623,000, respectively) was made based on impairment assessment carried out for the retail store assets which have an impairment indicator. Such impairment losses were recorded in selling and distribution expenses. The recoverable amounts are based on value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage of individual CGUs based on the Group's annual budget covering an average of 2-year period. A discount rate of 12.0% (2023: 13.5%) was applied to bring the future cash flows back to their present values.

(b) Impairment losses on toy distribution rights and trademark of RMB2,197,000 (2023: RMB750,000) and RMB1,975,000 (2023: RMB1,966,000) have been made based on the impairment assessment, which were recorded to "cost of sales" and "selling and distribution expenses", respectively, please refer to Note 16 for details.

8 FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses on borrowings	3,836	2,277
Interest expenses on loans from a related company	2,134	2,386
Interest expenses on lease liabilities	5,647	7,194
Interest expenses on long service payment obligation	19	14
Guarantee fees paid	925	665
	12,561	12,536

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2024 RMB'000	2023 RMB'000
Salaries and allowance	79,569	87,225
Discretionary bonus	–	–
Pension costs – defined contribution plans *(Note)*	15,623	17,385
	95,192	104,610

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

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

Retirement benefit scheme costs amounting to RMB15,623,000 (2023: RMB17,385,000) were paid by the Group during the year ended 31 December 2024.

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

(i) Five highest paid individuals

The directors' emoluments presented in Note 10(a) include the emoluments of one (2023: one) highest paid individuals in the Group. The emoluments of the remaining four (2023: four) highest paid individuals during the year ended 31 December 2024 was:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	4,779	4,620
Discretionary bonuses	–	–
Employer's contributions to retirement benefits scheme	536	536
	5,315	5,156

Emolument band	Number of individuals 2024	2023
HK$1,000,001 – HK$1,500,000	2	3
HK$1,500,001 – HK$2,000,000	2	1

(ii) No emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors or the five highest paid individuals waived or agreed to waive any emoluments during the year (2023: Nil).

(iii) Senior management's emoluments by band

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

Emolument band	Number of individuals 2024	2023
Nil – HK$1,000,000	4	1
HK$1,000,001 – HK$1,500,000	4	8
HK$1,500,001 – HK$2,000,000	2	1

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

	2024						
	Cash emoluments					Non-cash emoluments	
Name	Directors' fees RMB'000	Salary and allowances RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Discretionary bonus RMB'000	Total cash emoluments RMB'000	Share-based payment RMB'000	Total (including non-cash emoluments) RMB'000
Executive directors							
Mr. Lee Ching Yiu *(Note (i))*	91	–	–	–	91	–	91
Ms. Zhong Mei	91	2,451	160	–	2,702	–	2,702
Non-executive director							
Mr. Du Ping	91	–	–	–	91	–	91
Independent non-executive directors							
Mr. Cheng Yuk Wo	256	–	–	–	256	–	256
Mr. Huang Lester Garson	256	–	–	–	256	–	256
Dr. Lam Lee G. *(Note (ii))*	76	–	–	–	76	–	76
Mr. Albert Thomas da Rosa, Junior *(Note (iii))*	117	–	–	–	117	–	117
	978	2,451	160	–	3,589	–	3,589

10 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

	2023						
	Cash emoluments					Non-cash emoluments	
Name	Directors' fees RMB'000	Salary and allowances RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Discretionary bonus RMB'000	Total cash emoluments RMB'000	Share-based payment RMB'000	Total (including non-cash emoluments) RMB'000
Executive directors							
Mr. Lee Ching Yiu *(Note (i))*	90	–	–	–	90	–	90
Ms. Zhong Mei	90	2,436	162	–	2,688	–	2,688
Non-executive director							
Mr. Du Ping	90	–	–	–	90	–	90
Independent non-executive directors							
Mr. Cheng Yuk Wo	252	–	–	–	252	–	252
Mr. Huang Lester Garson	252	–	–	–	252	–	252
Dr. Lam Lee G.	252	–	–	–	252	–	252
	1,026	2,436	162	–	3,624	–	3,624

Notes:

(i) Mr. Lee Ching Yiu was appointed as Chief Executive of the Group throughout the financial year ended 31 December 2024 and 2023.

(ii) Dr. Lam Lee G. resigned on 18 April 2024.

(iii) Mr. Albert Thomas da Rosa, Junior was appointed on 17 July 2024.

(iv) During the years ended 31 December 2024 and 2023, no Director's emoluments represent the Group's share-based payment to Directors, which are non-cash in nature.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for his services as director of the Company.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

10 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits

During the year ended 31 December 2024, retirement benefits of RMB160,000 (2023: RMB162,000) were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans.

(c) Directors' termination benefits

During the year ended 31 December 2024, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2023: Nil).

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

During the year ended 31 December 2024, no consideration was provided to or receivable by third parties for making available Directors' services (2023: Nil).

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

During the year ended 31 December 2024, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporates and connected entities (2023: Nil).

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

Other than the transactions disclosed in Note 34, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2024 (2023: Nil).

11 INCOME TAX EXPENSE

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

	2024 RMB'000	2023 RMB'000
Current income tax		
– Hong Kong, Macau and overseas profits tax	36	301
(Over)/under-provision in prior years		
– Hong Kong, Macau and overseas profits tax	–	(4,864)
– PRC corporate income tax	–	6
	–	(4,858)
Deferred tax *(Note 26)*	2,907	5,863
	2,943	1,306

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

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2023: 25%). The applicable rate of Hong Kong profits tax is 16.5% (2023: 16.5%). The applicable rate of Macau profits tax is 12% (2023: 12%).

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

	2024 RMB'000	2023 RMB'000
Loss before income tax	(199,466)	(209,639)
Tax at the domestic income tax rate of 25% (2023: 25%)	(49,867)	(52,410)
Tax effect of income not taxable for tax purpose	(136)	(419)
Tax effect of expenses not deductible for tax purposes	1,564	1,361
Over-provision in prior years	–	(4,858)
Tax effect of tax losses not recognised	48,952	55,594
Utilisation of tax losses previously not recognised	–	(11)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,430	2,049
Income tax expense	2,943	1,306

12 LOSS PER SHARE

Basic

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

	2024	2023
Loss attributable to owners of the Company (RMB'000)	**(202,151)**	(210,495)
Weighted average number of ordinary shares in issue ('000)	**800,000**	800,000
Basic loss per share (RMB cents)	**(25.27)**	(26.31)

Diluted

The computation of diluted loss per share for the year ended 31 December 2024 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic loss per share (2023: same).

13 DIVIDENDS

The Board has decided not to propose for payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Total RMB'000
Year ended 31 December 2023			
Opening net book amount	33,685	5,662	39,347
Exchange differences	118	40	158
Additions	13,001	1,311	14,312
Disposals	–	(112)	(112)
Depreciation *(Note)*	(23,706)	(2,416)	(26,122)
Impairment loss	(3,355)	–	(3,355)
Closing net book amount	19,743	4,485	24,228
At 31 December 2023			
Cost	151,498	34,418	185,916
Accumulated depreciation	(119,094)	(29,933)	(149,027)
Accumulated impairment	(12,661)	–	(12,661)
Net book amount	19,743	4,485	24,228
Year ended 31 December 2024			
Opening net book amount	**19,743**	**4,485**	**24,228**
Exchange differences	**90**	**43**	**133**
Additions	**15,580**	**958**	**16,538**
Disposals	**(667)**	**(305)**	**(972)**
Depreciation *(Note)*	**(15,608)**	**(2,073)**	**(17,681)**
Impairment loss	**(1,859)**	**–**	**(1,859)**
Closing net book amount	**17,279**	**3,108**	**20,387**
At 31 December 2024			
Cost	**164,781**	**33,570**	**198,351**
Accumulated depreciation	**(132,959)**	**(30,462)**	**(163,421)**
Accumulated impairment	**(14,543)**	**–**	**(14,543)**
Net book amount	**17,279**	**3,108**	**20,387**

Note: Depreciation of property, plant and equipment is included in selling and distribution expenses and general and administrative expenses amounting to RMB14,763,000 (2023: RMB24,735,000) and RMB2,918,000 (2023: RMB1,387,000), respectively, for the year ended 31 December 2024.

15 LEASES

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

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

	2024 RMB'000	2023 RMB'000
Right-of-use assets		
– Leased premises	**76,761**	91,764
Less: provision for impairment	**(13,200)**	(10,455)
	63,561	81,309

Additions to right-of-use assets amounted to RMB69,660,000 (2023: RMB70,337,000).

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

	2024 RMB'000	2023 RMB'000
At beginning of year	**10,455**	21,281
Impairment loss recognised in profit or loss during the year	**7,207**	7,623
Write-offs during the year	**(4,462)**	(18,449)
At end of year	**13,200**	10,455

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	**45,789**	61,530
Within a period of more than one year but not exceeding two years	**12,565**	24,878
Within a period of more than two years but not exceeding five years	**11,164**	6,114
Within a period of more than five years	**3,988**	–
	73,506	92,522
Less: Amount due for settlement within 12 months shown under current liabilities	**(45,789)**	(61,530)
Amount due for settlement after 12 months shown under non-current liabilities	**27,717**	30,992

15 LEASES (Continued)

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

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

	2024 RMB'000	2023 RMB'000
Depreciation of right-of-use assets (included in selling and distribution expenses and general and administrative expenses)	**75,592**	92,712
Impairment loss on right-of-use assets	**7,207**	7,623
Interest expense (included in finance costs)	**5,647**	7,194
Expense relating to short-term leases (included in selling and distribution expenses and general and administrative expenses)	**38,800**	31,529
Expense relating to variable lease payments not included in lease liabilities (included in selling and distribution expenses)	**2,561**	4,574
Gain on lease modifications (included in other losses/gains, net)	**(2,003)**	(130)

The total cash outflow for leases during the year ended 31 December 2024 was RMB128,735,000 (2023: RMB142,324,000).

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

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

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

(iv) Variable lease payments

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

(v) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. At the commencement dates of the Group's leases, the Group assessed and concluded that it is reasonably certain not to exercise the termination options and not certain to exercise the extension options of those leases. During the years ended 31 December 2024 and 2023, there is no triggering event and the Group remains unchanged on the view of not exercising the termination options and extension options of those leases.

16 INTANGIBLE ASSETS

	Toy distribution rights *(Note (i))* RMB'000	Trademark RMB'000	Total RMB'000
Year ended 31 December 2023			
Opening net book amount	3,843	7,936	11,779
Amortisation charge *(Note (ii))*	(448)	(888)	(1,336)
Impairment loss recognised *(Note (iii))*	(750)	(1,966)	(2,716)
Exchange differences	–	95	95
Closing net book amount	2,645	5,177	7,822
At 31 December 2023			
Cost	4,478	10,522	15,000
Accumulated amortisation and impairment	(1,833)	(5,345)	(7,178)
Net book amount	2,645	5,177	7,822
Year ended 31 December 2024			
Opening net book amount	**2,645**	**5,177**	**7,822**
Amortisation charge *(Note (ii))*	**(448)**	**(901)**	**(1,349)**
Impairment loss recognised *(Note (iii))*	**(2,197)**	**(1,975)**	**(4,172)**
Exchange differences	**–**	**72**	**72**
Closing net book amount	**–**	**2,373**	**2,373**
At 31 December 2024			
Cost	**4,478**	**10,752**	**15,230**
Accumulated amortisation and impairment	**(4,478)**	**(8,379)**	**(12,857)**
Net book amount	**–**	**2,373**	**2,373**

Notes:

(i) During the year ended 31 December 2021, the Group invested RMB6,087,000 as part of the production fee of an live-action animation and become one of the co-owner of the intellectual properties related to the animation. The Group entitled to distribute toys related to the animation and entitled to predetermined percentage of income to be generated from the animation (the "film rights") based on the Group's investment portion as specified in the film rights investment agreement.

Toy distribution rights amounted to RMB4,478,000 was recognised as an intangible asset and film rights amounted to RMB1,264,000 was recognised as a financial asset at FVTPL after deduction of VAT of RMB345,000 during the year ended 31 December 2021.

(ii) The toy distribution rights have a legal life of 10 years, which is amortised on a straight-line basis over the its estimated useful life of 10 years. The trademark has a legal life of 10 years and is renewable upon expiry, it is amortised on a straight-line basis over the its estimated useful life of 10 years assessed by the management of the Group. Amortisation of RMB448,000 (2023: RMB448,000) has been charged to 'cost of sales' and RMB901,000 (2023: RMB888,000) has been charged to 'selling and distribution expenses' in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024.

16 INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(iii) For the years ended 31 December 2024 and 2023, management assessed for whether CGUs have any impairment indicator by considering whether it recorded operating loss in recent reporting period and whether budget (the projected operating cashflow after overhead allocation) was met in current period. The management has reviewed the recoverability of the relevant carrying amounts of the above toy distribution rights and trademark. The recoverable amounts of the toy distribution rights and trademark are determined as the higher of value-in-use or the fair value less cost of disposal.

For the purpose of impairment assessment, the management of the Group estimated the respective recoverable amounts that are based on their value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage on the intangible assets. At 31 December 2024, a discount rate of 12.0% (2023: 13.5%) was applied to bring the future cash flows back to their present values.

The directors of the Company have consequently determined impairment of intangible assets directly related to toy distribution rights and trademark amounting to RMB2,197,000 and RMB1,975,000 (2023: RMB750,000 and RMB1,966,000), respectively. The impairment losses have been included in profit or loss in "cost of sales" and "selling and distribution expenses".

If the discount rate was increased by 0.5% (2023: 0.5%) while other parameters remain constant, the recoverable amounts of trademark would be reduced by RMB187,000 (2023: RMB320,000) and a further impairment of intangible assets in trademark of RMB187,000 (2023: RMB320,000) would be recognised.

If the budgeted sales covering 5-years period of trademark were reduced by 5% (2023: 5%) while other parameters remain constant, the recoverable amount of would be reduced by RMB820,000 (2023: RMB937,000) and a further impairment of intangible assets in trademark of RMB820,000 (2023: RMB937,000) would be recognised.

17 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unlisted shares RMB'000 *(Note (i))*	Film rights RMB'000 *(Note (ii))*	Total RMB'000
At 1 January 2023	–	290	290
Fair value change	–	(290)	(290)
At 31 December 2023 and 31 December 2024	–	–	–

Notes:

(i) The Group invested in 1.5% interest in equity of an unlisted company incorporated in the PRC. In December 2018, instead of the original plan of holding the investment for capital appreciation and dividend, the management has changed the intention to sell it for cash to invest in other projects. The fair value for these equity securities was zero as at year ended 31 December 2024 and 2023 as management consider the likelihood of recovering the amount is remote.

(ii) The balance represented the Group's investment in animation productions which entitled the Group to predetermined percentage of income to be generated from the animation based on the Group's investment portion as specified in the film rights investment agreement, please refer to Note 16 for details.

18 INVENTORIES

	2024 RMB'000	2023 RMB'000
Merchandise	**228,906**	301,448

18 INVENTORIES (Continued)

Inventories recognised as an expense during the year ended 31 December 2024 amounted to RMB665,330,000 (2023: RMB786,923,000). These were included in cost of sales.

Write-down of inventories amounted to RMB10,914,000 (2023: RMB11,822,000) was recognised during the year ended 31 December 2024 and included in 'cost of sales' in the consolidated statement of profit or loss and other comprehensive income.

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

	2024 RMB'000	2023 RMB'000
Trade receivables from contracts with customers	**51,033**	66,476
Less: provision for impairment	**(10,291)**	(10,199)
	40,742	56,277
Bill receivables	**3,866**	3,866
Less: provision for impairment	**(3,866)**	(3,093)
	–	773
Other receivables, deposits and prepayments		
– Rental deposits	**41,260**	45,338
– Other deposits	**10,011**	10,775
– Prepayments for purchase of merchandise stock for resale and expenses	**4,627**	1,763
– Prepaid royalties	**284**	578
– Rebate receivables from suppliers	**6,617**	5,220
– Promotion income receivable from brand owners	**431**	696
– Others	**2,228**	3,277
	65,458	67,647
	106,200	124,697
Trade and bill receivables		
– presented as current assets	**40,742**	57,050
Other receivables, deposits and prepayments		
– presented as non-current assets	**15,561**	19,865
– presented as current assets	**49,897**	47,782
	106,200	124,697

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

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

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

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

The Group pledged trade receivables with amount of RMB10,020,000 (2023: RMB11,509,000) to a third party guarantee company to secure the guaranty granted to the Group.

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

	2024 RMB'000	2023 RMB'000
Within 30 days	26,515	40,190
31 to 60 days	6,368	8,716
61 to 90 days	2,089	2,740
91 to 180 days	4,873	1,532
Over 180 days	11,188	13,298
	51,033	66,476
Less: loss allowance	(10,291)	(10,199)
	40,742	56,277

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, please refer to Note 32.1(b) provides for details about the calculation of the allowance.

Movements in loss allowances for trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	10,199	10,934
Increase/(decrease) in loss allowance recognised in profit or loss during the year	801	(728)
Write-offs during the year	(709)	(7)
At end of year	10,291	10,199

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2024 RMB'000	2023 RMB'000
Restricted cash	**2,747**	2,541
Cash and cash equivalents	**16,636**	21,937
Total cash and cash equivalents and restricted cash	**19,383**	24,478

The cash and cash equivalents and restricted cash are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
HK$	**8,182**	9,732
RMB	**9,909**	11,199
Macau Pataca ("MOP")	**920**	3,307
United States dollar ("US$")	**220**	33
Other currencies	**152**	207
	19,383	24,478

Notes:

(a) Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.2% to 0.625% (2023: 0.2% to 0.625%) per annum.

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

(c) The carrying amounts of cash and cash equivalents and restricted cash approximate to their fair values.

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

21 SHARE CAPITAL OF THE COMPANY

	2024		2023	
	Number of ordinary shares	Share capital RMB'000	Number of ordinary shares	Share capital RMB'000
Ordinary shares of HK$0.01				
Authorised:				
At the beginning of year and at the end of year	**50,000,000,000**	**433,188**	50,000,000,000	433,188
Issued and fully paid:				
At the beginning of year and at the end of year	**800,000,000**	**6,931**	800,000,000	6,931

22 RESERVES

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

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

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

On 27 December 2018 (the "Grant Date"), Mr. Hung Shing Ming ("Mr. Hung"), a then executive director of the Company (resigned on 31 October 2022), has acquired 12,000,000 shares from Mr. Lee Ching Yiu at total consideration of HK$1 and has a right to acquire additional 12,000,000 shares from Mr. Lee Ching Yiu on 27 December 2019 at total consideration of HK$1 subject to fulfilment of service condition, which is accounted for as deemed contribution from Mr. Lee Ching Yiu from his contribution with shares held by the Company's ultimate holding company (Asian Glory) which is wholly owned by Mr. Lee Ching Yiu to the Group and accumulated in capital reserve.

23 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2024 **RMB'000**	2023 RMB'000
Trade payables *(Note (a))*	**116,960**	117,154
Other payables and accruals		
– Due to related companies *(Note (b))*	**19,764**	16,505
– Accrued expenses	**24,171**	32,366
– Accrued staff costs	**9,620**	9,666
– Outsourced personnel service fee payable	**5,012**	6,767
– Provision for retirement benefit costs	**250**	355
– Long service payment provision	**834**	597
– Provision for reinstatement costs *(Note (c))*	**9,393**	9,818
– Other taxes payable	**5,847**	6,907
– Others	**2,447**	2,505
	77,338	85,486
Less: Provision for reinstatement costs presented as non-current liability	**(2,069)**	(2,387)
Long service payment provision presented as non-current liability	**(834)**	(597)
	(2,903)	(2,984)
Other payables and accruals presented as current liabilities	**74,435**	82,502

23 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

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

	2024 RMB'000	2023 RMB'000
Within 30 days	**84,309**	87,103
31 to 60 days	**25,452**	23,886
61 to 90 days	**3,040**	2,940
Over 90 days	**4,159**	3,225
	116,960	117,154

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

	2024 RMB'000	2023 RMB'000
RMB	**70,793**	69,786
HK$	**19,648**	28,212
US$	**26,406**	19,033
Euro ("EUR")	**113**	123
	116,960	117,154

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

Amount due to related companies	**Nature of balance**	**2024 RMB'000**	2023 RMB'000
Land Smart Development Limited *(Note (i))*	Non-trade	**9,037**	8,725
Lovable Products Trading *(Note (i))*	Non-trade	**7,671**	5,388
Politor Limited *(Note (i))*	Non-trade	**3,056**	2,392
		19,764	16,505

Note:

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

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

	2024 RMB'000	2023 RMB'000
Opening balance	**9,818**	10,739
Addition	**467**	515
Reversal	**(892)**	(1,436)
Closing balance	**9,393**	9,818

24 BORROWINGS

	Notes	2024 RMB'000	2023 RMB'000
Secured and guaranteed			
– Bank borrowings	*(a), (b)*	33,150	10,000
Unsecured and guaranteed			
– Bank borrowings	*(b), (c)*	68,000	66,655
– Other borrowings		6,070	–
Total		107,220	76,655

	2024 RMB'000	2023 RMB'000
Fixed-rate borrowings	84,070	54,000
Variable-rate borrowings	23,150	22,655
	107,220	76,655

	2024 RMB'000	2023 RMB'000
The carrying amount of the borrowings are repayable:		
Within one year	78,000	54,000
The carrying amount of the borrowings that contain a repayment on demand clause but repayable:		
Within one year	29,220	22,655
Subtotal	107,220	76,655
Less: amounts due within one year shown under current liabilities	(107,220)	(76,655)
Amounts shown under non-current liabilities	–	–

24 BORROWINGS (Continued)

Notes:

(a) As at 31 December 2024, the fixed-rate revolving bank borrowing facility amounting to RMB10,000,000 (2023: RMB10,000,000), is secured by a property held by Mr. Lee Ching Yiu and guaranteed by Mr. Lee Ching Yiu and his spouse (2023: same). The facility was fully utilised as at 31 December 2024 and 2023. As at 31 December 2024, the interest rate of the borrowing is 2.80% (2023: 2.90%) per annum. The maturity date of the facility is in September 2033.

(b) As at 31 December 2024, the variable-rate bank borrowings with principal amount of HK$25,000,000 (equivalent to approximately RMB23,150,000) (2023: HK$25,000,000 (equivalent to approximately RMB22,655,000)) carry interest at 1.80% (2023: 1.80%) above three month Hong Kong Inter-bank Offered Rate ("HIBOR") per annum. The amounts are secured by a deposit made by Lovable Products Trading and guaranteed by the Company and Lovable Products Trading (2023: unsecured and guaranteed by the Company). As of the same date, although the Group has not fully met a specific financial covenant tied to this revolving loan facility, the Company is actively working with the bank to remediate and obtain a waiver from this. The directors of the Company are of the view that the Company is able to fulfill this obligation from its internal resources when required.

(c) As at 31 December 2024, the fixed-rate bank borrowing facilities amounting to RMB68,000,000 (2023: RMB44,000,000) are unsecured and guaranteed by Ms. Zhong Mei, an executive director of the Company, and/or by subsidiaries of the Group and/or by several independent third parties (2023: same). The facilities were fully utilised as at 31 December 2024 and 2023. As at 31 December 2024, the interest rates of the borrowings ranged from 2.60% to 5.10% (2023: 2.05% to 4.50%) per annum. The maturity date of the borrowing is one year after the date of drawdown.

The Group's borrowings are denominated in the following currencies:

	2024 **RMB'000**	2023 RMB'000
RMB	**84,070**	54,000
HK$	**23,150**	22,655
	107,220	76,655

The Group's borrowings are denominated in RMB and HK$ which are the functional currencies of the relevant group entities.

25 LOANS FROM A RELATED COMPANY/A DIRECTOR OF THE COMPANY

The loans from a related company with principal amounts of US$15,841,000 (equivalent to approximately RMB114,327,000) (2023: US$9,901,000 (equivalent to approximately RMB69,897,000)) and HK$27,500,000 (equivalent to approximately RMB25,465,000) (2023: HK$17,000,000 (equivalent to approximately RMB15,405,000)) were interest bearing at 2.0% per annum (2023: 2.0% per annum), unsecured and repayable in two years (2023: two years). As at 31 December 2024, the carrying amounts of the loans approximate to their fair value (2023: same). During the year ended 31 December 2024, the Company renewed and increased such loan facilities limit with the related party from HK$150,000,000 (equivalent to approximately RMB135,930,000) as at 31 December 2023 to HK$250,000,000 (equivalent to approximately RMB231,500,000), of which are repayable on 31 December 2026, and hence the loans were classified as non-current as at 31 December 2024. As at 31 December 2024, there was unutilised loan facility of approximately RMB91,708,000 (2023: RMB50,628,000) from the related company.

On 19 February 2025, before the completion of Loan Capitalisation, the loan from a related company with principal amounts of US$12,821,000 (equivalent to approximately RMB92,600,000) was converted into HK$100,000,000 with exchange rate of 7.8, and would be capitalised upon the completion of Loan Capitalisation. On the same day, after the completion of the Loan Capitalisation of HK$100,000,000 (equivalent to approximately RMB92,600,000) (Note 37), the above loan facilities limit is hence reduced from HK$250,000,000 (equivalent to approximately RMB231,500,000) to HK$150,000,000 (equivalent to approximately RMB138,900,000), in which approximately HK$100,000,000 (equivalent to approximately RMB91,708,000) is unutilised.

On 8 February 2024, the Group obtained a loan from Mr. Lee Ching Yiu, a director of the Company, with principal amount of RMB15,000,000 (2023: Nil), which was interest-free, unsecured and repayable in six months from the date of drawdown. During the year ended 31 December 2024, the Company renewed the loan facility with Mr. Lee Ching Yiu, of which are repayable on 7 February 2026, and hence the loan was classified as non-current as at 31 December 2024.

The Group's loans from a related company/a director of the Company are denominated in the following currencies:

	2024 **RMB'000**	2023 RMB'000
Loans from a related company:		
US$	**114,327**	69,897
HK$	**25,465**	15,405
	139,792	85,302
Loan from a director of the Company:		
RMB	**15,000**	–

26 DEFERRED TAX

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

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**13,153**	15,990

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted by the date of consolidated statement of financial position.

	2024 RMB'000	2023 RMB'000
At beginning of year	**15,990**	21,810
Charged to consolidated statement of profit or loss *(Note 11)*	**(2,907)**	(5,863)
Exchange realignment	**70**	43
At end of year	**13,153**	15,990

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

	Deferred tax assets										Deferred tax liabilities	
	Decelerated tax depreciation RMB'000	Impairment of leasehold improvement RMB'000	Unrealised profit on inventories RMB'000	Provision for expected credit loss RMB'000	Write-down of inventories RMB'000	Provision for customer loyalty programme RMB'000	Provision for liability arising from expected sales return RMB'000	Lease liabilities RMB'000	Intangible asset RMB'000	Sub-total RMB'000	Right-of-use assets RMB'000	Total RMB'000
Balance at 1 January 2023	2,350	496	1,867	2,575	11,200	337	12	27,014	85	45,936	(24,126)	21,810
Credited/(charged) to profit or loss	172	–	(545)	–	(5,052)	–	2	(5,958)	–	(11,381)	5,518	(5,863)
Exchange realignment	35	–	–	–	–	–	–	75	1	111	(68)	43
Balance at 31 December 2023	2,557	496	1,322	2,575	6,148	337	14	21,131	86	34,666	(18,676)	15,990
Balance at 1 January 2024	2,557	496	1,322	2,575	6,148	337	14	21,131	86	34,666	(18,676)	15,990
Credited/(charged) to profit or loss	421	–	(885)	–	(2,327)	–	(14)	(4,674)	–	(7,479)	4,572	(2,907)
Exchange realignment	62	–	–	–	–	–	–	67	3	132	(62)	70
Balance at 31 December 2024	3,040	496	437	2,575	3,821	337	–	16,524	89	27,319	(14,166)	13,153

26 DEFERRED TAX (Continued)

At 31 December 2024, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB15,662,000 (2023: RMB15,839,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

At 31 December 2024, the Group had unused tax losses arising in the PRC of RMB601,012,000 (2023: RMB451,706,000) available to offset against future profits. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2024 RMB'000	2023 RMB'000
2024	–	26,876
2025	44,893	44,893
2026	72,455	72,455
2027	100,810	100,810
2028	206,672	206,672
2029	176,182	–
	601,012	451,706

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of RMB71,949,000 (2023: RMB43,415,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

27 SHARE OPTIONS SCHEMES

(a) The Pre-IPO Share Option Scheme

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

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

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

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

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

27 SHARE OPTIONS SCHEMES (Continued)

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

The exercisable share options outstanding as at 31 December 2024 was 27,400,000 (2023: 31,600,000), which had a weighted average remaining contractual life of 4 years (2023: 5 years) and weighted average exercise price of HK$0.8 (2023: HK$0.8).

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

Options	Vesting period	Outstanding at 1 January 2023	Lapsed during the year	Forfeited during the year	Outstanding at 31 December 2023	Lapsed during the year	Forfeited during the year	Outstanding at 31 December 2024
Directors								
Tranche 1	25 October 2017 to 24 October 2018	3,800,000	–	–	3,800,000	–	–	3,800,000
Tranche 2	25 October 2017 to 24 October 2019	2,850,000	–	–	2,850,000	–	–	2,850,000
Tranche 3	25 October 2017 to 24 October 2020	2,850,000	–	–	2,850,000	–	–	2,850,000
		9,500,000	–	–	9,500,000	–	–	9,500,000
Employees								
Tranche 1	25 October 2017 to 24 October 2018	9,680,000	(840,000)	–	8,840,000	(1,680,000)	–	7,160,000
Tranche 2	25 October 2017 to 24 October 2019	7,260,000	(630,000)	–	6,630,000	(1,260,000)	–	5,370,000
Tranche 3	25 October 2017 to 24 October 2020	7,260,000	(630,000)	–	6,630,000	(1,260,000)	–	5,370,000
		24,200,000	(2,100,000)	–	22,100,000	(4,200,000)	–	17,900,000
		33,700,000	(2,100,000)	–	31,600,000	(4,200,000)	–	27,400,000

No expense relation to the Pre-IPO share options granted by the Company was recognised during the year ended 31 December 2024 (2023: Nil).

27 SHARE OPTIONS SCHEMES (Continued)

(b) The Post-IPO Share Option Scheme

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

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

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at 31 December 2024, the Post-IPO Share Option Scheme had a remaining life of more than 2 years.

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

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

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

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

27 SHARE OPTIONS SCHEMES (Continued)

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

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

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

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

28 RETIREMENT BENEFIT OBLIGATIONS

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

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

The total cost recognised in selling and distribution expenses and general and administrative expenses of RMB15,623,000 (2023: RMB17,385,000) represents contributions paid or payable to the above schemes by the Group for the year ended 31 December 2024.

29 COMMITMENTS

(a) Other commitments

As of 31 December 2022, the Group's commitments related to minimum royalties payables for merchandising rights contracted but not yet reflected in the consolidated financial statement were US$400,000 (equivalent to RMB2,786,000) which were expected to be paid in the year ending 31 December 2023. As at 31 December 2023, in the opinion of the directors of the Company, management negotiated and agreed orally with the owner of the merchandising rights to waive remaining minimum royalties payables of US$400,000, and such waiver letter was formally obtained in March 2024.

(b) Non-cancellable operating leases

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

As at 31 December 2024, the future aggregate commitment under short-term lease amounted to RMB15,361,000 (2023: RMB15,476,000).

30 BANKING FACILITIES AND GUARANTEES

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

	2024		2023	
	Available facilities RMB'000	Facilities utilised RMB'000	Available facilities RMB'000	Facilities utilised RMB'000
Banking facilities granted to subsidiaries of the Group	**141,003**	**140,261**	167,178	124,637

The facilities utilised included the guarantees of approximately RMB33,040,000 (2023: RMB47,876,000) given to certain suppliers of the Group.

31 CATEGORIES OF FINANCIAL INSTRUMENTS

	2024 RMB'000	2023 RMB'000
Financial assets at amortised cost		
– Trade, bill and other receivables	**50,018**	66,243
– Deposits	**51,271**	56,113
– Cash and cash equivalents and restricted cash	**19,383**	24,478
	120,672	146,834
Financial asset at FVTPL		
– Film rights, at fair value	**–**	–
– Unlisted shares	**–**	–
	–	–
Financial liabilities at amortised cost		
– Trade and other payables	**139,171**	136,164
– Borrowings	**107,220**	76,655
– Loans from a related company	**139,792**	85,302
– Loan from a director of the Company	**15,000**	–
	401,183	298,121

32 FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

At 31 December 2024, if HK$ had strengthened/weakened by 3% (2023: 3%) against the RMB with all other variables held constant, loss for the year (2023: loss for the year) would have been approximately RMB1,329,000 higher/lower (2023: RMB1,331,000 higher/lower) mainly as a result of foreign exchange losses/gains (2023: losses/gains) on translation of HK$ denominated loan from a related company and net trade payables (2023: on translation of HK$ denominated loan from a related company and net trade payables).

At 31 December 2024, if US$ had strengthened/weakened by 3% (2023: 3%) against the RMB with all other variables held constant, loss for the year (2023: loss for the year) would have been approximately RMB4,215,000 higher/lower (2023: RMB2,667,000 higher/lower) mainly as a result of foreign exchange losses/gains (2023: losses/gains) on translation of US$ denominated loan from a related company and net trade payables (2023: on translation of US$ denominated loan from a related company and net trade payables).

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

(ii) Cash flow interest rate risk

The Group's main interest rate risk arises from borrowings and bank deposits (2023: borrowings and bank deposits) which are carried at floating rate. As at 31 December 2024, if the market interest rates have been 100 (2023: 100) basis points higher/lower with all other variables held constant, loss for the year (2023: loss for the year) would have been RMB59,000 higher/lower (2023: RMB18,000 higher/lower), as the Group is in net debt position (2023: net debt position).

32 FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

Sales to retail customers are made in cash or via major credit cards. The Group's concessionaire sales through department stores are generally collectible within 30 to 180 days from the invoice date while credit sales to hypermarkets are generally on credit terms of 15 days to 90 days. Normally the Group does not require collaterals from trade debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors of the Company are of the opinion that adequate provision for uncollectible receivables has been made.

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

(ii) Impairment of financial assets

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

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

Trade and bill receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2024 and 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the bad loan for Chinese retail industry, China real consumption growth and China real import growth to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

32 FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade and bill receivables (Continued)

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

	Current RMB'000	Past due within 30 days RMB'000	Past due 31 to 60 days RMB'000	Past due 61 to 90 days RMB'000	Past due over 90 days RMB'000	Total RMB'000
At 31 December 2024						
Gross carrying amount	29,318	5,946	2,944	1,622	4,353	44,183
Expected credit loss rates	0.1%	1.7%	8.8%	27.0%	70.0%	
Loss allowance	(19)	(100)	(257)	(437)	(3,048)	(3,861)
Net carrying amount	29,299	5,846	2,687	1,185	1,305	40,322

	Current RMB'000	Past due within 30 days RMB'000	Past due 31 to 60 days RMB'000	Past due 61 to 90 days RMB'000	Past due over 90 days RMB'000	Total RMB'000
At 31 December 2023						
Gross carrying amount	45,350	5,565	1,994	270	6,331	59,510
Expected credit loss rates	0.1%	2.8%	16.8%	38.5%	67.2%	
Loss allowance	(44)	(157)	(334)	(104)	(4,252)	(4,891)
Net carrying amount	45,306	5,408	1,660	166	2,079	54,619

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

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

Debtors of trade receivables with significant outstanding balances with gross carrying amounts of RMB6,850,000 as at 31 December 2024 (2023: RMB6,966,000) were assessed individually. Impairment allowance of RMB6,430,000 (2023: RMB5,308,000) was provided for these trade receivables as at 31 December 2024. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors, credit risk characteristics of debtors with reference to the Group's internal credit ratings, and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

32 FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade and bill receivables (Continued)

The grouping is regularly reviewed by management of the Group to ensure relevant information about specific debtors is updated.

Bill receivables are issued from state-owned banks in PRC. The credit quality of bill receivables has been assessed by reference to external credit ratings and to historical information about the counterparty default rates. Expected credit loss of RMB3,866,000 (2023: RMB3,093,000) was provided as at 31 December 2024 due to the deterioration of credit ratings of the debtors.

Other receivables and deposits at amortised cost

Other receivables and deposits at amortised cost mainly represents other receivables and rental deposits in well-known landlords. Except for the amount written-off of RMB57,000 (2024: Nil) during the year ended 31 December 2023, management of the Group considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is immaterial.

Bank balances and restricted cash

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

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major lenders to meet its liquidity requirements in the short and longer term.

The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities and net liabilities of the Group as at 31 December 2024 were approximately RMB13,523,000 and RMB83,900,000 respectively. In view of this, the directors of the Company have given careful consideration to the future liquidity of the Group and details of which are set out in Note 2.

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

32 FINANCIAL RISK MANAGEMENT (Continued)

32.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Weighted average interest rate %	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2024							
Trade payables	–	116,960	–	–	–	116,960	116,960
Other payables	–	22,211	–	–	–	22,211	22,211
Borrowings	4.0	110,965	–	–	–	110,965	107,220
Loans from a related company	2.0	2,796	142,588	–	–	145,384	139,792
Loan from a director of the Company	–	–	15,000	–	–	15,000	15,000
Lease liabilities	6.4	56,153	24,488	2,758	2,086	85,485	73,506
		309,085	182,076	2,758	2,086	496,005	474,689

	Weighted average interest rate %	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2023						
Trade payables	–	117,154	–	–	117,154	117,154
Other payables	–	19,010	–	–	19,010	19,010
Borrowings	4.1	79,425	–	–	79,425	76,655
Loans from a related company	2.0	1,706	87,008	–	88,714	85,302
Lease liabilities	6.4	66,981	30,510	2,203	99,694	92,522
		284,276	117,518	2,203	403,997	390,643

32 FINANCIAL RISK MANAGEMENT (Continued)

32.2 Capital risk management

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

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

The table below analyses the Group's capital structure as at 31 December 2024 and 2023:

	2024 **RMB'000**	2023 RMB'000
Cash and cash equivalents	**16,636**	21,937
Borrowings	**(107,220)**	(76,655)
Loans from a related company	**(139,792)**	(85,302)
Interest payables of loans from a related company	**(7,671)**	(5,388)
Loan from a director of the Company	**(15,000)**	–
Lease liabilities	**(73,506)**	(92,522)
Net debt position	**(326,553)**	(237,930)
Total (deficit)/equity	**(83,900)**	113,285

The Group was in a net debt position of RMB326,553,000 as at 31 December 2024 (2023: RMB237,930,000). As the Group was of net deficit position, the management of the Group considered as irrelevant to further analyse its gearing ratio as at 31 December 2024, as calculated by dividing the Group's net debt by the Group's total deficit (31 December 2023: gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, approximately 210.0%).

32 FINANCIAL RISK MANAGEMENT (Continued)

32.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities, including cash and cash equivalents, restricted cash, trade, bill and other receivables, trade and other payables, borrowings, loans from a related company and loan from a director of the Company approximate their fair values, which either due to their short-term maturities.

(a) Fair value measurement of financial instruments

Below analyses the Group's financial instruments carried at fair value as at 31 December 2024 and 31 December 2023 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

Financial instruments in level 1

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

Financial instruments in level 2

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

Financial instruments in level 3

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

As at 31 December 2024, the Group measured the fair value of the financial asset at FVTPL by using level 3 inputs (2023: same).

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

For the changes in level 3 instruments for the years ended 31 December 2024 and 2023, please refer to Note 17.

33 CASH FLOW INFORMATION

(a) Net cash generated from operations

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Loss before income tax		**(199,466)**	(209,639)
Adjustments for:			
Net unrealised exchange loss		**8,266**	4,615
Depreciation of property, plant and equipment	*14*	**17,681**	26,122
Depreciation of right-of-use assets	*15*	**75,592**	92,712
Amortisation of intangible assets	*16*	**1,349**	1,336
Other receivables written-off	*7*	**–**	57
Write-down of inventories, net	*18*	**10,914**	11,822
Impairment loss on property, plant and equipment	*14*	**1,859**	3,355
Impairment loss on right-of-use assets	*15*	**7,207**	7,623
Impairment loss on intangible assets	*16*	**4,172**	2,716
Provision for/(reversal of) impairment loss on trade receivables	*19*	**801**	(728)
Provision for impairment loss on bill receivables	*7*	**773**	193
Fair value loss on financial asset at FVTPL	*6*	**–**	290
Interest income	*5*	**(64)**	(109)
Interest expenses	*8*	**12,561**	12,536
Gain on lease modifications	*6*	**(2,003)**	(130)
Loss on disposal of property, plant and equipment	*6*	**521**	109
		(59,837)	(47,120)
Changes in working capital:			
– Inventories		**61,951**	100,157
– Trade and bill receivables		**14,734**	1,032
– Other receivables, deposits and prepayments		**2,416**	11,525
– Right of return assets		**(202)**	253
– Trade payables		**(664)**	20,878
– Other payables and accruals		**(11,110)**	(37,686)
– Contract liabilities		**(1,825)**	847
– Restricted cash		**(206)**	(476)
Net cash generated from operations		**5,257**	49,410

33 CASH FLOW INFORMATION (Continued)

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

	2024 RMB'000	2023 RMB'000
Disposal of property, plant and equipment	(972)	(112)
Proceeds from disposal of property, plant and equipment	451	3
Loss on disposal of property, plant and equipment	(521)	(109)

(c) Net debt reconciliation

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

	Assets from financing activities	Liabilities from financing activities							
	Cash and cash equivalents RMB'000	Borrowings RMB'000	Loans from a related company RMB'000	Loan from a director of the Company RMB'000	Interest payables RMB'000	Lease liabilities RMB'000	Interest payables of loans from a related company RMB'000	Other payables RMB'000	Total RMB'000
Net debt as at 1 January 2023	18,490	(32,333)	(51,369)	–	–	(122,823)	(2,943)	–	(190,978)
Cash flows	3,292	(43,999)	(33,022)	–	2,277	106,188	–	665	35,401
Non-cash changes									
– Additions to lease liabilities	–	–	–	–	–	(69,826)	–	–	(69,826)
– Interest charged	–	–	–	–	(2,277)	(7,194)	(2,386)	–	(11,857)
– Lease modification	–	–	–	–	–	1,601	–	–	1,601
– Guarantee fees charged	–	–	–	–	–	–	–	(665)	(665)
Foreign exchange adjustments	155	(323)	(911)	–	–	(468)	(59)	–	(1,606)
Net debt as at 31 December 2023 and 1 January 2024	**21,937**	**(76,655)**	**(85,302)**	**–**	**–**	**(92,522)**	**(5,388)**	**–**	**(237,930)**
Cash flows	**(5,532)**	**(30,070)**	**(51,870)**	**(15,000)**	**3,836**	**87,374**	**–**	**925**	**(10,337)**
Non-cash changes									
– Additions to lease liabilities	**–**	**–**	**–**	**–**	**–**	**(69,193)**	**–**	**–**	**(69,193)**
– Interest charged	**–**	**–**	**–**	**–**	**(3,836)**	**(5,647)**	**(2,134)**	**–**	**(11,617)**
– Lease modification	**–**	**–**	**–**	**–**	**–**	**6,914**	**–**	**–**	**6,914**
– Guarantee fees charged	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(925)**	**(925)**
Foreign exchange adjustments	**231**	**(495)**	**(2,620)**	**–**	**–**	**(432)**	**(149)**	**–**	**(3,465)**
Net debt as at 31 December 2024	**16,636**	**(107,220)**	**(139,792)**	**(15,000)**	**–**	**(73,506)**	**(7,671)**	**–**	**(326,553)**

34 RELATED PARTY TRANSACTIONS

(a) Related parties

At 31 December 2024, Asian Glory held 53.15% (2023: 53.15%) equity interest in the Company as the single largest shareholder.

(b) Transactions with related parties

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

Name of related companies	Nature of transactions	**2024 RMB'000**	2023 RMB'000
Land Smart Development Limited *(Note)*	Rental expenses	**312**	1,440
Politor Limited *(Note)*	Rental expenses	**602**	594
Lovable Products Trading *(Note)*	Loan interest	**2,134**	2,386

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

(c) Balances with related parties

	2024 RMB'000	2023 RMB'000
Amount due to related companies		
Land Smart Development Limited	**9,037**	8,725
Lovable Products Trading	**7,671**	5,388
Politor Limited	**3,056**	2,392
	19,764	16,505
Loans from a related company		
Lovable Products Trading	**139,792**	85,302
Loan from a director of the Company		
Mr. Lee Ching Yiu	**15,000**	–

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

The loans from a related company with principal amounts of US$15,841,000 (equivalent to approximately RMB114,327,000) (2023: US$9,901,000 (equivalent to approximately RMB69,897,000)) and HK$27,500,000 (equivalent to approximately RMB25,465,000) (2023: HK$17,000,000 (equivalent to approximately RMB15,405,000)) were interest bearing at 2.0% (2023: 2.0%) per annum, unsecured and repayable in two years (2023: two years). At 31 December 2024, the carrying amounts of the loans approximate to their fair value (2023: same). At 31 December 2024, there was unutilised loan facility of approximately RMB91,708,000 (2023: RMB50,628,000) from the related company.

34 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

The Loan Capitalisation was approved at the extraordinary general meeting on 24 January 2025 and was completed on 19 February 2025. The unsecured loan in the principal amount of HK$100,000,000 due by the Group to Lovable Products Trading was settled through the issuance of the Capitalisation Ordinary Shares and the Capitalisation Convertible Preference Share.

Details of which set out in the Company's announcement dated 27 December 2024 and 24 January 2025, and the Company's circular dated 9 January 2025.

On 8 February 2024, the Group obtained a loan from Mr. Lee Ching Yiu, a director of the Company, with principal amount of RMB15,000,000 (2023: Nil), which was interest-free, unsecured and repayable in six months from the date of drawdown. During the year ended 31 December 2024, the Company renewed the loan facility with Mr. Lee Ching Yiu, of which are repayable on 7 February 2026.

(d) Key management compensation

Executive directors and certain senior management personnel are considered key management of the Group. Apart from the emoluments of executive directors which are disclosed in Note 10(a), the emoluments of senior management personnel during the year are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	8,878	9,787
Discretionary bonus	–	–
Retirement benefit schemes contributions	876	1,072
	9,754	10,859

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries of the Group at 31 December 2024 which, in the opinion of the directors, principally affect the results or form a substantial portion of the net assets of the Group:

Name of entity	Place of incorporation and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Principal activities	Principal place of business	Ownership interest held by the Group
Directly held by the Company					
Kidsland Holdings Limited	The BVI, limited liability company	US$1	Investment holding	The BVI	100% (2023: 100%)
Silverkids	The BVI, limited liability company	US$100	Investment holding	The BVI	58% (2023: 58%)
Indirectly held by the Company					
ANB (HK) Limited	Hong Kong, limited liability company	HK$1,000	Investment in trademarks	Hong Kong	100% (2023: 100%)
Au Nain Bleu Paris	France, limited liability company	EUR10,000	Retailing of toys	France	90% (2023: 90%)
Kidsland Distribution Limited	Hong Kong, limited liability company	HK$1,000	Trading and sale of toys and related lifestyle products	Hong Kong	100% (2023: 100%)
Kidsland HK Limited	Hong Kong, limited liability company	HK$1,000	Trading and sale of toys and related lifestyle products	Hong Kong	100% (2023: 100%)
Kidsland LCS Limited	Hong Kong, limited liability company	HK$8,000,000	Retailing of toys and related lifestyle products	Hong Kong	100% (2023: 100%)
Prince Asia Limited	Hong Kong, limited liability company	HK$1	Investment holding	Hong Kong	58% (2023: 58%)
Kidsland (Macau) Limited	Macau, limited liability company	MOP25,000	Retailing of toys	Macau	100% (2023: 100%)
北京匯智樂思商貿有限公司	The PRC, limited liability company	HK$3,800,000	Investment holding	The PRC	100% (2023: 100%)
廣州智樂商業有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	The PRC	100% (2023: 100%)

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of entity	Place of incorporation and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Principal activities	Principal place of business	Ownership interest held by the Group
Indirectly held by the Company (Continued)					
北京孩思樂商業有限公司	The PRC, limited liability company	RMB3,000,000	Trading and sale of toys and related lifestyle products	The PRC	100% (2023: 100%)
北京凱奇樂商業有限公司	The PRC, limited liability company	RMB2,000,000	Trading and sale of toys and related lifestyle products	The PRC	100% (2023: 100%)
廣州孩思樂商貿有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	The PRC	100% (2023: 100%)
上海孩思樂商貿有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	The PRC	100% (2023: 100%)
成都孩思樂商貿有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	The PRC	100% (2023: 100%)
深圳孩思樂商貿有限公司	The PRC, limited liability company	RMB500,000	Trading and sale of toys and related lifestyle products	The PRC	100% (2023: 100%)
銀樂寶(天津)商貿有限公司	The PRC, limited liability company	HK$17,000,000	Trading and sale of toys	The PRC	58% (2023: 58%)
凱知樂貿易(天津)有限公司	The PRC, limited liability company	RMB100,000,000	Trading and sale of toys and related lifestyle products	The PRC	100% (2023: 100%)

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Details of a non-wholly owned subsidiary that has material non-controlling interests

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current assets	**18,001**	17,950
Current liabilities	**(3,166)**	(2,343)
Net current assets	**14,835**	15,607
Non-current assets	**1**	1
Net assets	**14,836**	15,608
Accumulated non-controlling interests	**6,231**	6,555

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	**7,505**	3,007
Loss for the year	**(426)**	(857)
Other comprehensive expense for the year	**(346)**	(222)
Total comprehensive expense	**(772)**	(1,079)
Loss allocated to non-controlling interests	**(179)**	(360)
Other comprehensive expense allocated to non-controlling interests	**(145)**	(93)
Total comprehensive expense allocated to non-controlling interests	**(324)**	(453)
Cash flows used in operating activities	**(81)**	(1,675)
Cash flows from investing activities	**–**	–
Cash flows from financing activities	**83**	1,581
Net increase/(decrease) in cash and cash equivalents	**2**	(94)

36 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		–	21,849
Amounts due from subsidiaries		–	80,813
		–	102,662
Current assets			
Deposits and prepayments		256	58
Amounts due from subsidiaries		–	6,020
Cash and cash equivalents		184	181
		440	6,259
Total assets		440	108,921
(DEFICIT)/EQUITY			
Capital and (deficit)/reserves			
Share capital	*21*	6,931	6,931
(Deficit)/reserves	*(b)*	(8,375)	100,065
Total (deficit)/equity		(1,444)	106,996
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		1,871	1,809
Amount due to a subsidiary		13	116
Total liabilities		1,884	1,925
Total equity and liabilities		440	108,921

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2025 and was signed on its behalf.

Lee Ching Yiu	**Zhong Mei**
Director	*Director*

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

(b) Reserve movement of the Company

	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
At 1 January 2023	323,968	27,139	6,828	(59,656)	8,421	306,700
Loss for the year	–	–	–	(209,766)	–	(209,766)
Other comprehensive income for the year	–	–	–	–	3,131	3,131
Total comprehensive (expense)/income for the year	–	–	–	(209,766)	3,131	(206,635)
Share option scheme – share option lapsed	–	(1,714)	–	1,714	–	–
At 31 December 2023	323,968	25,425	6,828	(267,708)	11,552	100,065
At 1 January 2024	**323,968**	**25,425**	**6,828**	**(267,708)**	**11,552**	**100,065**
Loss for the year	**–**	**–**	**–**	**(110,735)**	**–**	**(110,735)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**2,295**	**2,295**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(110,735)**	**2,295**	**(108,440)**
Share option scheme – share option lapsed	**–**	**(3,476)**	**–**	**3,476**	**–**	**–**
At 31 December 2024	**323,968**	**21,949**	**6,828**	**(374,967)**	**13,847**	**(8,375)**

37 EVENTS AFTER THE REPORTING PERIOD

The Loan Capitalisation was approved at the extraordinary general meeting on 24 January 2025 and was completed on 19 February 2025. The unsecured loan in the principal amount of HK$100,000,000 due by the Group to Lovable Products Trading was settled through the issuance of the Capitalisation Ordinary Shares and the Capitalisation Convertible Preference Share.

Details of which set out in the Company's announcement dated 27 December 2024 and 24 January 2025, and the Company's circular dated 9 January 2025.

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2024 **RMB'000**	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
REVENUE	**974,488**	1,155,738	1,144,716	1,469,800	1,374,784
(LOSS)/PROFIT BEFORE TAX	**(199,466)**	(209,639)	(183,962)	6,113	(131,646)
INCOME TAX (EXPENSE)/CREDIT	**(2,943)**	(1,306)	(272)	(4,038)	1,548
(LOSS)/PROFIT FOR THE YEAR	**(202,409)**	(210,945)	(184,234)	2,075	(130,098)
(Loss)/profit for the year attributable to:					
Owners of the Company	**(202,151)**	(210,495)	(182,285)	1,341	(127,094)
Non-controlling interest	**(258)**	(450)	(1,949)	734	(3,004)
	(202,409)	(210,945)	(184,234)	2,075	(130,098)

ASSETS AND LIABILITIES

	At 31 December				
	2024 **RMB'000**	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
TOTAL ASSETS	**454,217**	580,753	757,062	907,155	865,158
TOTAL LIABILITIES	**(538,117)**	(467,468)	(436,482)	(426,002)	(378,437)
NET (LIABILITIES)/ASSETS	**(83,900)**	113,285	320,580	481,153	486,721
Net (liabilities)/assets attributable to:					
Owners of the Company	**(89,790)**	107,006	313,745	471,838	478,310
Non-controlling interest	**5,890**	6,279	6,835	9,315	8,411
	(83,900)	113,285	320,580	481,153	486,721