



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)

**2025 ANNUAL REPORT**



# CONTENTS

Corporate Information	2
Chairman's Statement	3
Directors and Senior Management	5
Management Discussion and Analysis	9
Report of the Board of Directors	16
Environmental, Social and Governance Report	30
Corporate Governance Report	51
Independent Auditor's Report	65
Consolidated Statement of Profit or Loss and Other Comprehensive Income	70
Consolidated Statement of Financial Position	71
Consolidated Statement of Changes in Equity	73
Consolidated Statement of Cash Flows	74
Notes to the Consolidated Financial Statements	75
Five-year Financial Summary	158



# 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

## AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)  
Mr. Huang Lester Garson  
Mr. Albert Thomas da Rosa, Junior

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Lee Ching Yiu (*Chairman*)  
Mr. Cheng Yuk Wo  
Mr. Huang Lester Garson  
Ms. Zhong Mei  
Mr. Albert Thomas da Rosa, Junior

## 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 Auditors*  
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

## COMPANY'S WEBSITE

[www.kidslandholdings.com](http://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.

In 2025, the consumer market in Chinese Mainland continued to evolve, shaped by three notable trends: more rational consumption, a growing emphasis on self-gratification needs, and the increasing influence of technology. Consumers have become more discerning, placing greater importance on value for money, functional innovation, and tangible perceived value, rather than simply brand recognition. At the same time, rising cultural confidence and increasingly diverse value perspectives have led to stronger affinity toward domestic trends, where emotional connection and personal identity play an increasingly important role in purchasing decisions.

Within this broader environment, the toy and collectible market in Chinese Mainland has demonstrated distinctive development trends. Emotional consumption has gradually become a core growth driver, with toys and collectibles serving as a source of enjoyment and companionship for younger consumers. China original intellectual properties (“IPs”) have continued to gain traction, while product innovation in categories such as soft vinyl plush has contributed to new retail experiences. In addition, the application of AI technologies is beginning to empower traditional toys and inject a “new soul” into the industry.

In response to these market dynamics, we commenced a comprehensive strategic transformation during the financial year ended 31 December 2025 (the “Year” or the “Reporting Period”). We have undertaken a series of adjustments across target customer segment, product portfolio, channel strategy, organisational structure and business model, achieving initial progress in 2025.

During the Reporting Period, we strategically entered the trading card game (“TCG”) market through an operational service collaboration with the global top IP, Pokémon. From September to December 2025, we launched and operated several Pokémon TCG Official Gyms in key cities in Chinese Mainland, receiving enthusiastic market response. Starting from the end of 2025, dedicated Pokémon zones were gradually introduced across our retail store and consignment counter channels. This not only drove overall retail performance, but also significantly enhanced in-store consumer experience. Leveraging the momentum from this new initiative, our revenue returned to a growth trend toward the end of the Year.

Meanwhile, we continued to strengthen our collaboration with international brands. We have partnered with Jazwares to launch its HELLO KITTY AND FRIENDS toys in Chinese Mainland market, further enriching our IP portfolio and expanding our reach across different consumer segments. We also deepened our strategic cooperation with Mattel, becoming a key partner in its “Hot Wheels City Tour” initiative. Through enhanced retail presence and improved immersive in-store experiences, notable sales growth was achieved.

In addition, we have accelerated the development of our proprietary brands. Our Pic it brand successfully captured market opportunities across product categories and price segments, with the launch of dozens of new products in 2025, achieving encouraging sales performance and further strengthening our core competitiveness.

2025 also marked a pivotal year for our channel transformation in Chinese Mainland. We deepened our partnership with Sam’s Club, successfully turned multiple Paw Patrol products into seasonal bestsellers, driving substantial sales growth throughout the Year. In terms of retail network optimization, we focused on high-potential cities and core stores, closing those underperforming and with low-efficiency, and reallocating resources to higher-potential businesses, thereby improving both channel efficiency and store-level profitability. In the collectible toy segment, we further refined the product mix and operating model of our Hall One stores, supported by the introduction of new brands such as Pokémon. In addition, our second FAO store located in Xi’an delivered encouraging sales results and demonstrated the strong consumption potential in the market.

We also placed emphasis on improving operational efficiency and cost management. Through organisational adjustments aligned with market changes, total staff costs decreased by approximately 18.9% during the Year. Our logistics network was further streamlined through the operation of two distribution centers serving nationwide stores and customers, significantly lowered logistics costs. At the same time, we leveraged digital tools, including AI, to support operational improvements.

In terms of inventory management, we optimised inventory structure and strengthened dynamic control. By the end of 2025, total inventory was significantly reduced by 35.2% to approximately RMB148.2 million as compared to the financial year ended 31 December 2024 (the "Prior Period"), and inventory turnover days decreased from 141 days for the Prior Period to 115 days for the Reporting Period, resulting in improved capital efficiency.

In 2025, amid ongoing challenges from the broader consumption market in Chinese Mainland and the one-off impacts arising from our transformation initiatives, we recorded a 14.3% decline in total revenue as compared with the Prior Period, while our net loss was narrowed by 35.8% to approximately RMB130.0 million for the Reporting Period from approximately RMB202.4 million for the Prior Period. We believe that the strategic adjustments implemented in 2025 will provide a more solid foundation for continuous improvement in financial performance in 2026 and beyond.

Looking ahead to 2026, we will continue to advance our comprehensive strategic transformation. We will further develop the TCG segment, expand the presence of Pokémon TCG Official Gyms and related retail experience formats, and explore new brands and innovative business models. At the same time, we will accelerate the incubation of proprietary IPs such as Au Nain Bleu and brands such as Pic it, enhancing our innovation capabilities and brand influence.

We will also expand our collectible toy retail network by opening additional Hall One stores in high-potential cities and prime shopping malls, while further strengthening partnerships with leading brands. Leveraging our extensive experience in international brand collaborations and established global network, we will gradually explore opportunities for overseas development.

In addition, we will continue to optimise our organisational structure to align with strategic development and evolving market demands. Through ongoing process improvements, technological empowerment and scale efficiencies, we aim to further enhance operational effectiveness and improve overall profitability. Meanwhile, we will continue to explore the practical application of AI across different aspects of business, capturing the opportunities it presents across product development, content marketing, business model innovation, and operational efficiency.

The progress achieved in 2025 would not have been possible without the trust and support of our shareholders (the "Shareholders"), the dedication of our employees, and the strong collaboration of our partners. On behalf of the Board, I would like to express our sincere gratitude to all of you.

Looking forward, the Board and management will remain committed to our core principles of being "consumer-centric" and "innovation-driven", with the aim of delivering sustainable value to Shareholders, providing quality products and experiences to consumers, and contributing meaningfully to the development of the industry.

**Lee Ching Yiu**

*Chairman*

Hong Kong, 27 March 2026

# DIRECTORS AND SENIOR MANAGEMENT



## DIRECTORS

### Executive Directors

**Mr. Lee Ching Yiu**, aged 70, 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 55, was appointed as Executive Director in 2017. She is also a member of the Nomination Committee. Ms. Zhong is the Co-chief Executive Officer of the Company and the Managing Director of Kidsland in Chinese Mainland who oversees the operations of the Group in Chinese Mainland, while also serving as director for various Group subsidiaries. Prior to joining the Group in July 2001, Ms. Zhong was the sales and marketing director of Beijing Hong Kong Garland Trading Company Limited, a branded toys distributor, from March 1999 to June 2001, where she oversaw organizational development and sales and marketing operations of the firm's overseas business. From November 1993 to February 1999, Ms. Zhong served as national business manager of the toys division of East Asiatic Company (China) Limited, a wholly-owned subsidiary of Santa Fe Group A/S, where she also oversaw organizational development and operations of the firm's overseas business. Ms. Zhong received her Bachelor's degree in English from the Civil Aviation University of China in July 1992 and Executive Master's degree in Business Administration from the China Europe International Business School in September 2005.

### Non-executive Director

**Mr. Du Ping**, aged 55, 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 Chinese Mainland in October 1994.

### Independent Non-executive Directors

**Mr. Cheng Yuk Wo**, aged 65, 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), 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 CSI Properties Limited (stock code: 497) on 28 August 2025 and CPMC Holdings Limited (stock code: 906) on 22 April 2025 (which was privatized on 22 April 2025).

**Mr. Huang Lester Garson**, aged 66, 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 Guoco Group Limited (stock code: 53). 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, Institute of Philanthropy Limited since January 2024 and The Equestrian Federation of Hong Kong, China since September 2025. Mr. Huang resigned as an independent non-executive director of Lam Soon (Hong Kong) Limited (stock code: 411) on 12 November 2025.

**Mr. Albert Thomas da Rosa, Junior, Bronze Bauhinia Star (BBS)**, aged 72, was appointed as Independent Non-executive Director on 17 July 2024. He is also a member of the Audit Committee and the Nomination 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 (FHKI Arb). 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. 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 55, is the Group’s vice president of sales in Chinese Mainland 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. Cao Yuelin**, aged 52, is the Group’s marketing director in Chinese Mainland, 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 50, is the Group’s finance director in Chinese Mainland, 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 50, is the Group's general manager, Hong Kong and Macau. He joined the Group in June 2016 and oversees its Hong Kong and Macau sales 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”) undertook a series of adjustments across target customer segment, product portfolio, channel strategy, organisational structure and business model, achieving initial progress in 2025.

The Group strategically entered the TCG market, continued to strengthen its collaboration with international brands, accelerated the development of its proprietary brands and executed channel transformation during the Reporting Period.

Amid ongoing challenges from the broader consumption market and the one-off impacts arising from the Group’s transformation initiatives, the Group recorded a decrease in revenue of 14.3% to approximately RMB835.4 million for the Reporting Period from approximately RMB974.5 million for the Prior Period.

The Group placed emphasis on improving operational efficiency and cost management, total selling, distribution, general and administrative expenses decreased by 20.7% from approximately RMB465.1 million for the Prior Period to approximately RMB369.0 million for the Reporting Period.

The Group optimised inventory structure and strengthened dynamic control, total inventory was significantly reduced by 35.2% and inventory turnover days decreased to 115 days during the Reporting Period, resulting in improved capital efficiency.

Net loss after tax was narrowed by 35.8% to approximately RMB130.0 million (Prior Period: approximately RMB202.4 million). The Group believes that the strategic adjustments implemented in 2025 will provide a more solid foundation for continuous improvement in financial performance in 2026 and beyond.

## RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 31 December 2025, this network consisted of:

### Self-operated Retail Channels

- 427 self-operated retail points of sale including retail shops and consignment counters (31 December 2024: 518)
- 38 online stores (31 December 2024: 36)

### Wholesale Channels

- 256 distributors (31 December 2024: 270) which sell our products through third-party retailers or their own retail shops, totaling more than 800 (31 December 2024: more than 900)
- 9 hypermarket and supermarket chains (31 December 2024: 12) with a sum of 420 retail points (31 December 2024: 420)
- 2 online key accounts (31 December 2024: 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:

	2025	2024
<b>Retail shops</b>		
At the beginning of the year	140	155
Addition of new retail shops	7	16
Closure of retail shops	(50)	(31)
<b>At the end of the year</b>	<b>97</b>	<b>140</b>

### 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:

	2025	2024
<b>Consignment counters</b>		
At the beginning of the year	378	404
Addition of new consignment counters	16	26
Closure of consignment counters	(64)	(52)
<b>At the end of the year</b>	<b>330</b>	<b>378</b>

### 1.3 Online Stores

During the Reporting Period, we opened four 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 2025, we had 38 online stores in total, compared with 36 as of 31 December 2024.



## 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.

### 2.1 Distributors

As of 31 December 2025, we had 256 distributors (31 December 2024: 270), which sell our products through third-party retailers or their own retail shops, totaling more than 800 (31 December 2024: more than 900).

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

	2025	2024
<b>Distributors</b>		
At the beginning of the year	270	306
Addition of new distributors	74	63
Expiry without renewal of distribution agreements	(88)	(99)
<b>At the end of the year</b>	<b>256</b>	<b>270</b>

### 2.2 Hypermarket and Supermarket Chains

As of 31 December 2025, we had wholesale arrangements with 9 hypermarket and supermarket chains (31 December 2024: 12) with a sum of 420 retail points (31 December 2024: 420) in Tier 1, 2 and 3 cities in Chinese Mainland (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:

	2025	2024
<b>Hypermarket and supermarket chains</b>		
At the beginning of the year	12	12
Addition of new hypermarket and supermarket chains	–	3
Termination or expiry of agreements with hypermarket and supermarket chains	(3)	(3)
<b>At the end of the year</b>	<b>9</b>	<b>12</b>

### 2.3 Online Key Accounts

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

	2025	2024
<b>Online key accounts</b>		
At the beginning of the year and at the end of the year	2	2

## FINANCIAL REVIEW

### Revenue

Optimising the distribution network by focusing on high-potential cities and core stores, during the Reporting Period, the Group's revenue decreased by 14.3% to approximately RMB835.4 million from approximately RMB974.5 million for the Prior Period. Despite the weak market sentiment and consumption downgrading, the Group managed to increase revenue from hypermarket and supermarket chains by strengthening and expanding its collaboration with partners and brands.

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

	2025 RMB'000	2024 RMB'000
<b>Self-operated retail channels</b>		
– Retail shops	423,607	504,414
– Consignment counters	153,509	202,328
– Online stores	49,978	56,598
<b>Sub-total</b>	<b>627,094</b>	763,340
<b>Wholesale channels</b>		
– Distributors	159,458	196,768
– Hypermarket and supermarket chains	44,080	7,814
– Online key accounts	4,811	6,566
<b>Sub-total</b>	<b>208,349</b>	211,148
<b>Total</b>	<b>835,443</b>	974,488

### Self-operated Retail Channels

To effectively improve channel performance and concentrate resources on high-potential businesses, by closing some underperforming and low-efficiency stores, the Group focused on high-potential cities and core stores. The self-operated retail channels recorded a decrease in revenue of 17.8% to approximately RMB627.1 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 16.0% to approximately RMB423.6 million, 24.1% to approximately RMB153.5 million and 11.7% to approximately RMB50.0 million, respectively.

### Wholesale Channels

The Group deepened collaboration with the Sam's Club in Chinese Mainland, successfully turning multiple Paw Patrol products into seasonal bestsellers and driving substantial sales growth throughout the Year. During the Reporting Period, revenue from hypermarket and supermarket chains rose significantly by 464.1% to approximately RMB44.1 million. Revenue from distributors and online key accounts dropped by 19.0% to approximately RMB159.5 million and 26.7% to approximately RMB4.8 million, respectively. Revenue contributed by wholesale channels slightly decreased by 1.3% to approximately RMB208.3 million during the Reporting Period.

Revenue from Hong Kong, Macau and overseas (after inter-segment elimination) recorded a decrease of 14.4% from approximately RMB189.2 million for the Prior Period to approximately RMB162.0 million for the Reporting Period.



### **Cost of Sales, Gross Profit and Gross Profit Margin**

Cost of sales decreased by 13.1% from approximately RMB688.6 million for the Prior Period to approximately RMB598.3 million for the Reporting Period. The Group's gross profit margin slightly decreased from 29.3% for the Prior Period to 28.4% for the Reporting Period, resulted from channel transformation and concentration resources on high-potential businesses. Gross profit decreased from approximately RMB285.8 million for the Prior Period to approximately RMB237.1 million for the Reporting Period.

### **Other Income**

Other income, consisting mainly of rebates from platform service providers of online stores, government grants and promotional service income, decreased by approximately RMB1.2 million from approximately RMB3.0 million for the Prior Period to approximately RMB1.8 million for the Reporting Period, mainly resulting from the drop in government grants.

### **Other Gains/(Losses), Net**

Other gains/(losses), net was mainly attributable to net exchange differences and lease modifications. Other gains, net of approximately RMB13.2 million was recorded for the Reporting Period (Prior Period: other losses, net of approximately RMB9.1 million), mainly resulting from the appreciation of Renminbi ("RMB") against Hong Kong dollar ("HK\$") and gains on lease modifications.

### **Impairment Losses on Financial Assets, Net**

The amount represented provision made for impairment loss on trade and bill receivables. Provision for impairment loss of approximately RMB0.2 million was recorded for the Reporting Period (Prior Period: approximately RMB1.6 million).

### **Selling and Distribution Expenses**

Selling and distribution expenses decreased by 20.5% from approximately RMB418.8 million for the Prior Period to approximately RMB333.0 million for the Reporting Period, which was mainly attributable to intensified expense management, especially on staff costs, concessionaire fees and lease-related expenses.

### **General and Administrative Expenses**

General and administrative expenses dropped by 22.2% from approximately RMB46.3 million for the Prior Period to approximately RMB36.0 million for the Reporting Period, resulting from control over staff costs, repair and maintenance expenses and office rental.

### **Finance Costs**

Finance costs, consisting mainly of interest expenses arising from lease liabilities, borrowings and loans from a related company, decreased by approximately RMB1.5 million from approximately RMB12.6 million for the Prior Period to approximately RMB11.1 million for the Reporting Period.

### **Loss for the Period**

A loss of approximately RMB130.0 million was recorded for the Reporting Period (Prior Period: approximately RMB202.4 million).

### **Inventory, Trade Receivables and Payables Turnover Days**

Inventory turnover days decreased from 141 days for the Prior Period to 115 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 62 days for the Prior Period to 69 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 97 days for the Prior Period to 64 days for the Reporting Period.

### Capital Expenditure

During the Reporting Period, the Group invested approximately RMB7.5 million in property, plant and equipment, mainly to renovate shops (Prior Period: approximately RMB16.5 million).

### Liquidity and Financial Resources

The Group's cash position as of 31 December 2025 was approximately RMB25.0 million, compared to approximately RMB19.4 million as of 31 December 2024. 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 2025 were 0.8 and 0.4, respectively (31 December 2024: 1.0 and 0.4, respectively).

As of 31 December 2025, the Group had aggregate banking facilities of approximately RMB154.6 million (31 December 2024: approximately RMB141.0 million) for bank loans and trade financing, of which approximately RMB2.1 million (31 December 2024: approximately RMB0.7 million) was unutilised as of the same date.

As of 31 December 2025, the Group had a loan facility from a related company of approximately RMB135.5 million (31 December 2024: approximately RMB231.5 million), of which approximately RMB95.2 million (31 December 2024: approximately RMB139.8 million) was utilised as of the same date.

### Gearing Ratio

The table below analyses the Group's capital structure as of 31 December 2025:

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	22,067	16,636
Borrowings	(120,040)	(107,220)
Loans from a related company	(95,230)	(139,792)
Interest payables of loans from a related company	(8,830)	(7,671)
Loan from a director of the Company	(15,000)	(15,000)
Liability component of the convertible preference shares	(5,378)	–
Lease liabilities	(79,790)	(73,506)
Net debt position	(302,201)	(326,553)
Total deficit	(133,540)	(83,900)

The Group was in a net debt position of approximately RMB302.2 million as of 31 December 2025 (31 December 2024: approximately RMB326.6 million). As the Group was of net deficit position, the management of the Group considered it irrelevant to further analyse its gearing ratio as of 31 December 2025, as calculated by dividing the Group's net debt by the Group's total deficit (31 December 2024: same).

**Charge of Assets**

As of 31 December 2025, the Group had restricted cash of approximately RMB2.9 million mainly for bank guarantee of a trade finance facility (31 December 2024: approximately RMB2.7 million).

**Contingent Liabilities**

As of 31 December 2025, the Group did not have significant contingent liabilities (31 December 2024: Nil).

**Foreign Exchange**

The Group is exposed to foreign exchange risk arising from exposure in the United States dollar, Euro and 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 2025, the Company's share capital comprised 1,105,914,286 issued ordinary shares (the "Share(s)") with nominal value of HK\$0.01 each.

On 19 February 2025, the Company has completed a loan capitalisation, by which the unsecured loan of HK\$100,000,000 was capitalised and settled through the issuance of 305,914,286 ordinary Shares and 1,122,657,143 convertible preference shares of the Company. For details, please refer to the Company's announcements dated 27 December 2024 and 24 January 2025, and the Company's circular dated 9 January 2025.

Save as disclosed above, 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 2025, 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 Chinese Mainland, Hong Kong and Macau. Activities of the Company's principal subsidiaries are set out in note 36 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 33 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

On 23 January 2026, the Company received a conversion notice from Asian Glory Holdings Limited, a company wholly owned by Mr. Lee Ching Yiu, the chairman of the Board, an executive Director and the chief executive officer, in relation to the conversion of 250,000,000 convertible preference shares of the Company held by it to convert the same into 250,000,000 new ordinary Shares. On 27 January 2026, 250,000,000 new ordinary Shares were allotted and issued to Asian Glory Holdings Limited. Thereafter, the capital structure of the Company consists of 1,355,914,286 ordinary shares and 872,657,143 preference shares. Please refer to the Company's announcement dated 23 January 2026 for further details.

Save as disclosed herein, there were no important event affecting the Group that had taken place after 31 December 2025 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 70 of this annual report.

## FINAL DIVIDEND

The Board has resolved not to recommend the payment of any dividend for the Year (2024: Nil).

This decision reflects the Board's commitment to preserving funds for future strategic initiatives and operational needs, ensuring the Company remains well-positioned for long-term growth and resilience.



## 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, 12 June 2026 (the “2026 AGM”). A notice convening the 2026 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 2026 AGM**

For the purpose of determining the entitlement of the Shareholders to attend and vote at the 2026 AGM, the register of members of the Company will be closed from Tuesday, 9 June 2026 to Friday, 12 June 2026 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2026 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, 8 June 2026. The record date for determining the eligibility of Shareholders to attend and vote at the 2026 AGM is Friday, 12 June 2026.

## **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 30 to 50 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 158 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 2025, 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 2025, no reserves of the Company were available for distribution to the Shareholders (2024: Nil).

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 84% of the total purchases; and the Group's largest supplier accounted for approximately 39% of the total purchases. The Group's five largest customers in aggregate accounted for approximately 10% 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

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 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, Mr. Du Ping and Mr. Huang Lester Garson will retire from office as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the 2026 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 2025 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 2025, 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 <sup>(1)</sup>
Mr. Lee Ching Yiu	Beneficial owner	14,000,000 (L) <sup>(5)</sup>	1.27%
	Held by controlled corporation <sup>(2)</sup>	1,853,795,952 (L) <sup>(6)</sup>	167.62%
Ms. Zhong Mei	Beneficial owner	5,000,000 (L) <sup>(5)</sup>	0.45%
	Held by controlled corporation <sup>(3)</sup>	29,999,100 (L)	2.71%
Mr. Du Ping	Beneficial owner	1,500,000 (L) <sup>(5)</sup>	0.14%
	Held by controlled corporation <sup>(4)</sup>	2,999,910 (L)	0.27%

(L) denotes long position

Notes:

- (1) The percentages are calculated on the basis of 1,105,914,286 Shares in issue as of 31 December 2025.
- (2) Mr. Lee Ching Yiu, the chairman of the Board, an Executive Director and the chief executive officer of the Company, is the sole shareholder of Asian Glory Holdings Limited ("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) These include the maximum number of Shares which may be allotted and issued to such Directors (Mr. Lee Ching Yiu: 4,000,000 Shares; Ms. Zhong Mei: 5,000,000 Shares; and Mr. Du Ping: 1,500,000 Shares) upon the exercise of the pre-IPO share options and post-IPO share options granted to each of them under the pre-IPO share option scheme and post-IPO share option scheme approved and adopted by the then shareholders on 20 October 2017 (the "Pre-IPO Share Option Scheme" and "Post-IPO Share Option Scheme", respectively). Details of the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme are set out under the section headed "Share Option Schemes" below.
- (6) This includes the maximum number of Shares which may be allotted and issued to Asian Glory upon the conversion of its holding of the 1,122,657,143 convertible preference shares of the Company.



### 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 2025, 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 2025, 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 <sup>(1)</sup>
Ms. Tang Hoi Lun	Interest of spouse <sup>(2)</sup>	1,867,795,952 (L)	168.89%
Asian Glory	Beneficial owner	1,853,777,953 (L) <sup>(4)</sup>	167.62%
	Held by controlled corporation <sup>(3)</sup>	17,999 (L)	0.00%

(L) denotes long position

Notes:

- The percentages are calculated on the basis of 1,105,914,286 Shares in issue as of 31 December 2025.
- 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.
- 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.
- This includes the maximum number of Shares which may be allotted and issued to Asian Glory upon the conversion of its holding of the 1,122,657,143 convertible preference shares of the Company.

Save as disclosed above, as of 31 December 2025, 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 Post-IPO Share Option Scheme was adopted, 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 1 year.

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. At the beginning and the end of the Year, the number of options available for grant under the scheme mandate of the Post-IPO Share Option Scheme were 80,000,000 and 3,500,000, respectively.

As of the date of this annual report, there were 80,000,000 Shares available for issue under the Post-IPO Share Option Scheme representing approximately 5.90% 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.

During the Year, 76,500,000 share options were granted under the Post-IPO Share Option Scheme.



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

	Date of grant	Exercise price HK\$	Exercise period	Outstanding at the beginning of the Year	Granted during the Year	Exercised during the Year	Lapsed or cancelled during the Year	Outstanding at the end of the Year
<b>Director</b>								
Ms. Zhong Mei	25 July 2025	0.063	25 January 2027 – 24 July 2028	–	1,000,000	–	–	1,000,000
<b>Employees</b>								
	25 July 2025	0.063	25 January 2027 – 24 July 2028	–	75,500,000	–	–	75,500,000
<b>Total</b>				–	76,500,000	–	–	76,500,000

As of 31 December 2025:

- Share options exercisable into 76,500,000 Shares granted under the Post-IPO Share Option Scheme remained outstanding, representing approximately 6.92% of the total number of issued Shares; and
- 3,500,000 Shares of remained issuable under the Post-IPO Share Option Scheme, representing approximately 0.32% of the total number of issued Shares.

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme since its adoption and up to 31 December 2025.

### 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 1 year. At both the beginning and the end of the year ended 31 December 2025, the number of options available for grant under the scheme mandate of the Pre-IPO Share Option Scheme was nil.

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
<b>Directors</b>					
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
<b>Employees</b>	17,900,000	–	2,400,000	–	15,500,000
<b>Total</b>	27,400,000	–	2,400,000	–	25,000,000

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 2,400,000 underlying Shares (2024: 4,200,000 underlying Shares) granted under the Pre-IPO Share Option Scheme lapsed, and the corresponding share option reserves of RMB1,994,000 (2024: RMB3,476,000) were reclassified as retained earnings. As of 31 December 2025, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 25,000,000 Shares, which represented 2.3% of the Shares in issue (excluding treasury Shares, if any) as of the same date. As of the date of this annual report, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 23,500,000 Shares, which represented 1.7% 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 2025.



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
<b>Directors</b>		
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
<b>Employees</b>	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 27 March 2026, 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 35 of the Consolidated Financial Statements and in the section headed "Connected Transactions" on page 26, there were no other transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## CONNECTED TRANSACTIONS

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

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

On 1 January 2025, 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 2025 to 31 December 2025 (both days inclusive). The total rent for the 12-month term ended 31 December 2025 was approximately RMB312,000 (exclusive of utilities and management fees). The lease agreement has been renewed on 1 January 2026.

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 2024, 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 2024 to 30 June 2025 (both days inclusive). The HK Lease Agreement has been renewed on 1 July 2025 at a monthly rent of HK\$43,000 (inclusive of the government rates, rent and management fees). As a result, the total rent for the 12-month term ended 31 December 2025 was HK\$588,000.

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 Limited ("Lovable Products Trading"), who agreed to provide a loan facility of approximately RMB135.5 million (2024: approximately RMB231.5 million) of which approximately RMB95.2 million was utilised as of 31 December 2025 (2024: approximately RMB139.8 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 complied 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 35 of the Consolidated Financial Statements contains a summary of significant related party transactions made during the Year.

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

## EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2025, the Group had approximately 800 employees (including both in-house and outsourced employees) (31 December 2024: approximately 1,100 employees) in Chinese Mainland, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Year amounted to approximately RMB75.5 million and RMB60.0 million, respectively (2024: approximately RMB95.2 million and RMB71.9 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 25. The Group has been ensuring adequate training and professional development opportunities to employees.

## PERMITTED INDEMNITY PROVISION

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

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

## EQUITY-LINKED AGREEMENT

### Loan Capitalisation

On 27 December 2024, the Company, Asian Glory and 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 on the date of the Loan Capitalisation Agreement, to Asian Glory (the “Loan Capitalisation”). The Loan Capitalisation was approved by 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”).

Save as disclosed above and for the disclosure under the section headed “Share Option Schemes”, 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 2025 are set out below:

1. On 28 August 2025, Mr. Cheng Yuk Wo has resigned as an independent non-executive director of CSI Properties Limited (stock code: 497), a company listed on the Stock Exchange.
2. On 12 November 2025, Mr. Huang Lester Garson has resigned as an independent non-executive director of Lam Soon (Hong Kong) Limited (stock code: 411), 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 2026 AGM to re-appoint Moore as Auditor.

On behalf of the Board

**Mr. Lee Ching Yiu**, *Chairman*

27 March 2026

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This report summarizes several subjects of Kidsland International Holdings Limited (“Kidsland”, together with its subsidiaries, collectively the “Group” or “we”) of business practices for the Environmental, Social and Governance (the “ESG”) report (the “Report”) and its relevant implemented policies and strategies in relation to the Group’s operational practices and environmental protection. For information regarding corporate governance, please refer to the section headed Corporate Governance Report on pages 51 to 64 of this annual report.

The Report covers the period from 1 January 2025 to 31 December 2025 (the “Reporting Period” or “FY2025”).

## 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 Code (the “ESG Reporting Code”) 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 Code 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 Chinese Mainland, 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 2025 to 31 December 2025. With regard to KPIs, the reporting scope includes data from Chinese Mainland, 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") on 27 March 2026.

## **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](mailto: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	<ul style="list-style-type: none"> <li>• Annual reports, interim reports, ESG reports and other public information</li> <li>• Meetings</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Annual general meetings and other general meetings of shareholders</li> <li>• Company website</li> <li>• Announcements</li> <li>• Annual reports, interim reports, ESG reports and other public information</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Training</li> <li>• Meetings</li> <li>• Performance evaluation</li> <li>• Leisure activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Email and customer service hotline</li> <li>• Mobile application</li> <li>• Product and service feedback</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Regular review</li> <li>• Meetings</li> <li>• On-site visits</li> </ul>



## 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.

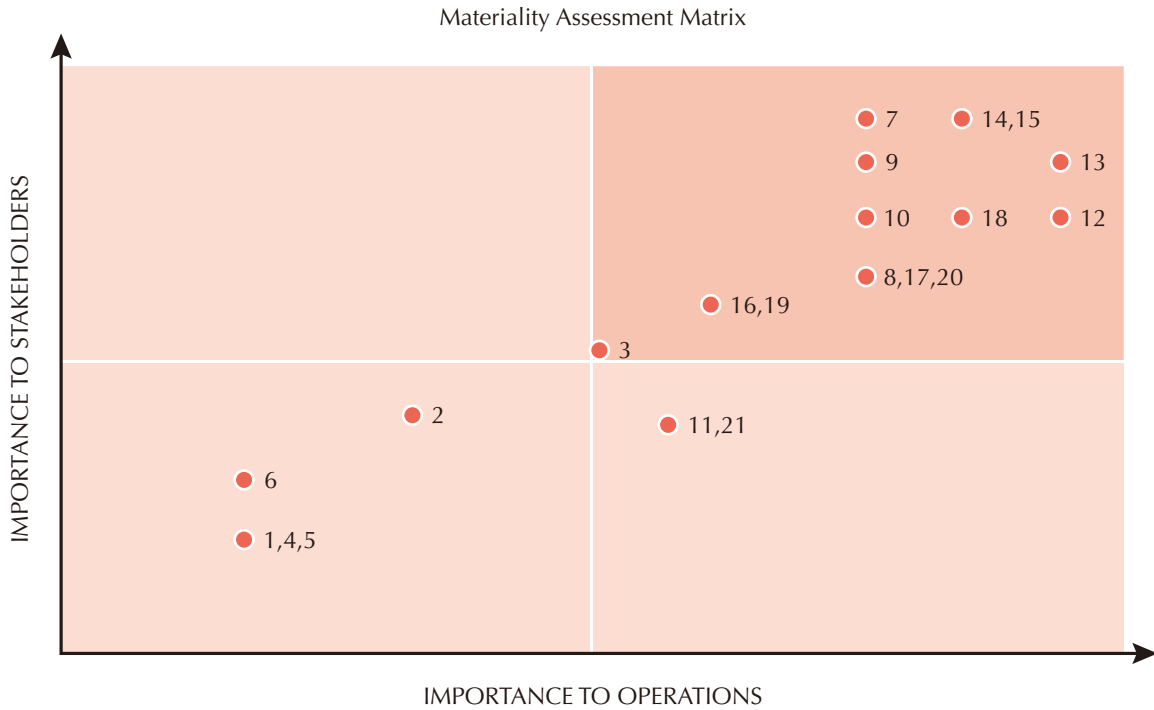
### (1) Identification

In accordance with the ESG Reporting Code, 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)
	A2. Use of Resources	2. Waste Management
	A3. The Environment and Natural Resources	3. Energy Saving
	A4. Climate Change	4. Water Consumption
B. Social Responsibility	B1. Employment	5. Effluent Discharges
	B2. Workplace Health and Safety	6. Climate Change Strategy
	B3. Development and Training	7. Employee Remuneration and Benefits
	B4. Labor Standards	8. Diversity and Equal Opportunity
	B5. Supply Chain Management	9. Occupational Safety and Health
	B6. Product Responsibility	10. Employee Training and Development
		11. Anti-child and Forced Labor
		12. Supply Chain Management
	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	
	20. Anti-corruption	
	21. Community Investment and Engagement	
	B7. Anti-corruption	
	B8. Community Investment	

**(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.



The following chart shows the level of materiality topics 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 Chinese Mainland, 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.

### A1. Emissions and Waste 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 I). 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, the main reason for the decrease in carbon emissions from purchased electricity was the reduction in the number of retail stores in Chinese Mainland. The following charts summarize the GHG emissions of the Group during the Reporting Period.

Greenhouse Gas Emissions <sup>(1)</sup>		Unit	FY2025	FY2024
Scope I (Direct Emissions)		tCO <sub>2</sub> e	0	0
Scope II (Indirect Emissions)		tCO <sub>2</sub> e	1,657	1,937
Electricity purchased		tCO <sub>2</sub> e	1,657	1,937
Scope III (Other Indirect Emissions)		tCO <sub>2</sub> e	139	114
Business air travels		tCO <sub>2</sub> e	125	80
Paper waste disposed at landfills		tCO <sub>2</sub> e	14	34

		Unit	FY2025	FY2024
<b>Total</b>	(Scope I & II)	tCO <sub>2</sub> e	1,657	1,937
	(Scope I & II & III)	tCO <sub>2</sub> e	1,796	2,051
<b>Carbon intensity</b>	(Scope I & II)	tCO <sub>2</sub> e per million revenue in RMB	1.98	1.99
	(Scope I & II & III)	tCO <sub>2</sub> e per million revenue in RMB	2.15	2.10

#### 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<sub>2</sub>e 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<sub>2</sub>e per million revenue in RMB). Scopes I and II emissions are addressed through our energy reduction initiatives (See Section: 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 Chinese Mainland operations in 2025, GHG emissions associated with electricity purchased in 2025 are calculated using the Announcement on the Release of CO<sub>2</sub> 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<sub>2</sub>: 1, CH<sub>4</sub>: 28, N<sub>2</sub>O: 265).
- (iii) For Hong Kong and Macau region, GHG emissions associated with electricity purchased in 2025 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).

<b>Non-hazardous Waste Consumption</b>	<b>Unit</b>	<b>FY2025</b>	<b>FY2024</b>
Paper consumption	kg	1,133	3,450
Paper consumption intensity	kg per million revenue in RMB	1.36	3.54
Carton boxes consumption	kg	1,800	3,642
Carton boxes consumption intensity	kg per million revenue in RMB	2.15	3.74
Total non-hazardous waste consumption	kg	2,933	7,092
Total non-hazardous waste consumption intensity	kg per million revenue in RMB	3.51	7.28

## **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).

*Energy consumption*

Electricity Consumption	Unit	FY2025	FY2024
Electricity consumption	kWh	2,843,566	3,383,580
Electricity consumption intensity	kWh per million revenue in RMB	3,404	3,472

**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.

**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.



## A4. Climate Change

### *Climate-related risk management governance*

The Board focuses on managing the risks posed by climate change by integrating environmental, social and governance (including climate-related issues) into the corporate governance process, strengthening Board-level oversight and leading management to address climate risks in existing business processes and the impact on the Company's overall strategy. The management of climate-related risks has been incorporated into the Group's risk management system. The Board is responsible for overseeing the effectiveness of its climate-related risk management, discussing, reporting and formulating relevant measures within the risk management procedures, such as board meetings, and formulating contingency plans based on the identified risks to enhance its ability to cope with the negative impacts arising from unexpected extreme weather conditions. The Group is committed to ensuring normal production and operations, as well as safeguarding public safety and the lives and properties of its employees. For details of the Group's environmental, social and governance, please refer to the section headed "BOARD STATEMENT – ESG GOVERNANCE STRUCTURE".

### *Climate-related risk management*

The ESG risk assessment is based on an evaluation of the likelihood and impact of the various identified risks, which are categorized as high, medium and low.

Risk Level	Overall Risk Level Definition
<b>High</b>	Risks of this magnitude could have serious consequences that would most likely have some impact on the Group and prevent the Group from achieving its strategic objectives.
<b>Medium</b>	Risks of this magnitude may have serious consequences but are less likely to occur. Conversely, consequences are smaller in nature but more likely to occur.
<b>Low</b>	The risks at this level have limited harm and consequences for the Group's achievement of its strategic objectives and the likelihood of their occurrence is low.

**Identification of the Group’s climate-related risks**

The Group considers that climate change is of significant importance to the development of the Group’s business. In order to ensure that the Group is better able to cope with the challenges brought by climate change, the Group has identified its climate-related risks and opportunities and implemented measures to cope with the negative impacts as well as the benefits of climate change. The details are shown in the table below.

*Entity and transition risks*

Climate-related Risks	Timeframe	Potential Financial Implications	Risk Level	Trends
<b>Extreme weather</b>	Short-term	Frequent typhoons and heavy rains may lower foot traffic in shopping malls, and in severe cases, stores may suspend operations, which could reduce the Group’s sales revenue.  Frequent typhoons and heavy rains may disrupt product transportation, cause product damage and delivery delays, and thus reduce the Group’s sales revenue.	Medium	Increasing
<b>Extreme weather</b>	Long-term	Against the trend of global warming, there are more and more hot days. This may affect the sales of large outdoor toys, thereby reducing the Group’s revenue.	Low	Increasing
<b>Tighter climate-related policies</b>	Long-term	Stricter climate-related policies may: <ul style="list-style-type: none"> <li>Affect suppliers’ operations, leading to unstable product supply and higher raw material costs.</li> <li>Directly impact suppliers’ businesses, thus affecting the stability of the Group’s product supply.</li> </ul>	Low	Increasing
<b>Changes in customer behavior</b>	Mid-term	As customers increasingly prefer low-carbon and eco-friendly products, investing human and financial resources in developing such products may result in high costs.	High	Increasing

**Responses to climate-related entity and transition risks**

1. To meet market demand for eco-friendly toys, the Group prioritises the introduction of toys meeting environmental standards, such as those made from recycled plastics, biodegradable materials, and products free from harmful chemical additives. The Group strives to monitor its suppliers, including inspecting the quality, safety and environmental standards of their raw materials and products.
2. To mitigate short-term physical risks caused by extreme weather, the Group has developed online shopping platforms, allowing customers to shop even when physical retail stores are closed due to typhoons and heavy rain. In addition, the Group has adjusted transportation routes to improve delivery efficiency under extreme weather conditions.
3. As hot weather becomes more frequent, the Group has implemented a sales strategy and adjusts its toy product mix year by year. It increases the supply proportion of indoor educational toys, parent-child interactive toys and portable outdoor toys, and focuses on promoting online interactive toys that are not affected by weather conditions to offset sales losses of large outdoor toys heavily impacted by extreme weather.
4. To avoid high toy manufacturing costs resulting from the transition to low-emission technologies and stricter environmental policies, the Group regularly compares the average costs of various toy manufacturers and strengthens cost control over toy supply. In addition, the Group discusses with suppliers their challenges during the transition to stricter environmental policies and the adoption of low-emission technologies, and provides them with support.

**Climate-related opportunities**

Under the trend of global warming, the Group is committed to promoting long-term environmentally friendly and low-carbon businesses. This helps maintain the Group's reputation and operational stability, thus ensuring stable revenue in the future. The Group has taken measures to capture climate-related opportunities, such as implementing energy conservation initiatives to reduce the consumption of natural resources and lower greenhouse gas and pollutant emissions. Details of the measures to reduce air pollutants, greenhouse gas emissions, water consumption and energy consumption are set out in Sections A1 and A2.

**Measurement and Targets**

To measure the level and impact of the Group's climate-related risks, the Group monitors measurement criteria and indicators to ensure effective quantitative assessment. The Group regularly monitors and reviews its Scope I, Scope II and Scope III greenhouse gas emissions (in tCO<sub>2</sub>e equivalent), total greenhouse gas emissions (in tCO<sub>2</sub>e equivalent) and greenhouse gas emission intensity (in tCO<sub>2</sub>e equivalent per million revenue in RMB). Data and information on greenhouse gas emissions relating to target setting are set out in Section A1 Emissions and Waste Generated of this Report.

## SOCIAL RESPONSIBILITY

### B1. Employment

The Group considers employees as the most valuable wealth and resources and believes that they are the propellant 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 Chinese Mainland, 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.

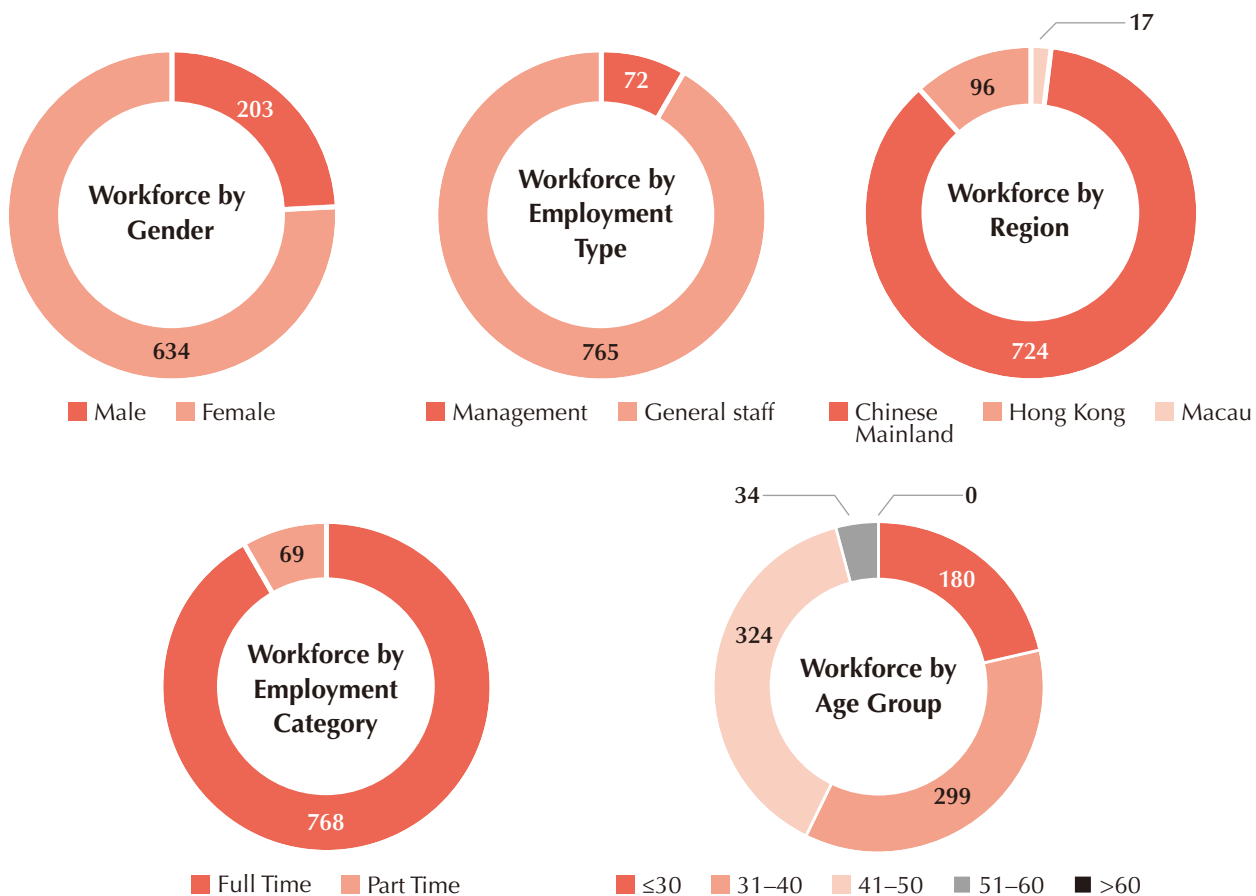
The Group attaches great importance to talent acquisition, and we recognize that the success of an enterprise is inseparable from its employees at all levels. In 2025, we looked for passionate people through a variety of recruitment channels including internal referral, social media recruitment, online 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 2025, 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 2025, the Group had 837 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 2025**



**Employee turnover<sup>(2)</sup>**

		No. of Staff
<b>Total</b>	Overall number (Turnover rate)	491 (58.7%)
<b>By gender</b>	Male (Turnover rate)	141 (69.5%)
	Female (Turnover rate)	350 (55.2%)
<b>By age group</b>	30 or below (Turnover rate)	177 (98.3%)
	31–40 (Turnover rate)	143 (47.8%)
	41–50 (Turnover rate)	129 (39.8%)
	51–60 (Turnover rate)	41 (120.6%)
	Above 60 (Turnover rate)	1 (N/A)
<b>By geographical regions</b>	Chinese Mainland (Turnover rate)	360 (49.7%)
	Hong Kong (Turnover rate)	129 (134.4%)
	Macau (Turnover rate)	2 (11.8%)

**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 Chinese Mainland, 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 Chinese Mainland 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 2025 divided by the total number of staff under respective categories as of the end of 2025.

**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.

**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 Chinese Mainland, 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 180 lost days due to work injury during the Reporting Period. There was no record of work-related fatality in the past three reporting years.

### 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<sup>(3)</sup>*

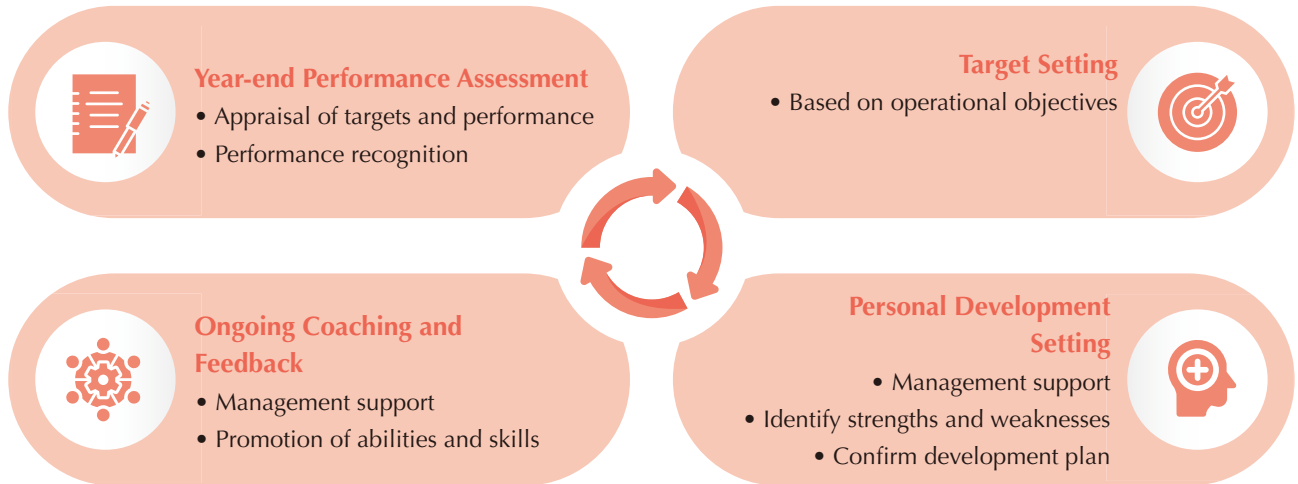
		Total	Average Training Hours Per Employee
<b>Number of training hours</b>		4,736	5.66
<b>By gender</b>	Male	95	0.47
	Female	4,641	7.32
<b>By employee type</b>	Management	30	0.42
	General staff	4,706	6.15

Remark:

- (3) The average training hours per employee is calculated by the total number of training hours (excluding sales assistant training in Chinese Mainland operations) in 2025 divided by the total number of staff under the respective category as of the end of 2025.



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:



#### 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.

## 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 114 suppliers.

### *Number of suppliers by geographical region*

Region	Unit	FY2025
Chinese Mainland	Numbers	67
Hong Kong	Numbers	47

## 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.

**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, we had not provided any anticorruption training to our directors and staff because we were in the process of determining and arranging appropriate resources in promoting such topics within our organization. Yet, looking ahead, we will invest more resources to our anti-corruption training and expand the scope of anti-corruption training data disclosure.

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.

### **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) 243 toys amounting to a total of RMB36,070 to the Party-Mass Service Center of Qixiaying Town, Zhuozi County, Ulanqab City, Inner Mongolia (“內蒙古烏蘭察布市卓資縣旗下營鎮黨群服務中心”); and (ii) a batch of toys amounting to a total of RMB51,687 to the Suzhou Children and Youth Foundation (“蘇州市兒童少年基金會”).

# 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

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 that (i) he meets the independence criteria as set out in Rule 3.13(1) to (8) of the Listing Rules; (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person (as defined under the Listing Rules) of the Company; and (iii) there are no other factors that may affect his independence at the date of this report, and the Company considers that all INEDs are independent within the definition of the Listing Rules.



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

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

## **RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT**

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

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

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

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

## **DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS**

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

In compliance with code provision C.1.1 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	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. 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 2024 with the senior management of the Company and external auditor, reviewed and discussed the unaudited interim results for the six months ended 30 June 2025 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 24 March 2026 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 two Executive Directors, namely Mr. Lee Ching Yiu (as committee chairman) and Ms. Zhong Mei (appointed on 13 June 2025), as well as three INEDs, namely Mr. Cheng Yuk Wo, Mr. Huang Lester Garson and Mr. Albert Thomas da Rosa, Junior (appointed on 27 August 2025). It is mainly responsible for, among others, (i) reviewing the Board's composition, structure, size and diversity at least annually, and assist the Board in maintaining a Board skills matrix; (ii) assessing the independence of the INEDs; (iii) making recommendations to the Board on the nomination, appointment or re-appointment of Directors; (iv) succession-planning, regarding in particular, the Chairman and CEO; and (v) supporting the Company's regular evaluation of the performance of the Board.

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 two meetings 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 27 March 2026, 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 RMB916,200)	8
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB916,201 to RMB1,374,300)	3
HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately RMB1,374,301 to RMB1,832,400)	2
HK\$2,500,001 to HK\$3,000,000 (equivalent to approximately RMB2,290,501 to RMB2,748,600)	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 Board Diversity 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 with a gender ratio of male to female at 5:1. 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 27 March 2026, 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 2025, the gender ratios the Company's senior management and workforce (excluding senior management) (female to male) were 1.9:1 and 3.3:1, respectively. 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 B7. Anti-corruption of the Environmental, Social and Governance Report on page 49 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 27 March 2026, 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 27 March 2026. 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:

Name	Attendance/Number of Meetings for the Year				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Mr. Lee Ching Yiu	5/5	–	1/1	2/2	1/1
Ms. Zhong Mei (“Ms. Zhong”)*	5/5	–	0/0	–	1/1
Mr. Du Ping	4/5	–	–	–	1/1
Mr. Cheng Yuk Wo	5/5	3/3	1/1	2/2	1/1
Mr. Huang Lester Garson	5/5	3/3	1/1	2/2	1/1
Mr. Albert Thomas da Rosa, Junior (“Mr. da Rosa”)*	5/5	3/3	0/0	–	1/1

\* Ms. Zhong and Mr. da Rosa were appointed as members of the Nomination Committee on 13 June 2025 and 27 August 2025, respectively.

## 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 65 to 69 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	1,237
Non-audit services – review of interim financial information	137
<b>Total</b>	<b>1,374</b>

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 2025 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](mailto: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](http://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 27 March 2026, 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**

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 the third amended and restated memorandum and articles of association (the “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.

Save for the above, no change was made to the Company’s constitutional documents during the Year.

# INDEPENDENT AUDITOR'S REPORT



## Moore CPA Limited

1001-1010, North Tower, World Finance Centre,  
Harbour City, 19 Canton Road,  
Tsim Sha Tsui, Kowloon, Hong Kong

大華馬施雲會計師事務所有限公司

香港九龍尖沙咀廣東道19號  
海港城環球金融中心北座1001-1010室

T +852 2375 3180

F +852 2375 3828

[www.moore.hk](http://www.moore.hk)

## 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 70 to 157, which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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”), as applicable to audits of financial statements of public interest entities. We have also 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.

### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements which indicates that the Group incurred a net loss of RMB129,957,000 during the year ended 31 December 2025 and, as of that date, the Group’s current liabilities exceeded its current assets by RMB85,209,000, and the Group had net liabilities of RMB133,540,000. As stated in Note 2.1 to the consolidated financial statements, these conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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. In addition to the matters described in the Material Uncertainty Related to Going Concern, we have determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Assessing net realisable value (“NRV”) of inventories</b></p> <p>At 31 December 2025, net inventory balance of the Group amounted to approximately RMB148,224,000. The inventories are carried at the lower of cost and NRV.</p> <p>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 NRV 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.</p> <p>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 NRV.</p> <p>We focused on this area due to the significant value of inventories and the material estimates made by management on assessing the NRV of inventories.</p>	<p>Our procedures for assessing the appropriateness of management’s judgments applied in assessing the NRV of inventories included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the management internal control and assessment process of the 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Tested, on a sampling basis, the supporting documents of latest selling prices of similar inventory items;</li> <li>• Assessed the appropriateness and reasonableness on the NRV by evaluating the estimated selling price less its costs to sell made by the management;</li> <li>• 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</li> <li>• Tested the mathematical accuracy of management’s year end calculation of write-down of inventories.</li> </ul>



## KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of the Group's underperforming retail stores</b></p> <p>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 improvements and right-of-use assets had to be performed. As at 31 December 2025, provision for impairment of leasehold improvements and right-of-use assets amounted to RMB11,515,000 and RMB6,277,000, respectively.</p> <p>Management judgment is required to identify those stores requiring provision and determining the amount of provision for impairment of leasehold improvements and right-of-use assets, including the identification of impairment indicators and the determination of economic benefits 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.</p> <p>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.</p>	<p>Our procedures for assessing the appropriateness of management's judgments applied in impairment assessment of the Group's underperforming stores included:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Assessed the valuation methodology adopted in management's preparation of the discounted cash flow forecast for the value-in-use calculation;</li> <li>• 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;</li> <li>• Involved our internal valuation specialists to evaluate the discount rate used in the forecast with reference to industry research; and</li> <li>• Tested the mathematical accuracy of the discounted cash flow model and the calculation of provisions.</li> </ul>

## 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 HKFRS Accounting Standards 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 HKSA's 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 HKSA's, 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, 27 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>Revenue</b>	4	<b>835,443</b>	974,488
Cost of sales	7	<b>(598,343)</b>	(688,640)
<b>Gross profit</b>		<b>237,100</b>	285,848
Other income	5	<b>1,775</b>	3,004
Other gains/(losses), net	6	<b>13,155</b>	(9,098)
Impairment losses on financial assets, net	7	<b>(201)</b>	(1,574)
Selling and distribution expenses	7	<b>(333,006)</b>	(418,831)
General and administrative expenses	7	<b>(36,006)</b>	(46,254)
Operating loss		<b>(117,183)</b>	(186,905)
Finance costs	8	<b>(11,103)</b>	(12,561)
Loss before income tax		<b>(128,286)</b>	(199,466)
Income tax expense	11	<b>(1,671)</b>	(2,943)
<b>Loss for the year</b>		<b>(129,957)</b>	(202,409)
<b>Other comprehensive (expenses)/income:</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation from functional currency to presentation currency		<b>(2,000)</b>	2,295
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations		<b>(5,436)</b>	2,929
<b>Other comprehensive (expenses)/income for the year, net of tax</b>		<b>(7,436)</b>	5,224
<b>Total comprehensive expense for the year</b>		<b>(137,393)</b>	(197,185)
Loss for the year attributable to:			
– owners of the Company		<b>(129,050)</b>	(202,151)
– non-controlling interests		<b>(907)</b>	(258)
		<b>(129,957)</b>	(202,409)
Total comprehensive expense for the year attributable to:			
– owners of the Company		<b>(136,619)</b>	(196,796)
– non-controlling interests		<b>(774)</b>	(389)
		<b>(137,393)</b>	(197,185)
Loss per share, basic and diluted (RMB cents)	12	<b>(12.12)</b>	(25.27)

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

At 31 December 2025



	Notes	2025 RMB'000	2024 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	14,259	20,387
Right-of-use assets	15	75,658	63,561
Intangible assets	16	1,137	2,373
Financial asset at fair value through profit or loss ("FVTPL")	17	–	–
Rental deposits	19	11,518	15,561
Deferred tax assets	27	11,405	13,153
		<b>113,977</b>	<b>115,035</b>
<b>Current assets</b>			
Inventories	18	148,224	228,906
Trade and bill receivables	19	42,879	40,742
Other receivables, deposits and prepayments	19	47,426	49,897
Right-of-return assets	4(d)	165	254
Restricted cash	20	2,930	2,747
Cash and cash equivalents	20	22,067	16,636
		<b>263,691</b>	<b>339,182</b>
<b>DEFICIT</b>			
<b>Attributable to owners of the Company</b>			
Share capital	21	9,752	6,931
Deficit	22	(148,408)	(96,721)
		<b>(138,656)</b>	<b>(89,790)</b>
<b>Non-controlling interests</b>		<b>5,116</b>	<b>5,890</b>
<b>Total deficit</b>		<b>(133,540)</b>	<b>(83,900)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from a related company	25	95,230	139,792
Loan from a director of the Company	25	15,000	15,000
Convertible preference shares	26	5,378	–
Other payables	23	2,795	2,903
Lease liabilities	15	43,905	27,717
		<b>162,308</b>	185,412
<b>Current liabilities</b>			
Trade payables	23	111,234	116,960
Other payables and accruals	23	70,561	74,435
Borrowings	24	120,040	107,220
Lease liabilities	15	35,885	45,789
Contract liabilities	4(d)	10,799	7,883
Current tax liabilities		381	418
		<b>348,900</b>	352,705
<b>Net current liabilities</b>		<b>(85,209)</b>	(13,523)
<b>Total assets less current liabilities</b>		<b>28,768</b>	101,512
<b>Net liabilities</b>		<b>(133,540)</b>	(83,900)

The consolidated financial statements on pages 70 to 157 were approved and authorised for issue by the Board of Directors on 27 March 2026 and were signed on its behalf by:

**Lee Ching Yiu**  
Director

**Zhong Mei**  
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 2025



	Attributable to owners of the Company											
	Share capital	Share premium	Merger reserve	Statutory reserve	Capital reserve	Convertible preference share equity reserve	Translation reserve	Share option reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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)
Balance at 1 January 2025	6,931	323,968	(118,988)	4,454	185,068	-	14,777	21,949	(527,949)	(89,790)	5,890	(83,900)
Loss for the year	-	-	-	-	-	-	-	-	(129,050)	(129,050)	(907)	(129,957)
Other comprehensive (expense)/ income for the year	-	-	-	-	-	-	(7,569)	-	-	(7,569)	133	(7,436)
Total comprehensive expense for the year	-	-	-	-	-	-	(7,569)	-	(129,050)	(136,619)	(774)	(137,393)
Issue of shares (Note 21)	2,821	8,462	-	-	8,463	-	-	-	-	19,746	-	19,746
Issue of convertible preference shares (Note 26)	-	-	-	-	-	67,819	-	-	-	67,819	-	67,819
Transaction costs attributable to issue of shares	-	(132)	-	-	-	-	-	-	-	(132)	-	(132)
Transaction costs attributable to issue of convertible preference shares	-	-	-	-	-	(452)	-	-	-	(452)	-	(452)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	772	-	772	-	772
Share options lapsed	-	-	-	-	-	-	-	(1,994)	1,994	-	-	-
Balance at 31 December 2025	9,752	332,298	(118,988)	4,454	193,531	67,367	7,208	20,727	(655,005)	(138,656)	5,116	(133,540)

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 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	34(a)	18,554	5,257
Income tax (paid)/refunded		(37)	429
Net cash from operating activities		18,517	5,686
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(7,528)	(16,538)
Proceeds on disposal of property, plant and equipment	34(b)	160	451
Interest received		20	64
Net cash used in investing activities		(7,348)	(16,023)
<b>Cash flows from financing activities</b>			
New borrowings raised	34(c)	104,270	106,002
Repayments of borrowings	34(c)	(90,880)	(75,932)
Proceeds from loans from a related company	34(c)	62,645	51,870
Repayments of loans from a related company	34(c)	(12,827)	–
Proceeds from loan from a director of the Company	34(c)	–	15,000
Interest paid	34(c)	(3,829)	(3,836)
Guarantee fees paid	34(c)	(939)	(925)
Principal elements of lease payments	34(c)	(59,137)	(81,727)
Interest elements of lease payments	34(c)	(4,078)	(5,647)
Transaction costs attributable to issue of shares	34(c)	(132)	–
Transaction costs attributable to issue of convertible preference shares	34(c)	(483)	–
Net cash (used in)/from financing activities		(5,390)	4,805
Net increase/(decrease) in cash and cash equivalents		5,779	(5,532)
Effect of foreign exchange rate changes, net		(348)	231
Cash and cash equivalents at beginning of year		16,636	21,937
Cash and cash equivalents at end of year	20	22,067	16,636

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025



## 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 Chinese Mainland (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\$”).

## 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 as 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 (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

#### ***Going concern assessment***

For the year ended 31 December 2025, the Group incurred a loss for the year of approximately RMB129,957,000. As at 31 December 2025, the Group’s net current liabilities was RMB85,209,000 and net liabilities of RMB133,540,000, of which the Group’s cash and cash equivalents amounted to approximately RMB22,067,000, the unutilised facilities provided by a related company (as mentioned in below (ii)) of approximately HK\$44,565,000 (equivalent to approximately RMB40,250,000) and unutilised banking facilities of approximately RMB2,098,000 (Note 31), as compared to the Group’s external borrowings of approximately RMB120,040,000, 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 thoroughly evaluated the Group's future liquidity, operating performance, and available financing sources in assessing whether the Group will have sufficient resources to continue as a going concern. The directors of the Company are of the opinion, after implementing the following measures, that the projected cash flows generated from operating activities 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 these consolidated financial statements authorised for issuance and accordingly it is appropriate to prepare the Group's consolidated financial statements on a going concern basis:

(i) *Continuing development of new sales channels and product lines*

The Group has been actively exploring and expanding new sales channels and product lines to boost sales and attract a diverse range of new customers. In particular, the new brand partnerships and collaborations with leading intellectual property owner(s) that were established and already resulted in positive performance in the fourth quarter of 2025 will continue to be further developed and scaled up in 2026. In this regard, the Group expects these new sales channels and product lines to be able to contribute significant positive results and cash flows to the Group in 2026, and substantially improve the Group's overall operating performance and therefore the operating cash flows so as to enable the support of the Group's liquidity and working capital requirements.

(ii) *Continuing support from existing facilities from a related company and a loan from a director of the Company*

As mentioned and detailed in Note 25, the Group has obtained financial support from a related company, Lovable Products Trading Limited ("Lovable Products Trading"), which provides total facilities amounting to HK\$150,000,000 (equivalent to approximately RMB135,480,000). As at 31 December 2025, the Group has successfully obtained approval for extension of such facilities from the maturity date on 31 December 2026 to 31 March 2027, of which the unutilised portion of the facilities is approximately HK\$44,565,000 (equivalent to approximately RMB40,250,000) as at 31 December 2025. In addition, the Group has also obtained confirmation in writing for the extension of the repayment due date of another loan of RMB15,000,000 from Mr. Lee Ching Yiu, the chairman and executive director of the Company, from 7 February 2026 to 7 February 2027.

In the opinion of the directors of the Company, the Group expects that it will obtain further renewal of the existing facilities upon their respective maturities with the continued financial support from Lovable Products Trading and Mr. Lee Ching Yiu. In addition to the continued financial support, the directors of the Company also expect that additional financial resources will be able to obtain as needed to enable the Group to continue its operation and improve its operation performance and to meet its liabilities as and when they fall due.

(iii) *Negotiation on renewal of existing external 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.



## 2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 2.1 Basis of preparation of consolidated financial statements (Continued)

#### **Going concern assessment** (Continued)

##### *(iv) Cost-saving measures to be further implemented*

The Group has been implementing active cost-saving measures to manage selling, distribution, general and administrative expenses, and employing various strategies to enhance operating cash flows and ensure sufficient funding for the Group's working capital needs. In particular, for the year ended 31 December 2025, selling and distribution expenses have been reduced by approximately RMB85,825,000 to approximately RMB333,006,000 from approximately RMB418,831,000 for the year ended 31 December 2024 and general and administrative expenses have been reduced by approximately RMB10,248,000 to approximately RMB36,006,000 from approximately RMB46,254,000 for the year ended 31 December 2024.

The directors of the Company have given careful consideration to the liquidity requirements for the Group's operations and reviewed the Group's cash flow projections prepared by management which cover the next twelve months from the date of these consolidated financial statements authorised for issuance. Management's cash flow projections include assumptions with regard to the anticipated cash flows generated from and used in the Group's operations, continuing development of new sales channels and product lines, continuing and additional support from existing facilities from a related company and a loan from a director of the Company, renewal of existing external borrowings and cost-saving measures to be further implemented, to enable the Group to continue its operations and to meet its liabilities as and when they fall due. These measures, which incorporated assumptions about future events and conditions, are subject to inherent uncertainties, and indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

## 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 an HKFRS Accounting Standard that are mandatorily effective for the current year***

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to an HKFRS Accounting Standard 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.

#### ***New and amendments to HKFRS Accounting Standards in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRS Accounting Standards 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 <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>2</sup>
Amendments to HKAS 21 HKFRS 18	Translation to a Hyperinflationary Presentation Currency <sup>3</sup> Presentation and Disclosure in Financial Statements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRS Accounting Standards 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 HKFRS Accounting Standards 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; provides disclosures on management-defined performance measures (MPMs) in the notes to the financial statements and improves aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (the title of which will be changed to “Basis of Preparation of Financial Statements” upon effective of HKFRS 18) 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. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

### 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 gains/(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.

#### *Toy distribution right*

Separately acquired toy 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 toy 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 gains/(losses), 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 Convertible preference shares

The component parts of the convertible preference shares are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible preference shares, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible preference shares using the effective interest method.

### 2.19 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.



## 2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 2.20 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)

### 2.21 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 Chinese Mainland. 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.

### 2.22 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)

### 2.22 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.

### 2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount 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.

### 2.24 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)

### 2.24 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.

### 2.25 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)

### 2.26 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)

### 2.26 Leases (Continued)

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

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

### 2.27 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.

### 2.28 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.

### 2.29 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 considers 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 of the Company, at a particular point of time, about (1) the future outcome of events or conditions which are inherently uncertain; (2) the appropriate key assumptions to be applied in the cash flow forecast including forecasted sales and gross margin; and (3) the intention of Lovable Products Trading and Mr. Lee Ching Yiu, the chairman and executive director of the Company, to provide sufficient and appropriate financial assistance from time to time as and when is necessary. Changing the assumptions and estimates could materially affect the going concern assessment. 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 2025, the net inventory balance of the Group amounted to approximately RMB148,224,000 (2024: RMB228,906,000). 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 2025, the carrying amounts of property, plant and equipment, intangible assets and right-of-use assets amounted to RMB14,259,000, RMB1,137,000 and RMB75,658,000 (2024: RMB20,387,000, RMB2,373,000 and RMB63,561,000) respectively.

### 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

#### Key sources of estimation uncertainty (Continued)

**(c) 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 33.1(b).

**(d) 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.

**(e) Income taxes**

The Group is subject to various taxes in Hong Kong, Macau and Chinese Mainland. 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 makers (the "CODMs"), 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 CODMs 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 gains/(losses), net and finance costs.



#### 4 REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets mainly exclude deferred tax assets 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, convertible preference shares 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) Segment revenue and results

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 2025:

	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	673,427	171,160	(9,144)	835,443
Reportable segment (loss)/profit excluding depreciation and amortisation	(64,301)	7,602	–	(56,699)
Depreciation and amortisation	(48,640)	(18,393)	–	(67,033)
Reportable segment results	(112,941)	(10,791)	–	(123,732)
Unallocated other income				20
Unallocated corporate expenses				(7,102)
Unallocated other gains, net				9,534
Unallocated finance costs				(7,006)
Loss before income tax				(128,286)
Income tax expense				(1,671)
Loss for the year				(129,957)

**4 REVENUE AND SEGMENT INFORMATION** (Continued)

**(a) Segment revenue and results** (Continued)

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
Reportable 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) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities as at 31 December 2025 by reportable segment:

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Segment assets	309,337	31,929	341,266
Deferred tax assets			11,405
Unallocated assets			24,997
Total assets per consolidated statement of financial position			377,668
Segment liabilities	220,949	52,869	273,818
Current tax liabilities			381
Borrowings			120,040
Loans from a related company			95,230
Loan from a director of the Company			15,000
Convertible preference shares			5,378
Unallocated liabilities			1,361
Total liabilities per consolidated statement of financial position			511,208

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

**4 REVENUE AND SEGMENT INFORMATION** (Continued)**(c) Other segment information**

The following is an analysis of the Group's other segment information as at 31 December 2025 by reportable segment:

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Additions to non-current assets	74,058	9,185	83,243
Depreciation and amortisation	48,640	18,393	67,033
Impairment losses on financial assets, net	201	–	201
Impairment loss on right-of-use assets	3,355	–	3,355
Impairment loss on property, plant and equipment	1,614	–	1,614
Impairment loss on intangible assets	–	288	288
Write-down of inventories, net	2,268	418	2,686

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 losses on financial assets, net	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, net	10,537	377	10,914



#### 4 REVENUE AND SEGMENT INFORMATION (Continued)

##### (d) Assets and liabilities related to contracts with customers

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

	2025 RMB'000	2024 RMB'000
<b>Current assets</b>		
Right-of-return assets	165	254
<b>Current contract liabilities</b>		
– Receipts in advance	8,841	5,505
– Customer loyalty programme	1,793	2,124
– Liability arising from expected sales return	165	254
<b>Total</b>	<b>10,799</b>	<b>7,883</b>

As at 1 January 2024, right-of-return assets amounted to RMB52,000 and contract liabilities amounted to RMB9,665,000.

There were no unsatisfied performance obligations as at 31 December 2025 and 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 RMB165,000 (2024: RMB254,000) 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 RMB165,000 (2024: RMB254,000) 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	
	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	7,883	9,665

**4 REVENUE AND SEGMENT INFORMATION** (Continued)**(e) Revenue by 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:

	2025 RMB'000	2024 RMB'000
Self-operated retail channels		
– Retail shops	423,607	504,414
– Consignment counters	153,509	202,328
– Online stores	49,978	56,598
Wholesale channels		
– Distributors	159,458	196,768
– Hypermarket and supermarket chains	44,080	7,814
– Online key accounts	4,811	6,566
	<b>835,443</b>	<b>974,488</b>

**(f) Information about major customers**

For the years ended 31 December 2025 and 2024, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

**(g) Geographical information**

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:

	2025 RMB'000	2024 RMB'000
The PRC	77,823	63,059
Hong Kong, Macau and overseas	13,231	23,262
Total	<b>91,054</b>	<b>86,321</b>



## 5 OTHER INCOME

	2025 RMB'000	2024 RMB'000
Interest income	20	64
Government grants ( <i>Note</i> )	343	1,024
Promotional service income	257	377
Rebates from platform service providers of online stores	729	1,007
Sundry income	426	532
	<b>1,775</b>	<b>3,004</b>

*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 2025, subsidy income amounting to RMB343,000 (2024: RMB1,024,000) are recognised in profit or loss. No deferred government grant (2024: Nil) was recognised in the consolidated statement of financial position due to the conditions of the grants being not yet fulfilled.

## 6 OTHER GAINS/(LOSSES), NET

	2025 RMB'000	2024 RMB'000
Net exchange gain/(loss)	9,534	(10,545)
Gain on lease modifications	3,863	2,003
Gain/(loss) on disposal of property, plant and equipment	25	(521)
Others	(267)	(35)
	<b>13,155</b>	<b>(9,098)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

### 7 EXPENSES BY NATURE

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

	2025 RMB'000	2024 RMB'000
Auditors' remuneration		
– Audit services	1,237	1,440
– Non-audit services	137	137
Amortisation of intangible assets (Note 16)	904	1,349
Depreciation of property, plant and equipment	11,851	17,681
Depreciation of right-of-use assets	54,278	75,592
Cost of inventories	585,004	665,330
Write-down of inventories, net (included in cost of sales)	2,686	10,914
Rental expenses in respect of		
– variable leases payments	2,740	2,561
– short-term leases	32,626	38,800
Advertising and promotional expenses	12,553	11,659
Concessionaire fees	52,276	66,681
Employee benefit expenses (including directors' emoluments) (Note 9)	75,506	95,192
Outsourced personnel service fees	60,045	71,865
Provision for impairment loss on trade receivables	201	801
Provision for impairment loss on bill receivables	–	773
Other receivables written-off	1,489	–
Impairment loss on property, plant and equipment (Note (a))	1,614	1,859
Impairment loss on right-of-use assets (Note (a))	3,355	7,207
Impairment loss on intangible assets (Note (b))	288	4,172
Transportation costs	13,837	15,421
Building management fees	26,813	31,272
Retail shop expenses	13,642	16,789
Office expenses	1,880	2,618
Travel expenses	2,113	1,778
Insurance	743	943
Others	9,738	12,465
	<b>967,556</b>	<b>1,155,299</b>

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 RMB1,614,000 and RMB3,355,000, respectively for the year ended 31 December 2025 (2024: RMB1,859,000 and RMB7,207,000, 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. Details are set out in Note 14.
- (b) Impairment losses on toy distribution rights and trademark of nil (2024: RMB2,197,000) and RMB288,000 (2024: RMB1,975,000) have been made based on the impairment assessment, which were recorded to “cost of sales” and “selling and distribution expenses”, respectively. Details are set out in Note 16.



## 8 FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest expenses on borrowings	3,829	3,836
Interest expenses on loans from a related company	1,367	2,134
Interest expenses on lease liabilities	4,078	5,647
Interest expenses on long service payment obligation	19	19
Imputed interest expenses on convertible preference shares	871	–
Guarantee fees paid	939	925
	<b>11,103</b>	<b>12,561</b>

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

	2025 RMB'000	2024 RMB'000
Salaries and allowances	62,459	79,569
Discretionary bonuses	–	–
Pension costs – defined contribution plans ( <i>Note</i> )	12,275	15,623
Equity-settled share-based expenses	772	–
	<b>75,506</b>	<b>95,192</b>

*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.

Employees of the Group's subsidiaries in Chinese Mainland are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in Chinese Mainland 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 RMB12,275,000 (2024: RMB15,623,000) were paid by the Group during the year ended 31 December 2025.

**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 (2024: one) highest paid individuals in the Group. The emoluments of the remaining four (2024: four) highest paid individuals during the year ended 31 December 2025 was:

	2025 RMB'000	2024 RMB'000
Salaries and allowances	4,772	4,779
Discretionary bonuses	–	–
Employer's contributions to retirement benefits scheme	478	536
Equity-settled share-based expenses	237	–
	<b>5,487</b>	<b>5,315</b>

Emolument band	Number of individuals	
	2025	2024
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	2	2

**(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. Save for the disclosure in Note 10, none of the directors or the five highest paid individuals waived or agreed to waive any emoluments during the year (2024: Nil).

**(iii) Senior management's emoluments by band**

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

Emolument band	Number of individuals	
	2025	2024
Nil – HK\$1,000,000	3	4
HK\$1,000,001 – HK\$1,500,000	3	4
HK\$1,500,001 – HK\$2,000,000	2	2



## 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:

Name	2025					Non-cash emoluments	
	Cash emoluments					Equity-settled share-based expenses	Total (including non-cash emoluments)
	Directors' fees	Salary and allowances	Employer's contribution to retirement benefit scheme	Discretionary bonus	Total cash emoluments		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>							
Mr. Lee Ching Yiu (Note (i))	38	-	-	-	38	-	38
Ms. Zhong Mei	38	2,282	164	-	2,484	10	2,494
<b>Non-executive director</b>							
Mr. Du Ping	38	-	-	-	38	-	38
<b>Independent non-executive directors</b>							
Mr. Cheng Yuk Wo	256	-	-	-	256	-	256
Mr. Huang Lester Garson	256	-	-	-	256	-	256
Mr. Albert Thomas da Rosa, Junior (Note (iii))	256	-	-	-	256	-	256
	882	2,282	164	-	3,328	10	3,338

**10 BENEFITS AND INTERESTS OF DIRECTORS** (Continued)

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

Name	2024					Non-cash emoluments	Total (including non-cash emoluments)	
	Cash emoluments				Total cash emoluments			Equity-settled share-based expenses
	Directors' fees	Salary and allowances	Employer's contribution to retirement benefit scheme	Discretionary bonus				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Executive directors</b>								
Mr. Lee Ching Yiu (Note (i))	91	-	-	-	91	-	91	
Ms. Zhong Mei	91	2,451	160	-	2,702	-	2,702	
<b>Non-executive director</b>								
Mr. Du Ping	91	-	-	-	91	-	91	
<b>Independent non-executive directors</b>								
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	

## Notes:

- (i) Mr. Lee Ching Yiu was appointed as Chief Executive of the Group throughout the financial year ended 31 December 2025 and 2024.
- (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 year ended 31 December 2025, equity-settled share-based expenses of RMB10,000 (2024: Nil) were incurred for a director of the Company, which were non-cash in nature.
- (v) During the year ended 31 December 2025, Mr. Lee Ching Yiu, Ms. Zhong Mei and Mr. Du Ping elected to waive part of their directors' fees of RMB54,000 each.

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 2025, retirement benefits of RMB164,000 (2024: RMB160,000) 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 2025, 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 (2024: Nil).

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

During the year ended 31 December 2025, no consideration was provided to or receivable by third parties for making available Directors' services (2024: 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 2025, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporates and connected entities (2024: Nil).

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

Other than the transactions disclosed in Note 35, 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 2025 (2024: Nil).

## 11 INCOME TAX EXPENSE

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

	2025 RMB'000	2024 RMB'000
Current income tax		
– Hong Kong, Macau and overseas profits tax	–	36
Deferred tax (Note 27)	1,671	2,907
	<b>1,671</b>	<b>2,943</b>

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% (2024: 25%). The applicable rate of Hong Kong profits tax is 16.5% (2024: 16.5%). The applicable rate of Macau profits tax is 12% (2024: 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:

	2025 RMB'000	2024 RMB'000
Loss before income tax	<b>(128,286)</b>	(199,466)
Tax at the domestic income tax rate of 25% (2024: 25%)	<b>(32,072)</b>	(49,867)
Tax effect of income not taxable for tax purpose	<b>(80)</b>	(136)
Tax effect of expenses not deductible for tax purpose	<b>932</b>	1,564
Tax effect of tax losses not recognised	<b>32,370</b>	48,952
Utilisation of tax losses previously not recognised	<b>(888)</b>	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>1,409</b>	2,430
Income tax expense	<b>1,671</b>	2,943



## 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.

	2025	2024
Loss attributable to owners of the Company (RMB'000)	(129,050)	(202,151)
Weighted average number of ordinary shares in issue ('000)	1,064,846	800,000
Basic loss per share (RMB cents)	(12.12)	(25.27)

### Diluted

The computation of diluted loss per share for the year ended 31 December 2025 does not assume the exercise of the Company's outstanding share options and the conversion of the Company's outstanding convertible preference shares (2024: exercise of the Company's outstanding share options) since they would have an anti-dilutive impact to the basic loss per share.

## 13 DIVIDENDS

The Board has decided not to propose for payment of any final dividend for the year ended 31 December 2025 (2024: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

**14 PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Total RMB'000
<b>Year ended 31 December 2024</b>			
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 ( <i>Note (a)</i> )	(15,608)	(2,073)	(17,681)
Impairment loss ( <i>Note (b)</i> )	(1,859)	–	(1,859)
Closing net book amount	17,279	3,108	20,387
<b>At 31 December 2024</b>			
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
<b>Year ended 31 December 2025</b>			
Opening net book amount	17,279	3,108	20,387
Exchange differences	(27)	(29)	(56)
Additions	6,789	739	7,528
Disposals	–	(135)	(135)
Depreciation ( <i>Note (a)</i> )	(10,328)	(1,523)	(11,851)
Impairment loss ( <i>Note (b)</i> )	(1,614)	–	(1,614)
Closing net book amount	12,099	2,160	14,259
<b>At 31 December 2025</b>			
Cost	166,456	32,281	198,737
Accumulated depreciation	(142,842)	(30,121)	(172,963)
Accumulated impairment	(11,515)	–	(11,515)
Net book amount	12,099	2,160	14,259



## 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) Depreciation of property, plant and equipment is included in selling and distribution expenses and general and administrative expenses amounting to RMB11,166,000 (2024: RMB14,763,000) and RMB685,000 (2024: RMB2,918,000), respectively, for the year ended 31 December 2025.
- (b) **Impairment assessment of the Group's underperforming retail stores**

Due to economic sentiment in Chinese Mainland, Hong Kong and Macau, management of the Group concluded there was indication for impairment on certain retail stores which were loss making and conducted impairment assessment on these retail stores' property, plant and equipment and right-of-use assets.

The Group determines each individual retail store as a separately identifiable CGU and monitors their financial performance. The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering an average of two years (being the average remaining rental periods of these retail stores) with a pre-tax discount rate of 11.0% (2024: 12.0%) per annum as at 31 December 2025. The annual revenue growth rate used is 3.0% (2024: 5.0%) per annum, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development. The growth rates and discount rate as at 31 December 2025 and 2024 have been reassessed taking into consideration the change due to ongoing uncertain macroeconomic environment, which includes the impact of inflation, volatility in foreign exchange rates, increased interest rates and changes in commodity pricing.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. The impairment amount has been allocated to leasehold improvements included in property, plant and equipment and leased premises included in right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment loss of RMB1,614,000 and RMB3,355,000 (2024: RMB1,859,000 and RMB7,207,000) has been recognised against the carrying amounts of property, plant and equipment and right-of-use assets, respectively, within the relevant functions to which these assets relate. Such impairment losses were recorded in selling and distribution expenses for both years.

If the discount rate was changed to 12.0% (2024: 13.0%), while other parameters remain constant, a further aggregate impairment of property, plant and equipment and right-of-use assets of RMB123,000 (2024: RMB333,000) would be recognised.

If the budgeted sales covering an average of 2-year period were reduced by 1.0% (2024: 1.0%), while other parameters remain constant, a further aggregate impairment of property, plant and equipment and right-of-use assets of RMB276,000 (2024: RMB541,000) would be recognised.

## 15 LEASES

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

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

	2025 RMB'000	2024 RMB'000
Right-of-use assets		
– Leased premises	81,935	76,761
Less: provision for impairment	(6,277)	(13,200)
	<b>75,658</b>	<b>63,561</b>

During the year ended 31 December 2025, additions to right-of-use assets amounted to RMB75,715,000 (2024: RMB69,660,000).

**15 LEASES** (Continued)

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

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

	2025 RMB'000	2024 RMB'000
At beginning of year	13,200	10,455
Impairment loss recognised in profit or loss during the year (see Note 14(b))	3,355	7,207
Write-offs during the year	(10,278)	(4,462)
At end of year	6,277	13,200

	2025 RMB'000	2024 RMB'000
Lease liabilities payable:		
Within one year	35,885	45,789
Within a period of more than one year but not exceeding two years	25,869	12,565
Within a period of more than two years but not exceeding five years	16,097	11,164
Within a period of more than five years	1,939	3,988
	79,790	73,506
Less: Amount due for settlement within 12 months shown under current liabilities	(35,885)	(45,789)
Amount due for settlement after 12 months shown under non-current liabilities	43,905	27,717

At 31 December 2025, the incremental borrowing rates applied to lease liabilities range from 4.75% to 6.60% (2024: from 5.85% to 6.60%) per annum.

At 31 December 2025 and 2024, all lease obligations are denominated in currencies that are the same as the functional currencies of the relevant group entities.



## 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:

	2025 RMB'000	2024 RMB'000
Depreciation of right-of-use assets (included in selling and distribution expenses and general and administrative expenses)	54,278	75,592
Impairment loss on right-of-use assets	3,355	7,207
Interest expenses (included in finance costs)	4,078	5,647
Expense relating to short-term leases (included in selling and distribution expenses and general and administrative expenses)	32,626	38,800
Expense relating to variable lease payments not included in lease liabilities (included in selling and distribution expenses)	2,740	2,561
Gain on lease modifications (included in other gains/losses, net)	(3,863)	(2,003)

The total cash outflow for leases during the year ended 31 December 2025 was RMB98,581,000 (2024: RMB128,735,000).

### (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 to exercise the extension options of those leases. During the years ended 31 December 2025 and 2024, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

### 16 INTANGIBLE ASSETS

	Toy distribution rights <i>(Note (i))</i> RMB'000	Trademark RMB'000	Total RMB'000
<b>Year ended 31 December 2024</b>			
Opening net book amount	2,645	5,177	7,822
Amortisation charge <i>(Note (ii))</i>	(448)	(901)	(1,349)
Impairment loss recognised <i>(Note (iii))</i>	(2,197)	(1,975)	(4,172)
Exchange differences	–	72	72
Closing net book amount	–	2,373	2,373
<b>At 31 December 2024</b>			
Cost	4,478	10,752	15,230
Accumulated amortisation and impairment	(4,478)	(8,379)	(12,857)
Net book amount	–	2,373	2,373
<b>Year ended 31 December 2025</b>			
Opening net book amount	–	2,373	2,373
Amortisation charge <i>(Note (ii))</i>	–	(904)	(904)
Impairment loss recognised <i>(Note (iii))</i>	–	(288)	(288)
Exchange differences	–	(44)	(44)
Closing net book amount	–	1,137	1,137
<b>At 31 December 2025</b>			
Cost	4,478	10,487	14,965
Accumulated amortisation and impairment	(4,478)	(9,350)	(13,828)
Net book amount	–	1,137	1,137

*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 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 its estimated useful life of 10 years assessed by the management of the Group. Amortisation of nil (2024: RMB448,000) had been charged to “cost of sales” and RMB904,000 (2024: RMB901,000) 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 2025.



## 16 INTANGIBLE ASSETS (Continued)

Notes: (Continued)

- (iii) For the years ended 31 December 2025 and 2024, 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 2025, a discount rate of 11.0% (2024: 12.0%) 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 nil and RMB288,000 (2024: RMB2,197,000 and RMB1,975,000), 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% (2024: 0.5%) while other parameters remain constant, the recoverable amounts of trademark would be reduced by RMB175,000 (2024: RMB187,000) and a further impairment of intangible assets in trademark of RMB175,000 (2024: RMB187,000) would be recognised.

If the budgeted sales covering 5-years period of trademark were reduced by 5% (2024: 5%) while other parameters remain constant, the recoverable amount would be reduced by RMB1,007,000 (2024: RMB820,000) and a further impairment of intangible assets in trademark of RMB1,007,000 (2024: RMB820,000) would be recognised.

## 17 FINANCIAL ASSET AT FVTPL

	Unlisted shares RMB'000 (Note (i))	Film rights RMB'000 (Note (ii))	Total RMB'000
At 1 January 2024, 31 December 2024 and 31 December 2025	–	–	–

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 had changed the intention to sell it for cash to invest in other projects. The fair value for these equity securities was zero as at 31 December 2025 and 2024 as management considered the likelihood of recovering the amount was 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

	2025 RMB'000	2024 RMB'000
Merchandise	148,224	228,906

## 18 INVENTORIES (Continued)

Inventories recognised as an expense during the year ended 31 December 2025 amounted to RMB585,004,000 (2024: RMB665,330,000). These were included in cost of sales.

Write-down of inventories amounted to RMB2,686,000 (2024: RMB10,914,000) was recognised during the year ended 31 December 2025 and was 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

	2025 RMB'000	2024 RMB'000
Trade receivables from contracts with customers	53,371	51,033
Less: provision for impairment	(10,492)	(10,291)
	<b>42,879</b>	40,742
Bill receivables	3,866	3,866
Less: provision for impairment	(3,866)	(3,866)
	–	–
Other receivables, deposits and prepayments		
– Rental deposits	32,100	41,260
– Other deposits	7,045	10,011
– Prepayments	7,193	4,627
– Prepaid royalties	323	284
– Rebate receivables from suppliers	8,498	6,617
– Promotion income receivable from brand owners	1,190	431
– Others	2,595	2,228
	<b>58,944</b>	65,458
	<b>101,823</b>	106,200
Trade and bill receivables		
– presented as current assets	42,879	40,742
Other receivables, deposits and prepayments		
– presented as non-current assets	11,518	15,561
– presented as current assets	47,426	49,897
	<b>101,823</b>	106,200



## 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 RMB10,116,000 (2024: RMB10,020,000) to a third party guarantee company to secure the guarantee 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:

	2025 RMB'000	2024 RMB'000
Within 30 days	33,139	26,515
31 to 60 days	4,826	6,368
61 to 90 days	1,262	2,089
91 to 180 days	1,168	4,873
Over 180 days	12,976	11,188
	53,371	51,033
Less: loss allowance	(10,492)	(10,291)
	42,879	40,742

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables, please refer to Note 33.1(b) for details about the calculation of the allowance.

Movements in loss allowances for trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	10,291	10,199
Increase in loss allowance recognised in profit or loss during the year	201	801
Write-offs during the year	-	(709)
At end of year	10,492	10,291

**20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

	2025 RMB'000	2024 RMB'000
Restricted cash	2,930	2,747
Cash and cash equivalents	22,067	16,636
<b>Total cash and cash equivalents and restricted cash</b>	<b>24,997</b>	<b>19,383</b>

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

	2025 RMB'000	2024 RMB'000
HK\$	8,842	8,182
RMB	6,777	9,909
Macau Pataca ("MOP")	1,820	920
United States dollar ("US\$")	7,512	220
Other currencies	46	152
<b>Total</b>	<b>24,997</b>	<b>19,383</b>

*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 ranging from 0.05% to 0.10% (2024: 0.10% 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 is mainly restricted for the bank guarantee of trade finances, which carries interest at market rates ranging from 0.05% to 0.80% (2024: 0.10% to 0.95%) per annum.



## 21 SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2024, 31 December 2024 and 1 January 2025	50,000,000,000	433,188
Decrease on 24 January 2025 ( <i>Note (a)</i> )	(1,200,000,000)	(11,065)
At 31 December 2025	48,800,000,000	422,123
Issued and fully paid:		
At 1 January 2024, 31 December 2024 and 1 January 2025	800,000,000	6,931
Issue of shares on 19 February 2025 ( <i>Note (b)</i> )	305,914,286	2,821
At 31 December 2025	1,105,914,286	9,752
	Number of shares	Face value RMB'000
Convertible preference shares of HK\$0.01 each		
Authorised:		
At 1 January 2024, 31 December 2024 and 1 January 2025	–	–
Increase on 24 January 2025 ( <i>Note (a)</i> )	1,200,000,000	11,065
At 31 December 2025	1,200,000,000	11,065
Issued and fully paid:		
At 1 January 2024, 31 December 2024 and 1 January 2025	–	–
Issue on 19 February 2025 ( <i>Notes (b) and (c)</i> )	1,122,657,143	10,352
At 31 December 2025	1,122,657,143	10,352

*Notes:*

- (a) On 24 January 2025, a special resolution was passed at the Company's extraordinary general meeting that the authorised share capital of the Company was re-classified and re-designated such that the authorised share capital of the Company shall become HK\$500,000,000 divided into (a) 48,800,000,000 ordinary shares of a nominal or par value of HK\$0.01 each; and (b) 1,200,000,000 convertible preference shares of a nominal value or par value of HK\$0.01 each.

## 21 SHARE CAPITAL OF THE COMPANY (Continued)

Notes: (Continued)

(b) On 27 December 2024, the Company, Asian Glory and 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) 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 (see details below); 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 (details are disclosed in Note 26),

both at the issue price of HK\$0.07 per ordinary share and convertible preference share (the "Loan Capitalisation"). The transaction costs attributable to issue of shares and convertible preference shares amounted to RMB132,000 and RMB483,000 respectively.

The Loan Capitalisation was approved by the shareholders of the Company at the Company's extraordinary general meeting held on 24 January 2025. The Loan Capitalisation was completed on 19 February 2025.

Details can be referred to (i) the announcement dated 27 December 2024; (ii) the circular dated 9 January 2025; and (iii) the announcement dated 24 January 2025 published by the Company.

On 19 February 2025, the fair value of the 305,914,286 ordinary shares issued was approximately HK\$12,237,000, which was calculated with reference to the closing price of the Company's shares of HK\$0.04 per share on that date. The difference between the carrying amount of the loans from a related company of HK\$21,414,000 and the fair value of the shares issued of HK\$12,237,000, amounting to HK\$9,177,000 (equivalent to approximately RMB8,463,000), is recognised in the capital reserve.

(c) The convertible preference shares shall be redeemable at the sole discretion of the Company. At initial recognition, the equity component of the convertible preference shares was separated from the liability component. The equity element is presented in equity heading "convertible preference share equity reserve". Further details of convertible preference shares are set out in Note 26.

## 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 (a) 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; (b) 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; and (c) the issue of shares as a result of the Loan Capitalisation on 19 February 2025 (Note 21(b)).



## 23 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Trade payables ( <i>Note (a)</i> )	111,234	116,960
Other payables and accruals		
– Due to related companies ( <i>Note (b)</i> )	21,691	19,764
– Accrued expenses	25,560	24,171
– Accrued staff costs	5,543	9,620
– Accrued outsourced personnel service fees	3,390	5,012
– Provision for retirement benefit costs	194	250
– Long service payment provision	784	834
– Provision for reinstatement costs ( <i>Note (c)</i> )	6,894	9,393
– Other taxes payable	6,863	5,847
– Others	2,437	2,447
	73,356	77,338
Less: Provision for reinstatement costs presented as non-current liability	(2,011)	(2,069)
Long service payment provision presented as non-current liability	(784)	(834)
	(2,795)	(2,903)
Other payables and accruals presented as current liabilities	70,561	74,435

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:

	2025 RMB'000	2024 RMB'000
Within 30 days	99,918	84,309
31 to 60 days	6,146	25,452
61 to 90 days	987	3,040
Over 90 days	4,183	4,159
	111,234	116,960

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

### 23 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

Notes: (Continued)

(a) (Continued)

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

	2025 RMB'000	2024 RMB'000
RMB	79,756	70,793
HK\$	12,394	19,648
US\$	19,005	26,406
Euro ("EUR")	79	113
	111,234	116,960

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

Amounts due to related companies	Nature of balance	2025 RMB'000	2024 RMB'000
Land Smart Development Limited (Note (i))	Non-trade	9,349	9,037
Lovable Products Trading (Note (i))	Non-trade	8,830	7,671
Politor Limited (Note (i))	Non-trade	3,512	3,056
		21,691	19,764

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:

	2025 RMB'000	2024 RMB'000
Opening balance	9,393	9,818
Addition	418	467
Reversal	(2,917)	(892)
Closing balance	6,894	9,393



## 24 BORROWINGS

	Notes	2025 RMB'000	2024 RMB'000
<b>Secured and guaranteed</b>			
– Bank borrowings	(a), (b)	32,580	33,150
<b>Unsecured and guaranteed</b>			
– Bank borrowings	(c)	84,460	68,000
– Other borrowings		–	6,070
<b>Unsecured and unguaranteed</b>			
– Bank borrowing		3,000	–
<b>Total</b>		<b>120,040</b>	<b>107,220</b>

	2025 RMB'000	2024 RMB'000
Fixed-rate borrowings	97,460	84,070
Variable-rate borrowings	22,580	23,150
	<b>120,040</b>	<b>107,220</b>

	2025 RMB'000	2024 RMB'000
The carrying amount of the borrowings are repayable:		
Within one year	97,460	78,000
The carrying amount of the borrowings that contain a repayment on demand clause but repayable:		
Within one year	22,580	29,220
<b>Subtotal</b>	<b>120,040</b>	<b>107,220</b>
Less: amounts due within one year shown under current liabilities	(120,040)	(107,220)
<b>Amounts shown under non-current liabilities</b>	<b>–</b>	<b>–</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

### 24 BORROWINGS (Continued)

Notes:

- (a) As at 31 December 2025, the fixed-rate revolving bank borrowing facility amounting to RMB10,000,000 (2024: RMB10,000,000), is secured by a property held by Mr. Lee Ching Yiu and guaranteed by Mr. Lee Ching Yiu and his spouse (2024: same). The facility was fully utilised as at 31 December 2025 and 2024. As at 31 December 2025, the interest rate of the borrowing is 2.45% (2024: 2.80%) per annum. The maturity date of the facility is in September 2033.
- (b) As at 31 December 2025, the variable-rate bank borrowings with principal amount of HK\$25,000,000 (equivalent to approximately RMB22,580,000) (2024: HK\$25,000,000 (equivalent to approximately RMB23,150,000)) carry interest at 1.80% (2024: 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 (2024: same). 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 2025, the fixed-rate bank borrowing facilities amounting to RMB84,460,000 (2024: RMB68,000,000) 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 (2024: same). As at 31 December 2025, the interest rates of the borrowings ranged from 2.20% to 4.75% (2024: 2.60% to 5.10%) 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:

	2025 RMB'000	2024 RMB'000
RMB	97,460	84,070
HK\$	22,580	23,150
	<b>120,040</b>	<b>107,220</b>

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 the aggregate facilities limit of HK\$150,000,000 (equivalent to approximately RMB135,480,000) (2024: HK\$250,000,000 (equivalent to approximately RMB231,500,000)), comprise the principal amounts of US\$11,145,000 (equivalent to approximately RMB78,520,000) (2024: US\$15,841,000 (equivalent to approximately RMB114,327,000)) and HK\$18,500,000 (equivalent to approximately RMB16,710,000) (2024: HK\$27,500,000 (equivalent to approximately RMB25,465,000)). The loans were interest bearing at 2.0% (2024: 2.0%) per annum, unsecured and repayable on 31 March 2027. As at 31 December 2025, the carrying amounts of the loans approximate to their fair value (2024: same). On 31 December 2025, the Group renewed the loan facilities from Lovable Products Trading to extend the repayment date of the loans from a related company of RMB95,230,000 as at 31 December 2026 to 31 March 2027, and hence the loans were classified as non-current as at 31 December 2025. As at 31 December 2025, there was unutilised loan facility of approximately RMB40,250,000 (2024: RMB91,708,000) from the related company.

The Group obtained a loan from Mr. Lee Ching Yiu, a director of the Company, with principal amount of RMB15,000,000 (2024: RMB15,000,000), which was interest-free, unsecured and repayable on 7 February 2027. As at 31 December 2025, the carrying amount of the loan approximate to its fair value (2024: same). During the year ended 31 December 2025, the Company renewed the loan facility with Mr. Lee Ching Yiu, of which are repayable on 7 February 2027 (2024: 7 February 2026), and hence the loan was classified as non-current as at 31 December 2025 (2024: same).

The Group's loans from a related company/a director of the Company are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
Loans from a related company:		
US\$	78,520	114,327
HK\$	16,710	25,465
	<b>95,230</b>	139,792
Loan from a director of the Company:		
RMB	15,000	15,000

## 26 CONVERTIBLE PREFERENCE SHARES

On 19 February 2025, the Company issued 1,122,657,143 convertible preference shares (with a par value of HK\$0.01 each) at an issue price of HK\$0.07 per convertible preference share, representing an aggregate issue price of HK\$78,586,000 (equivalent to approximately RMB72,464,000) (the "Issue Price"), to Asian Glory, the parent of the Company and a limited company incorporated in the BVI. The convertible preference shares carry fixed cumulative preferential cash dividends at a rate of 2% per annum on the Issue Price. The convertible preference shares are denominated in HK\$ and are unsecured.

The convertible preference shares entitle the holders to convert them into ordinary shares of the Company at any time within ten years after the first issuance and allotment of the convertible preference shares (i.e. 19 February 2025), provided that (i) any conversion of the convertible preference shares does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the convertible preference shares holder(s) and their concert parties who exercised the conversion rights, unless a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code or a general offer is made in accordance with the requirement of the Takeovers Code; and (ii) the public float of the issued ordinary shares of the Company shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued ordinary shares of the Company at any one time in compliance with the Listing Rules.

One convertible preference share is convertible into one ordinary share of the Company. For the avoidance of doubt, Asian Glory is not required to pay any additional money upon conversion of the convertible preference share(s) to ordinary share(s) of the Company, other than taxes and stamp, issue and registration duties (if any) arising on conversion.

The convertible preference shares shall be redeemable at the sole discretion of the Company. For the avoidance of doubt, the holder(s) of the convertible preference shares do not have the right and are not entitled to request for any redemption of the convertible preference shares.

As long as the convertible preference shares have not been redeemed, during the conversion period, holders of the convertible preference shares shall have the right to receive for each convertible preference share held by it, *pari passu* with the other holders of the convertible preference shares, fixed cumulative preferential cash dividends (the "Preferred Dividends") at the rate of 2.0% per annum on the Issue Price, payable annually in arrears out of the profits of the Company available for distribution, prior and in preference to, and satisfied before, any dividend or other distribution on any other class or series of equity securities of the Company. If the profits of the Company available for distribution is insufficient to permit the payment of all the Preferred Dividends in full, then the amount legally available for distribution shall be distributed ratably among all holder(s) of the convertible preference shares in proportion to the aggregate Preferred Dividends that each holder of the convertible preference shares would otherwise be entitled to receive pursuant to the preceding sentence. No dividend or distribution may be declared, paid, set aside or made with respect to any equity securities of the Company other than the convertible preference shares at any time unless all accrued but unpaid dividends on the convertible preference shares have been paid in full.



## 26 CONVERTIBLE PREFERENCE SHARES (Continued)

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 convertible preference shares on the initial recognition, using binomial model. The fair values of the liability component and equity component of the convertible preference shares are HK\$5,037,000 and HK\$73,549,000 (equivalent to approximately RMB4,645,000 and RMB67,819,000), respectively. At initial recognition, the equity component of the convertible preference shares was separated from the liability component. The equity element is presented in equity heading “convertible preference share equity reserve”. The effective interest rate of the liability component is 22.35%.

The movement of the liability component of the convertible preference shares for the period is set out below:

	RMB'000
Issue on 19 February 2025	4,614
Imputed interest expenses (included in finance costs)	871
Exchange realignment	(107)
Carrying amount at 31 December 2025	5,378

On 23 January 2026, the Company received a conversion notice from Asian Glory in relation to the conversion of 250,000,000 convertible preference shares of the Company held by it (the “Conversion”).

As a result of the Conversion, the Company will allot and issue a total of 250,000,000 new ordinary shares of the Company (the “Conversion Shares”) to Asian Glory. The Conversion Shares will rank pari passu with all the existing ordinary shares of the Company at the date of allotment and among themselves in all respects, and represent approximately 18.44% of the issued shares as enlarged by the allotment and issue of the Conversion Shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

### 27 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:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	11,405	13,153

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.

	2025 RMB'000	2024 RMB'000
At beginning of year	13,153	15,990
Charged to consolidated statement of profit or loss ( <i>Note 11</i> )	(1,671)	(2,907)
Exchange realignment	(77)	70
At end of year	11,405	13,153

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

	Deferred tax assets									Deferred tax liabilities		Total
	Decelerated tax depreciation	Impairment of leasehold improvement	Unrealised profit on inventories	Provision for expected credit loss	Write-down of inventories	Provision for customer loyalty programme	Provision for liability arising from expected sales return	Lease liabilities	Impairment of intangible asset	Sub-total	Right-of-use assets	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Balance at 1 January 2025	3,040	496	437	2,575	3,821	337	-	16,524	89	27,319	(14,166)	13,153
(Charged)/credited to profit or loss	(205)	(138)	(130)	-	-	-	-	2,448	-	1,975	(3,646)	(1,671)
Exchange realignment	(72)	-	-	-	-	-	-	(57)	(2)	(131)	54	(77)
Balance at 31 December 2025	2,763	358	307	2,575	3,821	337	-	18,915	87	29,163	(17,758)	11,405



## 27 DEFERRED TAX (Continued)

At 31 December 2025, 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 RMB13,519,000 (2024: RMB15,662,000) 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 2025, the Group had unused tax losses arising in the PRC of RMB671,455,000 (2024: RMB601,012,000) 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:

	2025 RMB'000	2024 RMB'000
2025	–	44,893
2026	71,810	72,455
2027	100,810	100,810
2028	206,097	206,672
2029	173,850	176,182
2030	118,888	–
	<b>671,455</b>	601,012

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of RMB87,997,000 (2024: RMB71,949,000) 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.

## 28 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.

**28 SHARE OPTIONS SCHEMES** (Continued)

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

Reference is made to the Company's initial public offerings ("IPO") prospectus dated 31 October 2017, as the maximum number of options under the Pre-IPO Share Option Scheme has been fully granted before the listing of the shares on the Stock Exchange, no further options under the Pre-IPO Share Option Scheme can be granted. Thus, at both the beginning and the end of the year ended 31 December 2025, the number of options available for grant under the scheme mandate of the Pre-IPO Share Option Scheme was nil (2024: same).

As at the date of these consolidated financial statements are authorised for issue, there were 23,500,000 shares available for issue under the Pre-IPO Share Option Scheme representing approximately 1.73% of the issued shares (excluding treasury shares, if any) as of the same date.

The exercisable share options outstanding as at 31 December 2025 was 25,000,000 (2024: 27,400,000), which had a weighted average remaining contractual life of 2 years (2024: 3 years) and weighted average exercise price of HK\$0.8 (2024: 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	Lapsed	Forfeited	Outstanding	Lapsed	Forfeited	Outstanding
		at			at			at
		1 January	during	during	31 December	during	during	31 December
		2024	the year	the year	2024	the year	the year	2025
<i>Directors</i>								
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
<i>Employees</i>								
Tranche 1	25 October 2017 to 24 October 2018	8,840,000	(1,680,000)	-	7,160,000	(960,000)	-	6,200,000
Tranche 2	25 October 2017 to 24 October 2019	6,630,000	(1,260,000)	-	5,370,000	(720,000)	-	4,650,000
Tranche 3	25 October 2017 to 24 October 2020	6,630,000	(1,260,000)	-	5,370,000	(720,000)	-	4,650,000
		22,100,000	(4,200,000)	-	17,900,000	(2,400,000)	-	15,500,000
		31,600,000	(4,200,000)	-	27,400,000	(2,400,000)	-	25,000,000

No expense relation to the Pre-IPO share options granted by the Company was recognised during the year ended 31 December 2025 (2024: Nil).



## 28 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 2025, the Post-IPO Share Option Scheme had a remaining life of more than 1 year.

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.

## 28 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.

At the beginning and the end of the year ended 31 December 2025, the number of options available for grant under the scheme mandate of the Post-IPO Share Option Scheme were 80,000,000 and 3,500,000, respectively (2024: 80,000,000 and 80,000,000, respectively).

As at the date of these consolidated financial statements are authorised for issue, there were 80,000,000 shares available for issue under the Post-IPO Share Option Scheme representing approximately 5.90% of the issued shares (excluding treasury shares, if any) as of the same date.

The Company granted an aggregate of 76,500,000 share options (the "Options") to eligible employees (the "Grantees") of the Group on 25 July 2025 (the "Grant Date"). The Options give Grantees the right to subscribe, in aggregate, for up to 76,500,000 ordinary shares of HK\$0.01 each in the share capital of the Company subject to (i) the acceptance of the Grantees, under the Post-IPO Share Option Scheme adopted by the Company on 20 October 2017 and (ii) the payment of HK\$1.00 by each of the Grantees upon acceptance of the Options.



## 28 SHARE OPTIONS SCHEMES (Continued)

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

A summary of the terms of the Options granted is set out below:

Grant Date:	25 July 2025
Type of Grantees:	1 director of the Company and 15 employees of the Group
Number of Options granted:	An aggregate of 76,500,000 Options
Exercise price of Options granted:	Each Option shall entitle the holder of such Option to subscribe for one share upon exercise of such Option at an exercise price of HK\$0.063 per share, which is equal to the highest of: (i) the closing price of the shares as quoted on the Stock Exchange on the Grant Date; (ii) the average closing price of the shares as quoted on the Stock Exchange for the five business days immediately preceding the Grant Date; and (iii) the nominal value of a share.
Closing price of shares on the Grant Date:	HK\$0.063 per share
Option period:	The option period of the Options shall be three years from the Grant Date, and the Options shall lapse at the expiry of the validity period or earlier under certain circumstances as set out in the Post-IPO Share Option Scheme.
Vesting period of the Options:	All Options shall become exercisable after expiration of 18 months from the Grant Date.
Vesting condition and performance target:	The board of directors had determined performance targets of the Group, including financial indicators relating to the Group's revenue, reduction in operating costs and improvement in profitability. The Company will evaluate the Grantees' annual performance and contribution to the Group based on its performance appraisal system. The remuneration committee of the Company will determine whether the Grantees meet the aforesaid performance targets based on their performance for the relevant year, and the Grantees are only allowed to exercise the Options if minimum achievement of the performance targets are met.

**28 SHARE OPTIONS SCHEMES** (Continued)**(b) The Post-IPO Share Option Scheme** (Continued)

Among the total of 76,500,000 Options granted, 1,000,000 Options were granted to Ms. Zhong Mei, an executive director and co-chief executive officer of the Company.

The following table discloses movements of the share options granted under the Post-IPO Share Option Scheme during the year ended 31 December 2025:

Options	Vesting period	Outstanding at 1 January 2025	Granted during the year	Exercised during the year	Lapsed during the year	Forfeited during the year	Outstanding at 31 December 2025
Director	25 July 2025 to 24 January 2027	-	1,000,000	-	-	-	1,000,000
Employees	25 July 2025 to 24 January 2027	-	75,500,000	-	-	-	75,500,000
		-	76,500,000	-	-	-	76,500,000
Exercisable at the end of the year							-
Weighted average exercise price							HK\$0.063

The share options outstanding at 31 December 2025 had a weighted average remaining contractual life of 3 years (2024: N/A).

No share options were exercised during the year ended 31 December 2025.

The share options were granted on 25 July 2025. The estimated fair value of the options granted on this date was RMB2,665,000. The closing price of the Company's shares immediately before the date of grant, was HK\$0.063.



## 28 SHARE OPTIONS SCHEMES (Continued)

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

The fair value was calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	2025
Closing price of share on the Grant Date	HK\$0.063
Exercise price	HK\$0.063
Expected volatility	100.75%
Expected life	3 years
Risk-free rate	2.04%
Expected dividend yield	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on the valuer's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB772,000 for the year ended 31 December 2025 (2024: N/A) in relation to share options granted by the Company.

The number of share options granted expected to vest has not been reduced to reflect historical experience of no forfeiture of options granted prior to completion of vesting period. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the valuer's best estimate. The value of an option varies with different variables of certain subjective assumptions.

## 29 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 RMB12,275,000 (2024: RMB15,623,000) represents contributions paid or payable to the above schemes by the Group for the year ended 31 December 2025.

## 30 COMMITMENTS

### 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 2025, the future aggregate commitment under short-term lease amounted to RMB11,682,000 (2024: RMB15,361,000).

## 31 BANKING FACILITIES AND GUARANTEES

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

	2025		2024	
	Available facilities RMB'000	Facilities utilised RMB'000	Available facilities RMB'000	Facilities utilised RMB'000
Banking facilities granted to subsidiaries of the Group	154,620	152,522	141,003	140,261

The facilities utilised included the guarantees of approximately RMB32,482,000 (2024: RMB33,040,000) given to certain suppliers of the Group.



## 32 CATEGORIES OF FINANCIAL INSTRUMENTS

	2025 RMB'000	2024 RMB'000
Financial assets at amortised cost		
– Trade, bill and other receivables	55,162	50,018
– Deposits	39,145	51,271
– Cash and cash equivalents and restricted cash	24,997	19,383
	<b>119,304</b>	<b>120,672</b>
Financial asset at FVTPL		
– Film rights, at fair value	–	–
– Unlisted shares	–	–
	–	–
Financial liabilities at amortised cost		
– Trade and other payables	135,362	139,171
– Borrowings	120,040	107,220
– Loans from a related company	95,230	139,792
– Loan from a director of the Company	15,000	15,000
– Liability component of the convertible preference shares	5,378	–
	<b>371,010</b>	<b>401,183</b>

## 33 FINANCIAL RISK MANAGEMENT

### 33.1 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.

### 33 FINANCIAL RISK MANAGEMENT (Continued)

#### 33.1 Financial risk factors (Continued)

(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 2025, if HK\$ had strengthened/weakened by 3% (2024: 3%) against the RMB with all other variables held constant, loss for the year would have been approximately RMB1,546,000 higher/lower (2024: RMB2,023,000) mainly as a result of foreign exchange losses/gains on translation of HK\$ denominated cash and cash equivalents, bank borrowings, loan from a related company and net trade payables (2024: on translation of HK\$ denominated cash and cash equivalents, bank borrowings, loan from a related company and net trade payables).

At 31 December 2025, if US\$ had strengthened/weakened by 3% (2024: 3%) against the RMB with all other variables held constant, loss for the year would have been approximately RMB2,700,000 higher/lower (2024: RMB4,215,000) mainly as a result of foreign exchange losses/gains on translation of US\$ denominated cash and cash equivalents, loan from a related company and net trade payables (2024: 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) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to restricted cash (see Note 20), fixed-rate borrowings (see Note 24 for details of these borrowings), loans from a related party and a director of the Company (see Note 25), liability component of convertible preference shares (see Note 26) and lease liabilities (see note 15 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 20 for details), variable-rate borrowings (see Note 24 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's borrowings.

As at 31 December 2025, if the market interest rates have been 100 (2024: 100) basis points higher/lower with all other variables held constant, loss for the year (2024: loss for the year) would have been RMB11,000 lower/higher (2024: RMB59,000 higher/lower).

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. Management will review the proportion of borrowings in fixed and variable rates and ensure they are within reasonable range.



### 33 FINANCIAL RISK MANAGEMENT (Continued)

#### 33.1 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 Chinese Mainland, 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 2025 and 2024 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.

### 33 FINANCIAL RISK MANAGEMENT (Continued)

#### 33.1 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
<b>At 31 December 2025</b>						
Gross carrying amount	36,220	3,550	438	187	6,126	46,521
Expected credit loss rates	0.1%	1.9%	9.0%	16.8%	63.6%	
Loss allowance	(28)	(69)	(39)	(31)	(3,895)	(4,062)
Net carrying amount	36,192	3,481	399	156	2,231	42,459
<b>At 31 December 2024</b>						
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

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 2025 (2024: RMB6,850,000) were assessed individually. Impairment allowance of RMB6,430,000 (2024: RMB6,430,000) was provided for these trade receivables as at 31 December 2025. 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.



### 33 FINANCIAL RISK MANAGEMENT (Continued)

#### 33.1 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 (2024: RMB3,866,000) was provided as at 31 December 2025 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 RMB1,489,000 (2024: nil) during the year ended 31 December 2025, 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 2025 were approximately RMB85,209,000 and RMB133,540,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

**33 FINANCIAL RISK MANAGEMENT** (Continued)

**33.1 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
<b>As at 31 December 2025</b>							
Trade payables	–	111,234	–	–	–	111,234	111,234
Other payables	–	24,128	–	–	–	24,128	24,128
Borrowings	3.0	122,876	–	–	–	122,876	120,040
Loans from a related company	2.0	1,905	97,135	–	–	99,040	95,230
Loan from a director of the Company	–	–	15,000	–	–	15,000	15,000
Liability component of the convertible preference shares	22.35	–	–	5,898	5,595	11,493	5,378
Lease liabilities	5.3	45,096	29,144	16,929	2,158	93,327	79,790
		305,239	141,279	22,827	7,753	477,098	450,800

	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
<b>As at 31 December 2024</b>							
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



### 33 FINANCIAL RISK MANAGEMENT (Continued)

#### 33.2 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 2025 and 2024:

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	22,067	16,636
Borrowings	(120,040)	(107,220)
Loans from a related company	(95,230)	(139,792)
Interest payables of loans from a related company	(8,830)	(7,671)
Loan from a director of the Company	(15,000)	(15,000)
Liability component of the convertible preference shares	(5,378)	–
Lease liabilities	(79,790)	(73,506)
Net debt position	(302,201)	(326,553)
Total deficit	(133,540)	(83,900)

The Group was in a net debt position of RMB302,201,000 as at 31 December 2025 (2024: RMB326,553,000). As the Group was of net deficit position, the management of the Group considered it irrelevant to further analyse its gearing ratio as at 31 December 2025, as calculated by dividing the Group's net debt by the Group's total deficit (2024: same).

### 33 FINANCIAL RISK MANAGEMENT (Continued)

#### 33.3 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, loan from a director of the Company and convertible preference shares 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 2025 and 2024 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 2025, the Group measured the fair value of the financial asset at FVTPL by using level 3 inputs (2024: 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 2025 and 2024, please refer to Note 17.



### 34 CASH FLOW INFORMATION

#### (a) Net cash generated from operations

	Notes	2025 RMB'000	2024 RMB'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(128,286)	(199,466)
Adjustments for:			
Net unrealised exchange (gain)/loss		(10,110)	8,266
Depreciation of property, plant and equipment	14	11,851	17,681
Depreciation of right-of-use assets	15	54,278	75,592
Amortisation of intangible assets	16	904	1,349
Other receivables written-off	7	1,489	–
Write-down of inventories, net	18	2,686	10,914
Impairment loss on property, plant and equipment	14	1,614	1,859
Impairment loss on right-of-use assets	15	3,355	7,207
Impairment loss on intangible assets	16	288	4,172
Provision for impairment loss on trade receivables	19	201	801
Provision for impairment loss on bill receivables	7	–	773
Equity-settled share-based expense		772	–
Interest income	5	(20)	(64)
Interest expenses	8	10,164	11,636
Guarantee fees	8	939	925
Gain on lease modifications	6	(3,863)	(2,003)
(Gain)/loss on disposal of property, plant and equipment	6	(25)	521
		(53,763)	(59,837)
Changes in working capital:			
– Inventories		77,749	61,951
– Trade and bill receivables		(2,346)	14,734
– Other receivables, deposits and prepayments		4,799	2,416
– Right-of-return assets		89	(202)
– Trade payables		(5,376)	(664)
– Other payables and accruals		(5,438)	(11,110)
– Contract liabilities		3,023	(1,825)
– Restricted cash		(183)	(206)
Net cash generated from operations		18,554	5,257

**34 CASH FLOW INFORMATION** (Continued)**(b) Reconciliation of disposal of property, plant and equipment**

	2025 RMB'000	2024 RMB'000
Disposal of property, plant and equipment	(135)	(972)
Proceeds from disposal of property, plant and equipment	160	451
Gain/(loss) on disposal of property, plant and equipment	25	(521)



### 34 CASH FLOW INFORMATION (Continued)

#### (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							Total
	Cash and cash equivalents	Borrowings	Loans from a related company	Loan from a director of the Company	Convertible preference shares	Interest payables	Lease liabilities	Interest payables of loans from a related company	Other payables	
<b>Net debt as at 1 January 2024</b>	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)
<b>Net debt as at 31 December 2024 and 1 January 2025</b>	<b>16,636</b>	<b>(107,220)</b>	<b>(139,792)</b>	<b>(15,000)</b>	<b>-</b>	<b>-</b>	<b>(73,506)</b>	<b>(7,671)</b>	<b>-</b>	<b>(326,553)</b>
Cash flows	5,779	(13,390)	(49,818)	-	483	3,829	63,215	-	1,071	11,169
Non-cash changes										
– Issue of convertible preference shares	-	-	92,210	-	(4,614)	-	-	-	-	87,596
– Additions to lease liabilities	-	-	-	-	-	-	(75,297)	-	-	(75,297)
– Interest charged	-	-	-	-	(871)	(3,829)	(4,078)	(1,367)	-	(10,145)
– Lease modification	-	-	-	-	-	-	9,510	-	-	9,510
– Guarantee fees charged	-	-	-	-	-	-	-	-	(939)	(939)
– Transaction costs attributable to issue of convertible preference shares	-	-	-	-	(483)	-	-	-	-	(483)
– Transaction costs attributable to issue of shares changed to share premium directly	-	-	-	-	-	-	-	-	(132)	(132)
Foreign exchange adjustments	(348)	570	2,170	-	107	-	366	208	-	3,073
<b>Net debt as at 31 December 2025</b>	<b>22,067</b>	<b>(120,040)</b>	<b>(95,230)</b>	<b>(15,000)</b>	<b>(5,378)</b>	<b>-</b>	<b>(79,790)</b>	<b>(8,830)</b>	<b>-</b>	<b>(302,201)</b>

### 35 RELATED PARTY TRANSACTIONS

**(a) Related parties**

At 31 December 2025, Asian Glory held 66.11% (2024: 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	2025 RMB'000	2024 RMB'000
Land Smart Development Limited ( <i>Note</i> )	Rental expenses	312	312
Politor Limited ( <i>Note</i> )	Rental expenses	539	602
Lovable Products Trading ( <i>Note</i> )	Loan interest	1,367	2,134

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

**(c) Balances with related parties**

	2025 RMB'000	2024 RMB'000
<b>Amounts due to related companies</b>		
Land Smart Development Limited	9,349	9,037
Lovable Products Trading	8,830	7,671
Politor Limited	3,512	3,056
	<b>21,691</b>	<b>19,764</b>
<b>Loans from a related company</b>		
Lovable Products Trading	95,230	139,792
<b>Loan from a director of the Company</b>		
Mr. Lee Ching Yiu	15,000	15,000
<b>Convertible preference shares</b>		
Asian Glory	5,378	–

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.



### 35 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties (Continued)

The loans from a related company with principal amounts of US\$11,145,000 (equivalent to approximately RMB78,520,000) (2024: US\$15,841,000 (equivalent to approximately RMB114,327,000)) and HK\$18,500,000 (equivalent to approximately RMB16,710,000) (2024: HK\$27,500,000 (equivalent to approximately RMB25,465,000)) were interest bearing at 2.0% (2024: 2.0%) per annum, unsecured and repayable in two years (2024: two years). At 31 December 2025, the carrying amounts of the loans approximate to their fair value (2024: same). At 31 December 2025, there was unutilised loan facility of approximately RMB40,250,000 (2024: RMB91,708,000) from the related company.

#### (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:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	7,336	8,878
Discretionary bonus	–	–
Post-employment benefits	627	876
Share-based payments	358	–
	<b>8,321</b>	<b>9,754</b>

### 36 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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
<b>Directly held by the Company</b>					
Kidsland Holdings Limited	The BVI, limited liability company	US\$1	Investment holding	The BVI	100% (2024: 100%)
Silverkids	The BVI, limited liability company	US\$100	Investment holding	The BVI	58% (2024: 58%)
<b>Indirectly held by the Company</b>					
ANB (HK) Limited	Hong Kong, limited liability company	HK\$1,000	Investment in trademarks	Hong Kong	100% (2024: 100%)
Au Nain Bleu Paris	France, limited liability company	EUR10,000	Retailing of toys	France	90% (2024: 90%)
Kidsland Distribution Limited	Hong Kong, limited liability company	HK\$1,000	Trading and sale of toys and related lifestyle products	Hong Kong	100% (2024: 100%)
Kidsland HK Limited	Hong Kong, limited liability company	HK\$1,000	Trading and sale of toys and related lifestyle products	Hong Kong	100% (2024: 100%)
Kidsland LCS Limited	Hong Kong, limited liability company	HK\$8,000,000	Retailing of toys and related lifestyle products	Hong Kong	100% (2024: 100%)
Prince Asia Limited	Hong Kong, limited liability company	HK\$1	Investment holding	Hong Kong	58% (2024: 58%)
Kidsland (Macau) Limited	Macau, limited liability company	MOP25,000	Retailing of toys	Macau	100% (2024: 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% (2024: 100%)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025



### 36 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
<b>Indirectly held by the Company (Continued)</b>					
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% (2024: 100%)
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% (2024: 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% (2024: 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% (2024: 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% (2024: 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% (2024: 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% (2024: 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% (2024: 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% (2024: 100%)

None of the subsidiaries had issued any debt securities at the end of the year.

**36 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	
	2025 RMB'000	2024 RMB'000
Current assets	17,165	18,001
Current liabilities	(3,854)	(3,166)
<b>Net current assets</b>	<b>13,311</b>	<b>14,835</b>
<b>Non-current assets</b>	<b>1</b>	<b>1</b>
<b>Net assets</b>	<b>13,312</b>	<b>14,836</b>
Accumulated non-controlling interests	5,591	6,231
	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Revenue	4,908	7,505
<b>Loss for the year</b>	<b>(1,921)</b>	<b>(426)</b>
Other comprehensive income/(expense) for the year	397	(346)
<b>Total comprehensive expense</b>	<b>(1,524)</b>	<b>(772)</b>
Loss allocated to non-controlling interests	(807)	(179)
Other comprehensive income/(expense) allocated to non-controlling interests	167	(145)
<b>Total comprehensive expense allocated to non-controlling interests</b>	<b>(640)</b>	<b>(324)</b>
Cash flows used in operating activities	(2,462)	(81)
Cash flows from investing activities	–	–
Cash flows from financing activities	2,460	83
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2)</b>	<b>2</b>



### 37 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

#### (a) Statement of financial position of the Company

<i>Notes</i>	2025 RMB'000	2024 RMB'000
<b>ASSETS</b>		
Non-current assets		
Interests in subsidiaries	–	–
Amounts due from subsidiaries	–	–
	–	–
Current assets		
Deposits and prepayments	281	256
Amounts due from subsidiaries	–	–
Cash and cash equivalents	179	184
	460	440
Total assets	460	440
<b>DEFICIT</b>		
Capital and deficit		
Share capital	21 9,752	6,931
Deficit	(b) (16,032)	(8,375)
Total deficit	(6,280)	(1,444)
<b>LIABILITIES</b>		
Non-current liability		
Convertible preference shares	26 5,378	–
Current liabilities		
Other payables and accrued expenses	1,362	1,871
Amount due to a subsidiary	–	13
Total liabilities	6,740	1,884
Total equity and liabilities	460	440

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 27 March 2026 and was signed on its behalf by:

**Lee Ching Yiu**  
Director

**Zhong Mei**  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2025

**37 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	Convertible preference share equity reserve RMB'000	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
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)
At 1 January 2025	323,968	21,949	6,828	–	(374,967)	13,847	(8,375)
Loss for the year	–	–	–	–	(90,589)	–	(90,589)
Other comprehensive expense for the year	–	–	–	–	–	(2,000)	(2,000)
Total comprehensive expense for the year	–	–	–	–	(90,589)	(2,000)	(92,589)
Issue of shares (Note 21)	8,462	–	8,463	–	–	–	16,925
Issue of convertible preference shares (Note 26)	–	–	–	67,819	–	–	67,819
Transaction costs attributable to issue of shares	(132)	–	–	–	–	–	(132)
Transaction costs attributable to issue of convertible preference shares	–	–	–	(452)	–	–	(452)
Recognition of equity-settled share-based payment	–	772	–	–	–	–	772
Share option scheme – share option lapsed	–	(1,994)	–	–	1,994	–	–
At 31 December 2025	332,298	20,727	15,291	67,367	(463,562)	11,847	(16,032)



### 38 EVENTS AFTER THE REPORTING PERIOD

Other than the Conversion of convertible preference shares of the Company as disclosed in Note 26, there is no material subsequent event undertaken by the Group after 31 December 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				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
REVENUE	835,443	974,488	1,155,738	1,144,716	1,469,800
(LOSS)/PROFIT BEFORE TAX	(128,286)	(199,466)	(209,639)	(183,962)	6,113
INCOME TAX EXPENSE	(1,671)	(2,943)	(1,306)	(272)	(4,038)
(LOSS)/PROFIT FOR THE YEAR	(129,957)	(202,409)	(210,945)	(184,234)	2,075
(Loss)/profit for the year attributable to:					
Owners of the Company	(129,050)	(202,151)	(210,495)	(182,285)	1,341
Non-controlling interests	(907)	(258)	(450)	(1,949)	734
	(129,957)	(202,409)	(210,945)	(184,234)	2,075

## ASSETS AND LIABILITIES

	At 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
TOTAL ASSETS	377,668	454,217	580,753	757,062	907,155
TOTAL LIABILITIES	(511,208)	(538,117)	(467,468)	(436,482)	(426,002)
NET (LIABILITIES)/ASSETS	(133,540)	(83,900)	113,285	320,580	481,153
Net (liabilities)/assets attributable to:					
Owners of the Company	(138,656)	(89,790)	107,006	313,745	471,838
Non-controlling interests	5,116	5,890	6,279	6,835	9,315
	(133,540)	(83,900)	113,285	320,580	481,153