

# Telly Toys Limited

2017 QP Case Analysis Competition(PRC)

*Team P016*

# Content

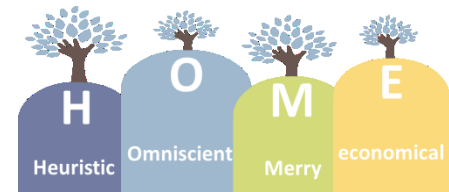
*1. Introduction*

*2. Strategy Evaluation*

*3. Implementation Proposal*

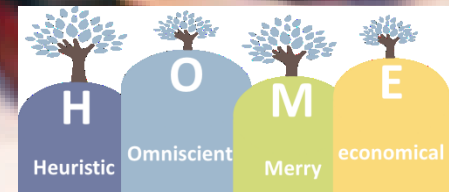
*4. Funding Plan  
& Financial Forecast*

*5. Ethical Analysis*



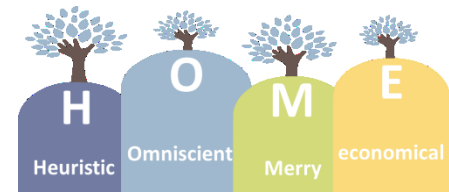
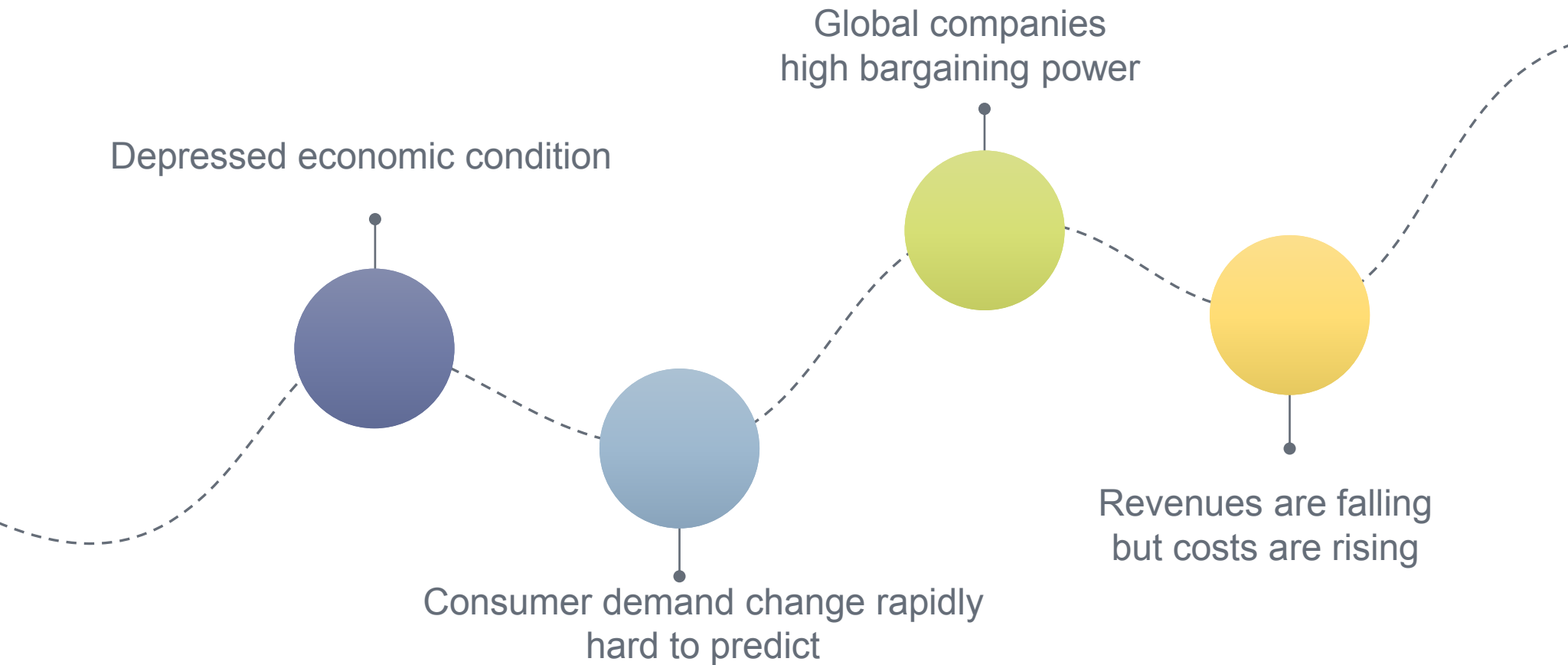
# 01. Introduction

**“ Miss Jane is the representative of Telly Toys,  
now she is worrying about the company's conditon...”**

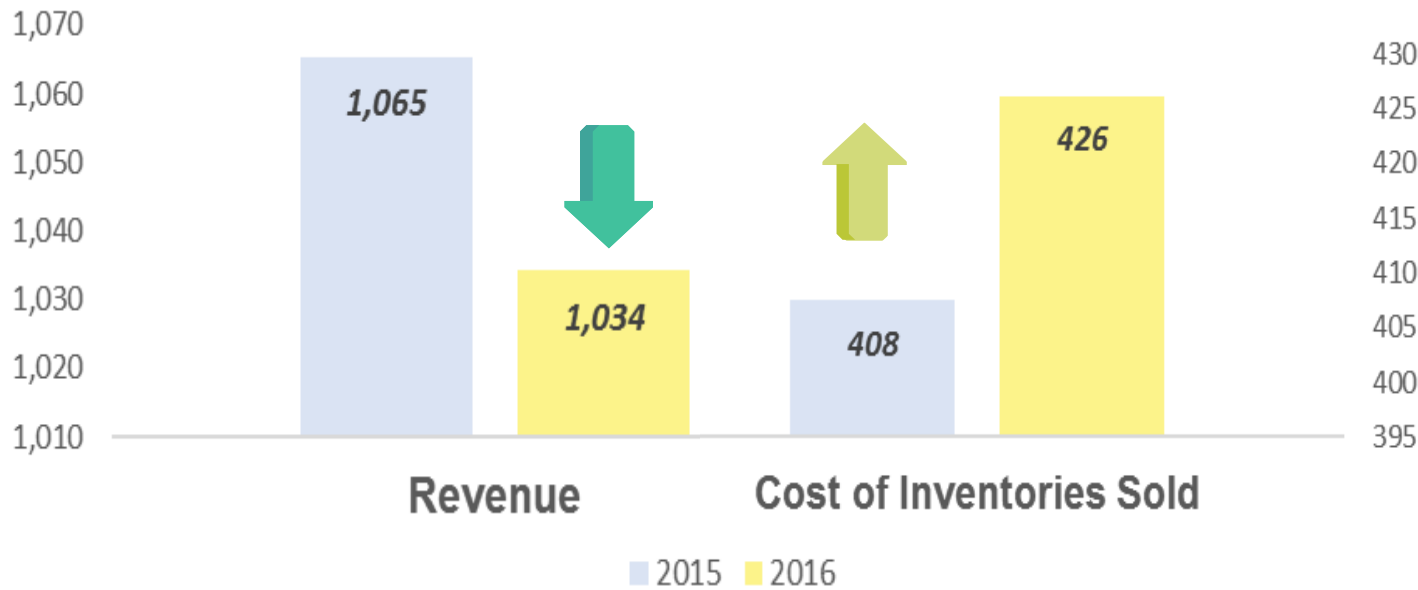


# Present Condition

- A toy retailer with 20 large stores in Hong Kong and mainland China



# Financial Analysis

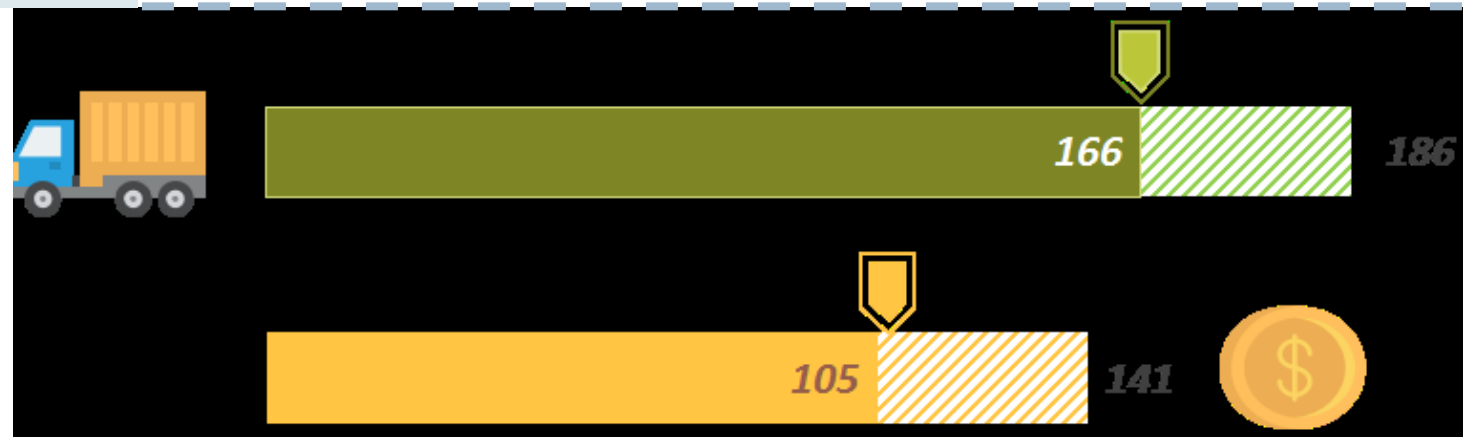


Profit margin: 10% to 5%

- **31** million vs **18** million
- Poor cost control

Quick Ratio: 1 to 0.74

- Inventory increased by **12%**
- Cash decreased by **25%**



# Future Direction ?

## 1. Market penetration :

*Maintain market share, and implementing cost controls*

## 2. Market development :

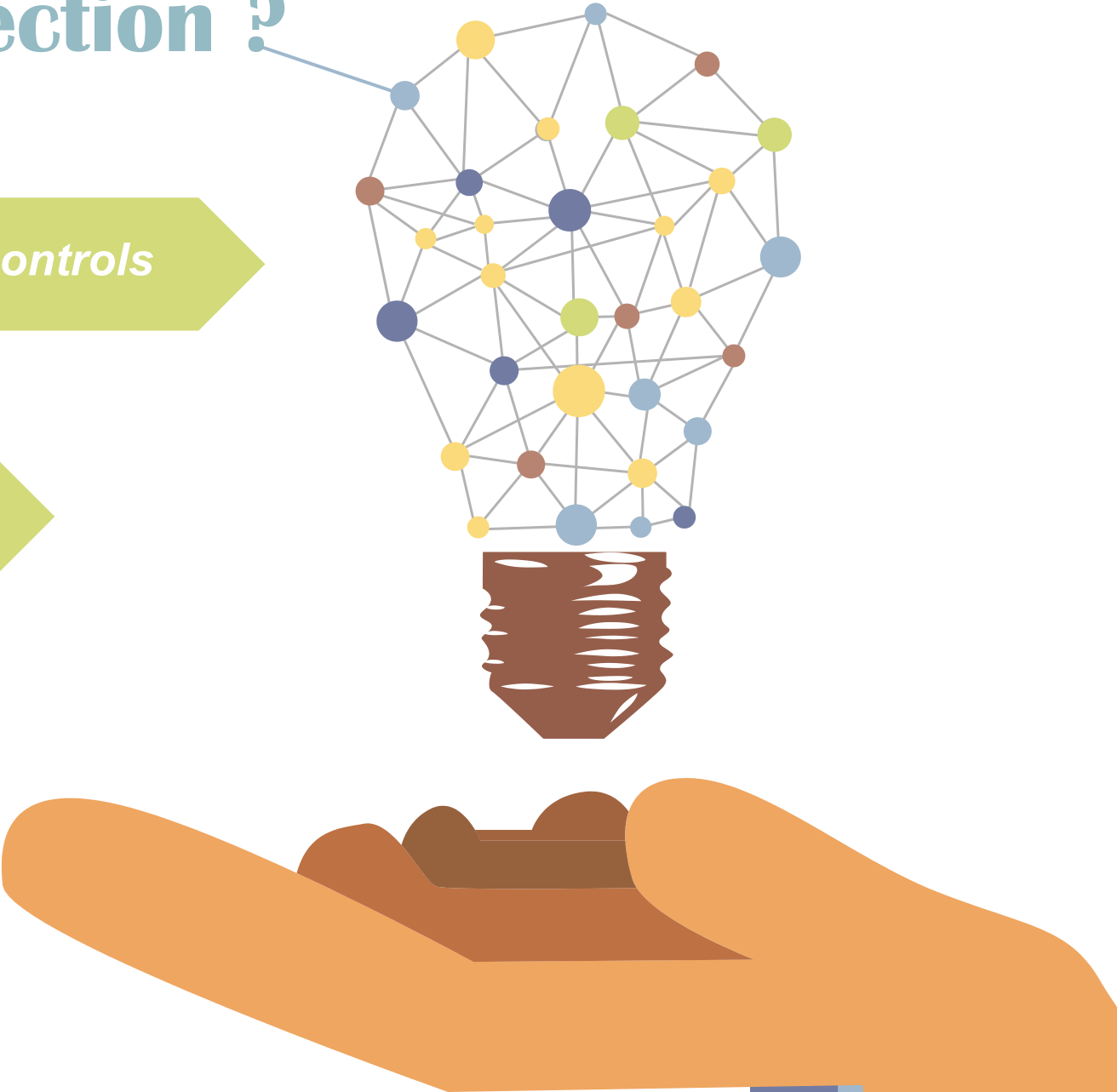
*Expand of current products in new markets*

## 3. Product development :

*New products in present markets*

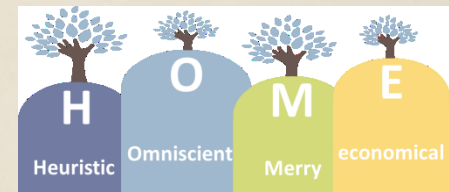
## 4. Withdrawal :

*Withdraw underperforming products*



# 02. Strategy Evaluation

**“ Before make a wise decision,  
it is necessary to evaluate each strategy in the company's  
environment...”**



# SWOT Analysis

- Realize the market trend quickly
- Good public image
- Concern about service quality

**S**

- Lower profitability and lack of cash
- Weakened short term solvency
- Inventory increased by 11.8%
- Lack of management of customer loyalty

**W**

- The two-child policy
- The boom of e-commerce and Internet
- Consumption concept is more modern

**O**

**T**

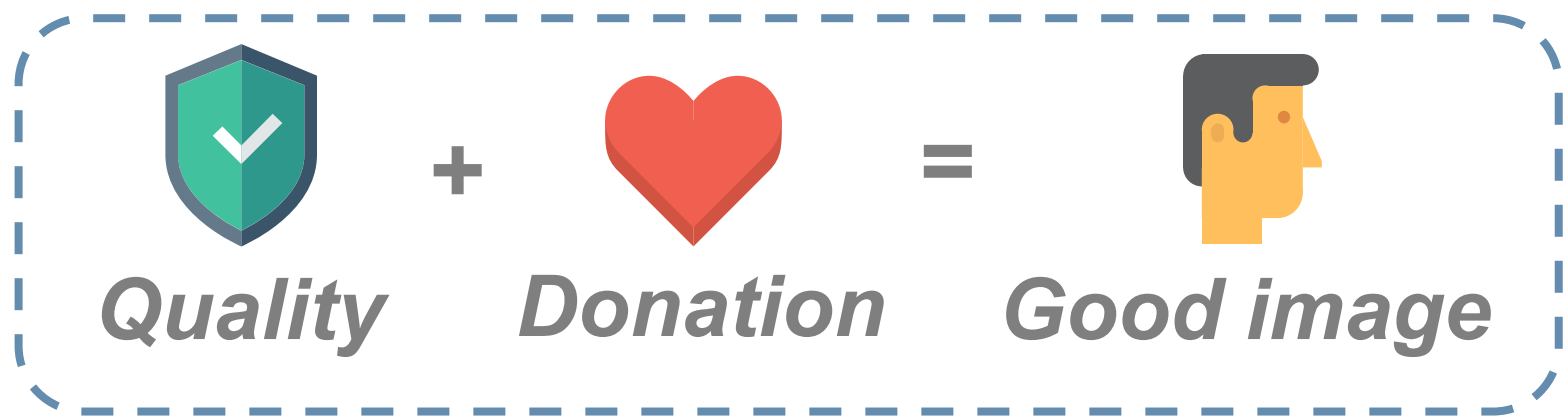
- Flexible and unpredictable consumer demand
- The high bargaining power of the manufacturers
- Potential entrants of related companies
- Depressed economic conditions



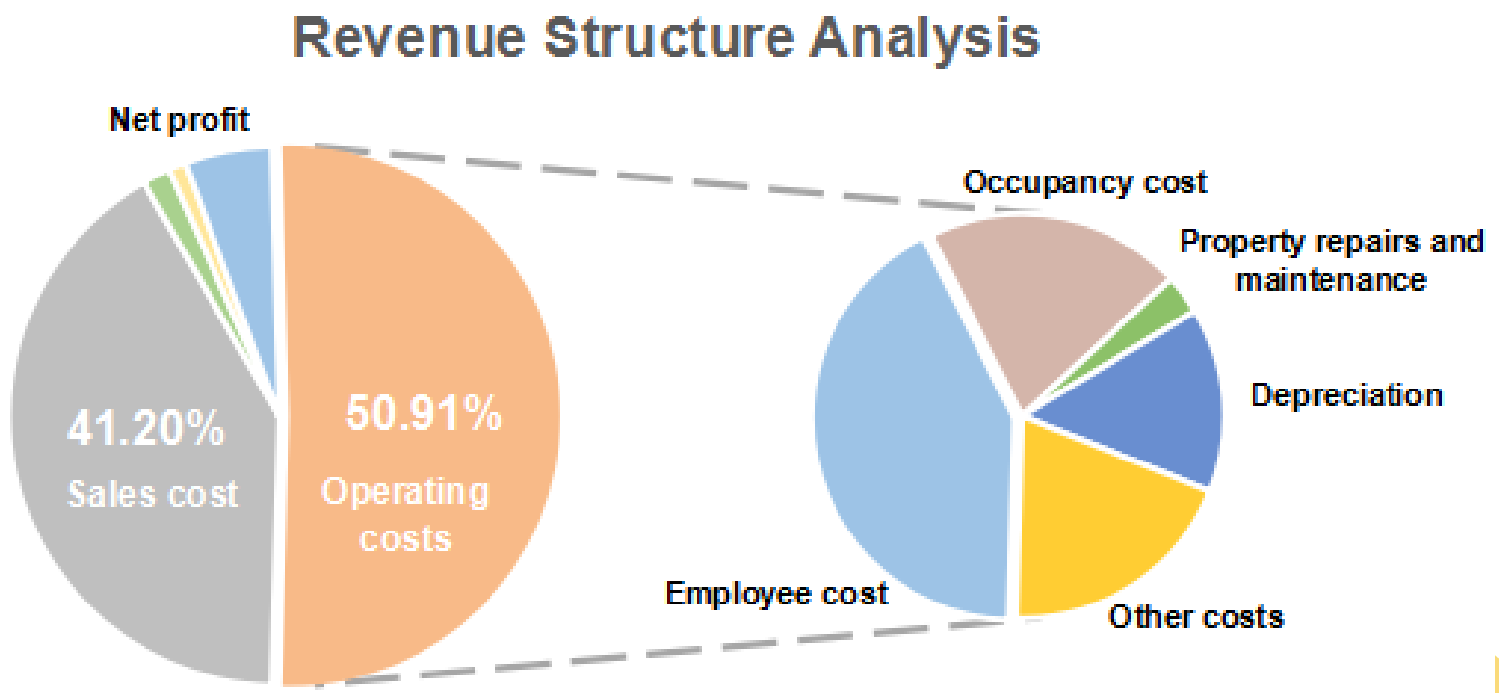
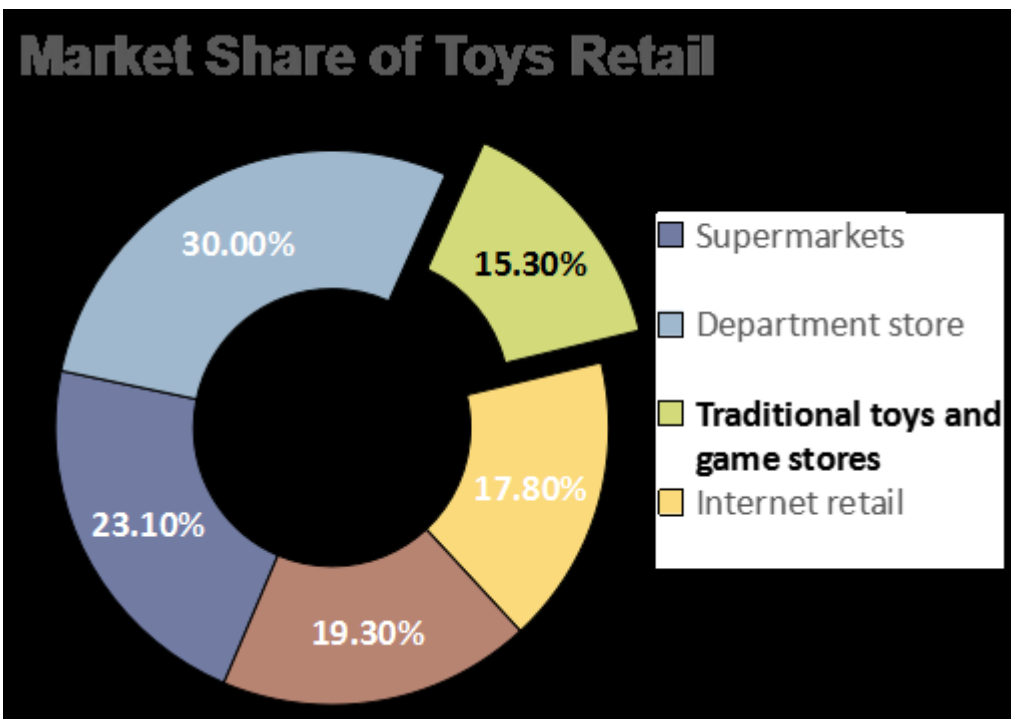


# Strategy 1

# Market penetration



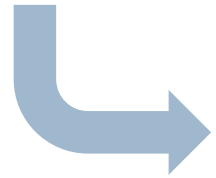
**Hard to Achieve**



# Strategy 2

# Enter new markets

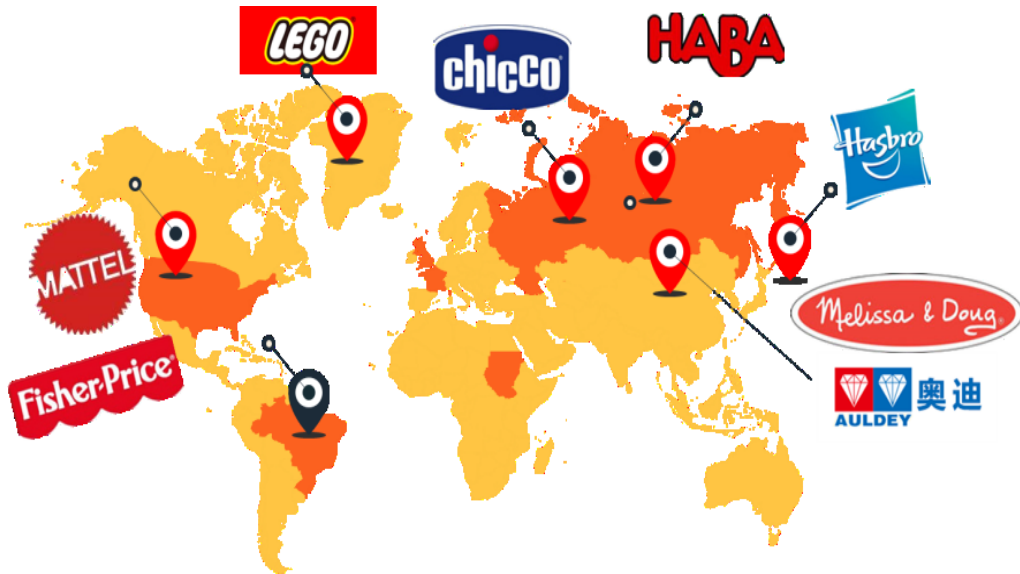
*New profit point ?*



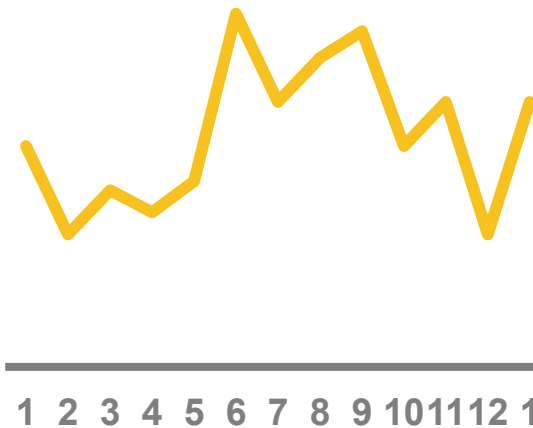
*Strong competitors*



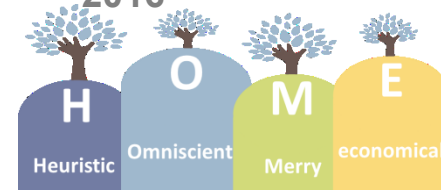
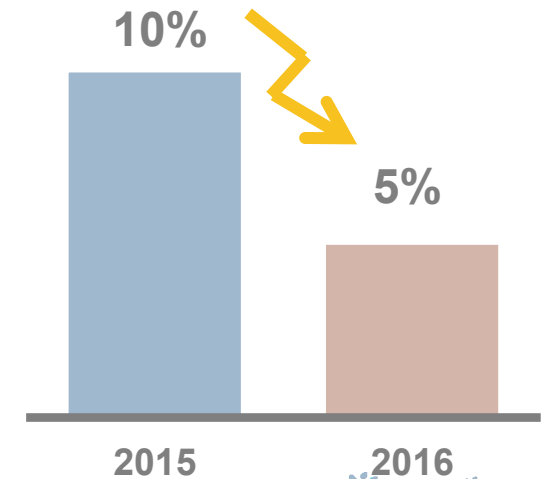
**Hard to Achieve**



Cash Flow change trends



Net Profit Margin



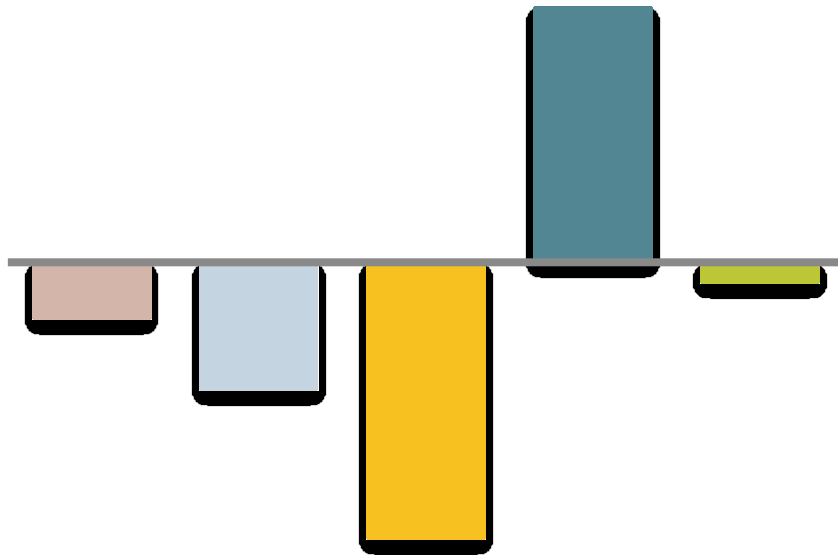
# Strategy 4

# Withdraw



**No Growth Potential**

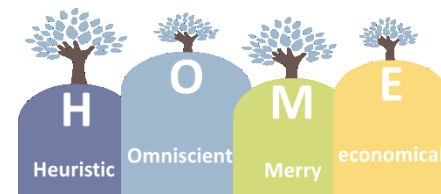
Changes in toys sales over past two years



- Children, ages under 5
- Children, ages 6 – 12
- Children, aged over 12
- Digital toys
- Outdoor toys



Drop which one?



# Strategy 3

# New products

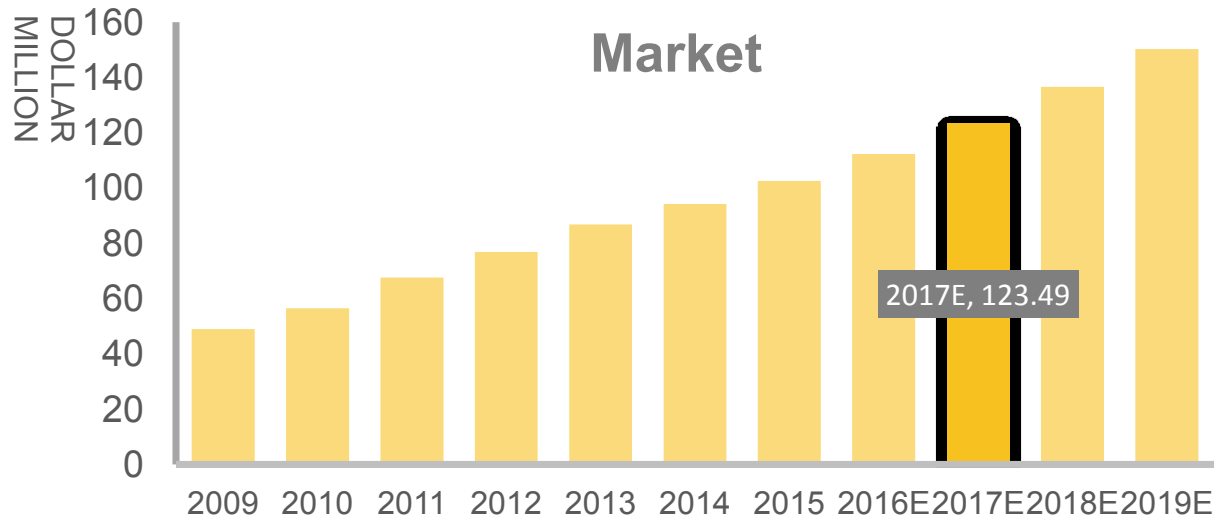
Close to the consumer



Perceive market changes



Retail Sales Forecast in China Toy

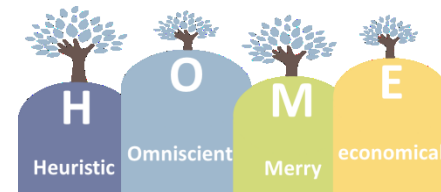


**The best choice**



Existing resources

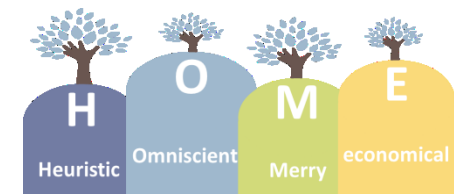
Brand value & Customer loyalty



# Strategy Analysis



Items		Strategy 1: Maintain	Strategy 2: New markets	Strategy 3: New products	Strategy 4: Withdraw
External	Market Growth ✓				
	Policy Support				
	Competitive Pressure				
Internal	Investment Amounts and Risks				
	Expected Profitability ✓				
	Sustainable Development ✓				



# 3. Implementation Plan

A photograph of a child's toys, including wooden blocks, a toy train engine, and a green toy car, scattered on a carpeted floor next to a tipped-over basket.


**“ Your analysis sounds reasonable,  
but how to realize the strategy successfully ?**

# Target group

Families in 1st and 2nd tier cities



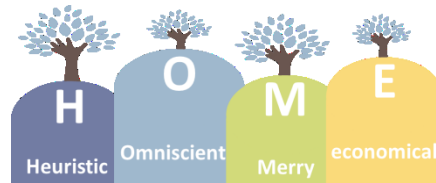
● A.I. 

 Highly educated

 High purchasing power

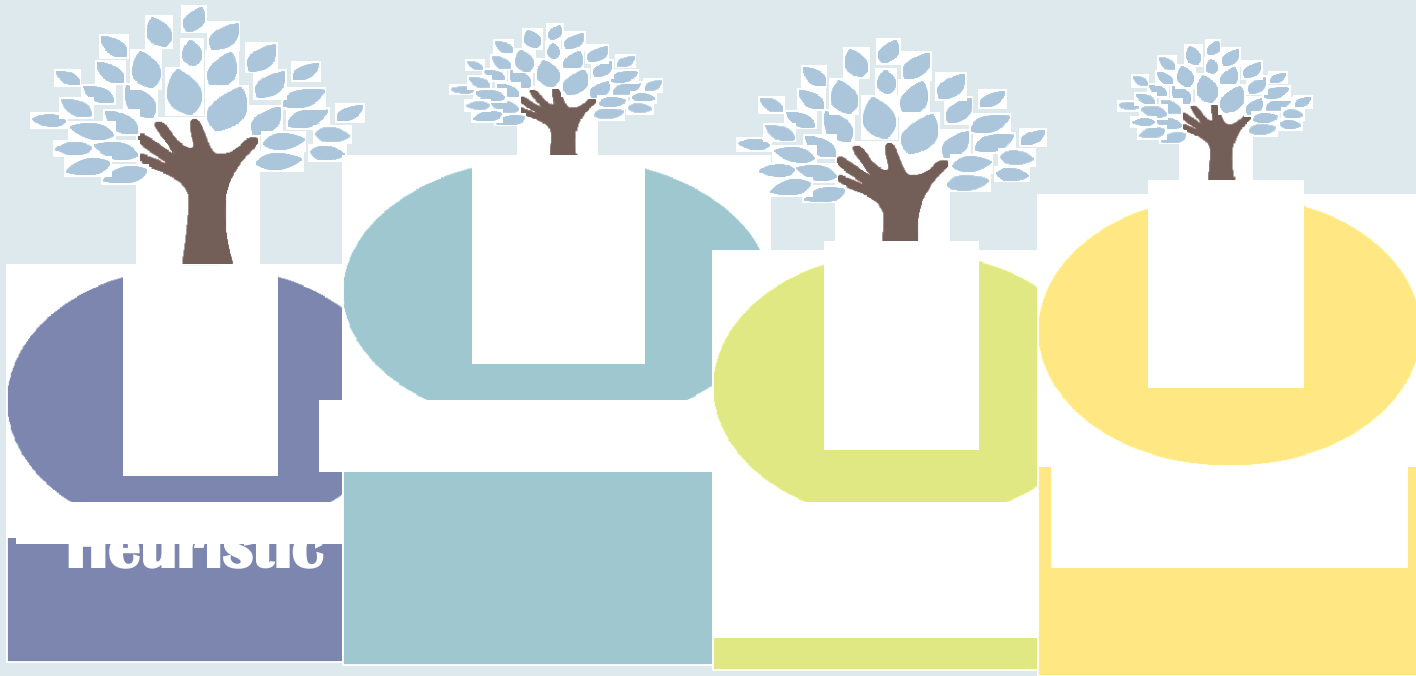
 Interest in new technology

● Accompany 





# Core value



**Warmth  
of company**

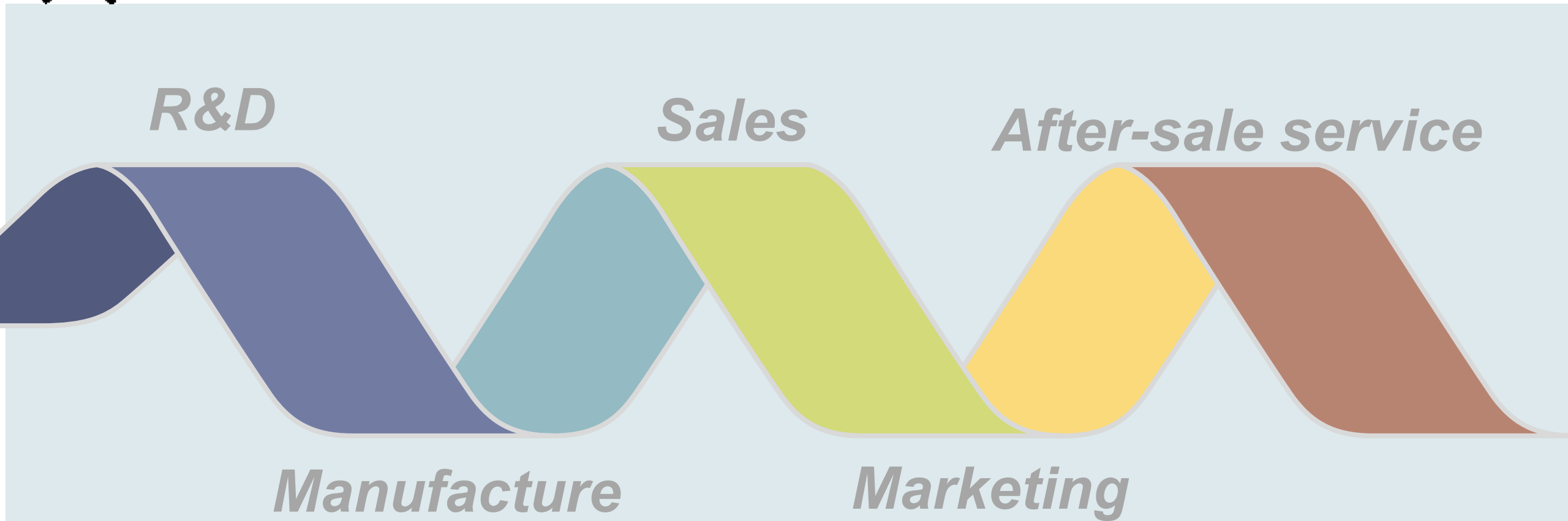
**Cultivation  
of character**

**Beauty  
of technology**





# Value Chain





# Value Chain

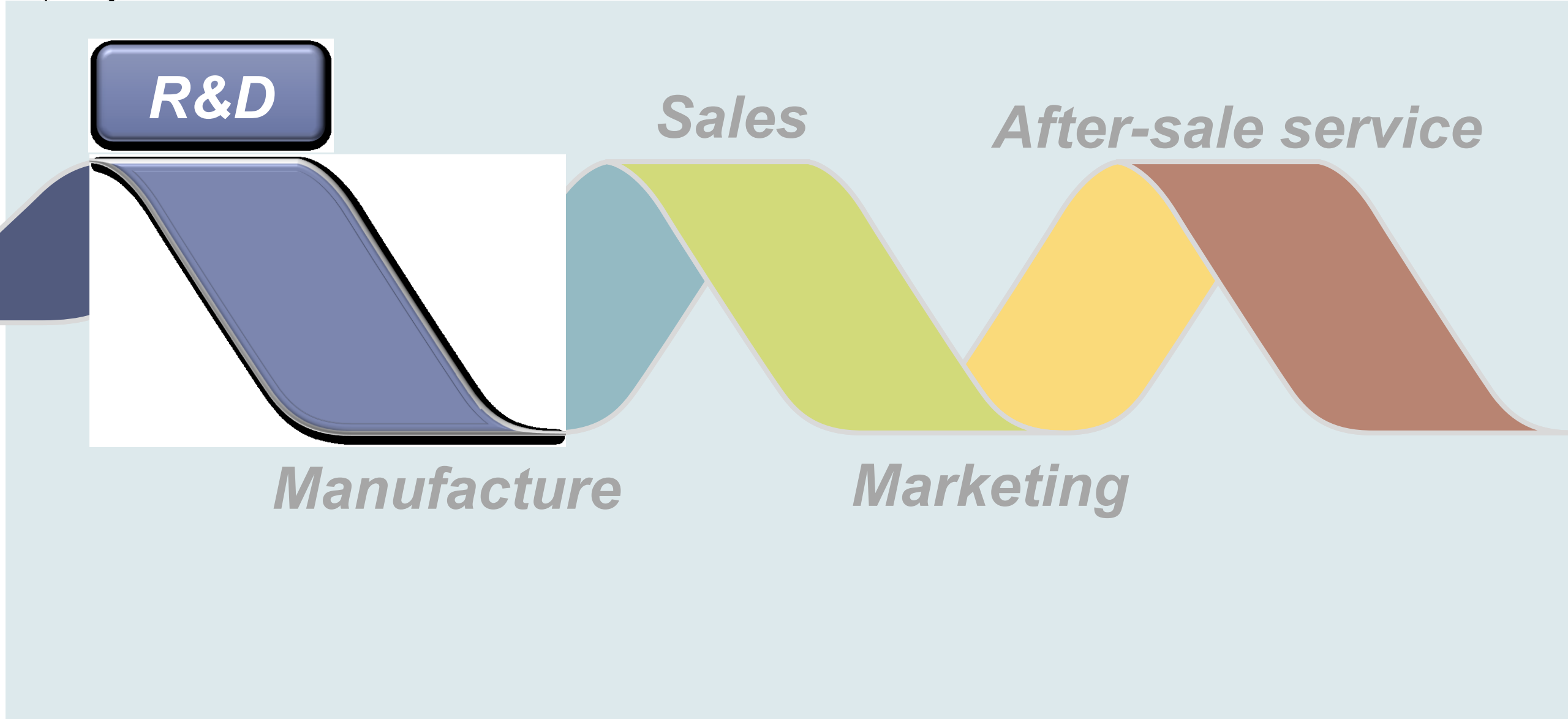
**R&D**

*Sales*

*After-sale service*

*Manufacture*

*Marketing*



# R&D. Product design

# IT & Manufacturers



Simulated pet toy

 **0-3 years old**



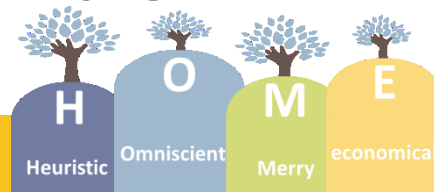
Building blocks toy

 **Preschool children**



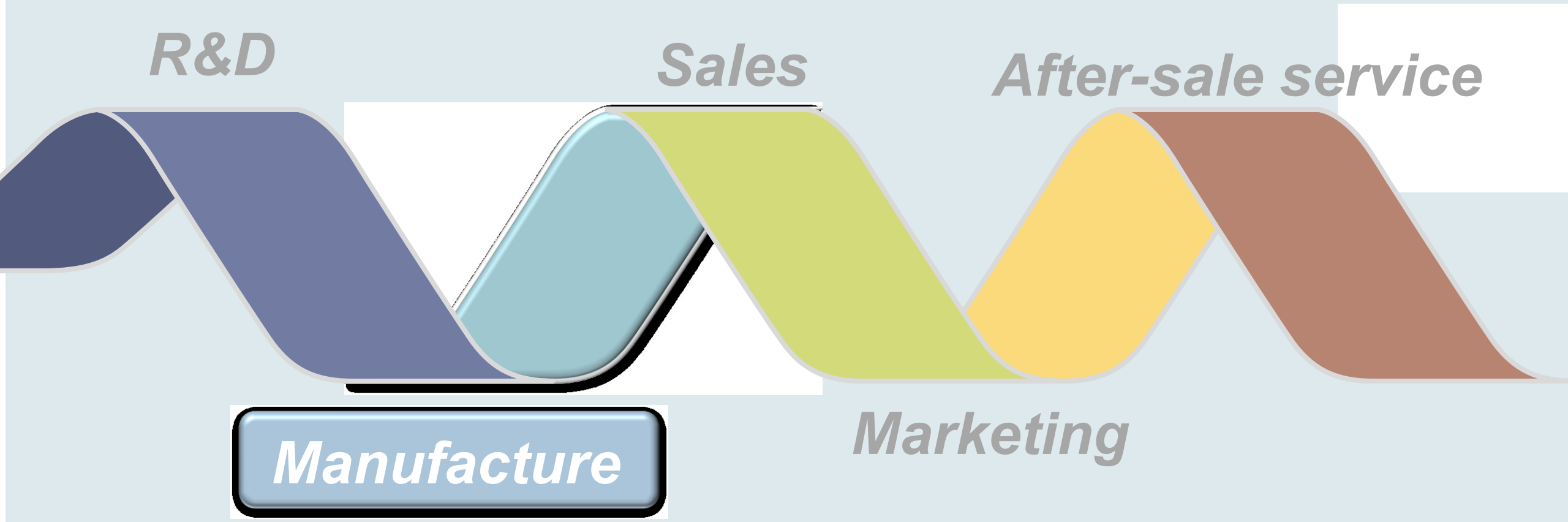
Programmable robot

 **Older children**





# Value Chain



# ***Manufacture. Cooperation***

Lower sales costs



Quality standard

R&D capacity

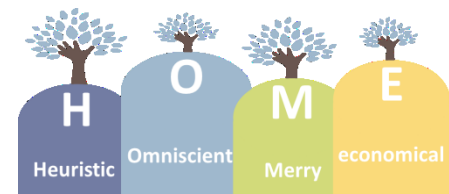
**Manufacturer**



**TT**

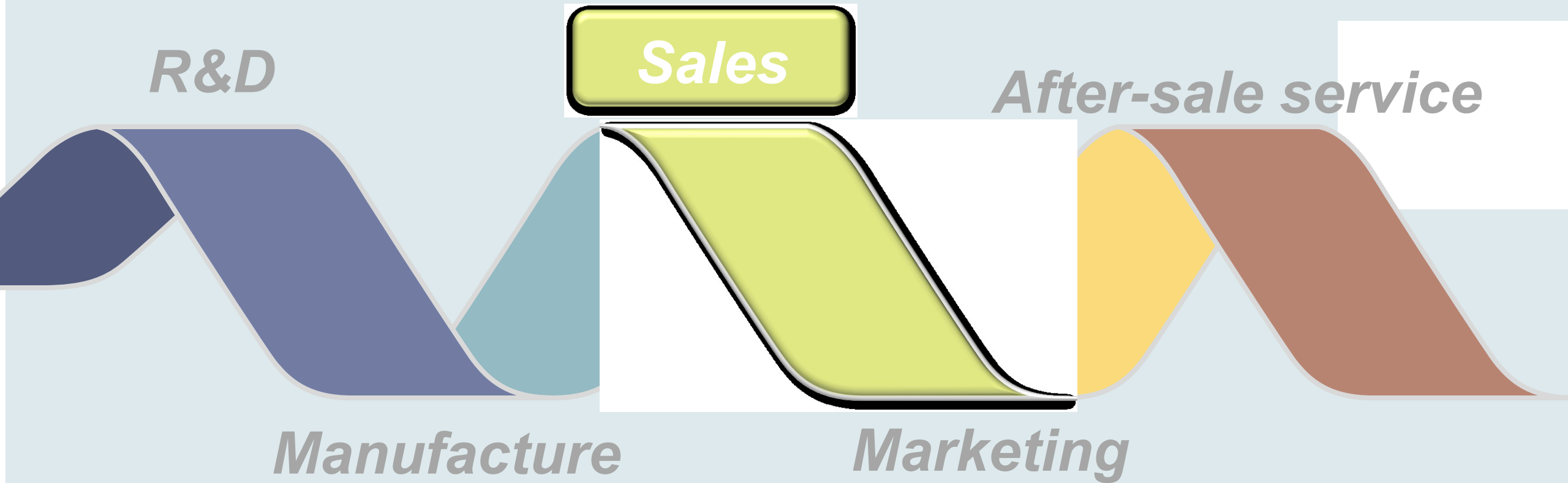
Offer sales channel

Customer information





# Value Chain



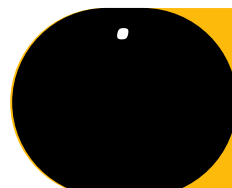
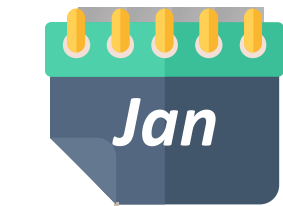
# *Sales. Launch time*

Decrease the pressure on inventory

Product penetration

Selling peak

2016



Q2

Q3

Q4

Q1

Q2

Q3

Q4

2017

October 2016



May 2017



October 2017

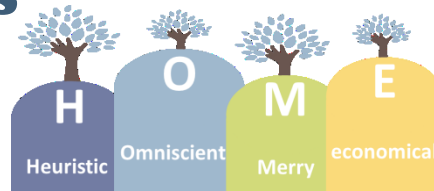


Christmas

New Year

Children's  
Day

Christmas



# ***Sales. Sales channel & Product Portfolio***



**Flageship**

**Online**

**Personalized**



**Sales channel**



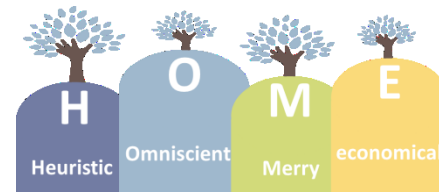
**Product Portfolio**



**Stores**

**Offline**

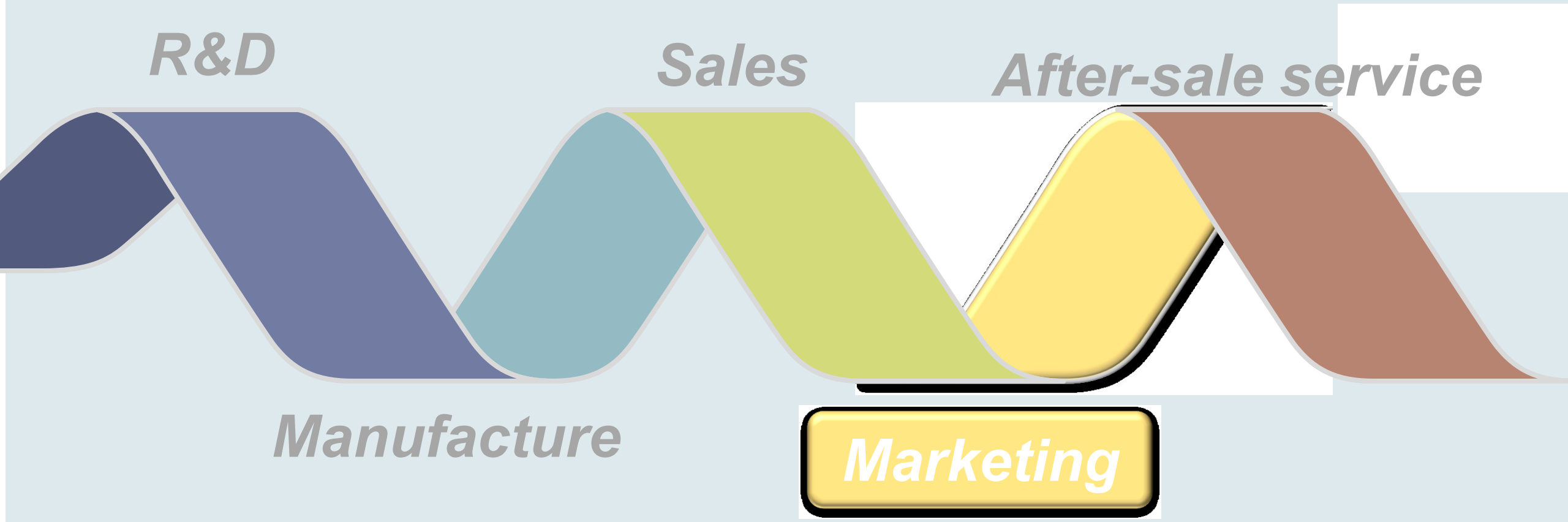
**Gifts with TT's logo**







# Value Chain



# Marketing. Offline & Online

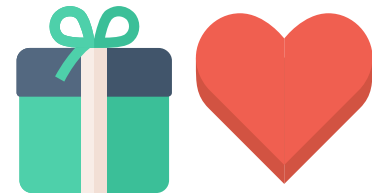
User Experience

Warm and Happy



Open Space

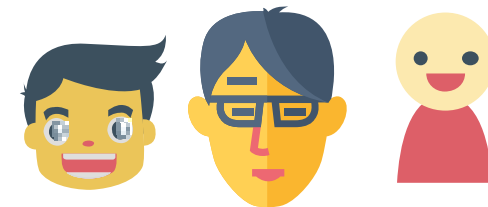
Charity Activity



“ Love Toy Rafting Trip ”

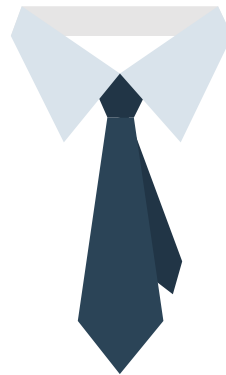
Theme Activity

“ Have Fun Together ”



Social Media

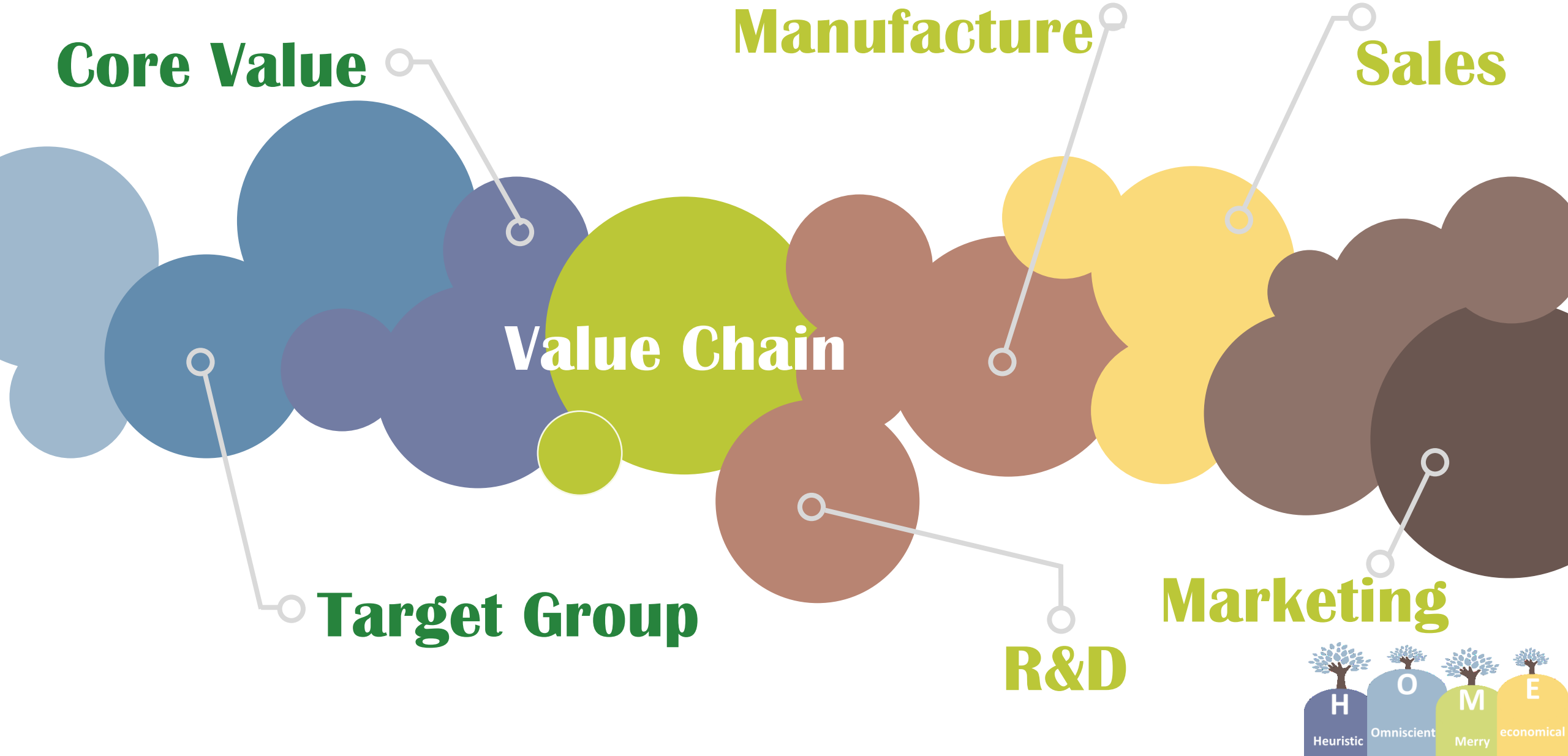
KOL



Key Opinion Leader

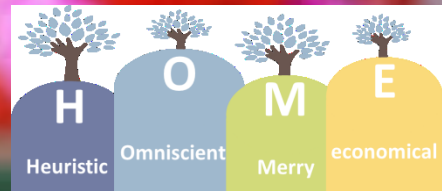
Fan Economy

# Implementation Plan



# 4. Funding Plan & Financial Forecast

**“ Your proposal is quite fascinating  
but how about the profitability ? ...**



# Funding Plan

# Purpose



Promotion

HK\$ 189M

R&D cooperation

HK\$ 260M

Expand stores/  
Redecorate

HK\$ 378M



**Funding Plan**

**Source**



**Corporate bond**

**HK\$ 160M**

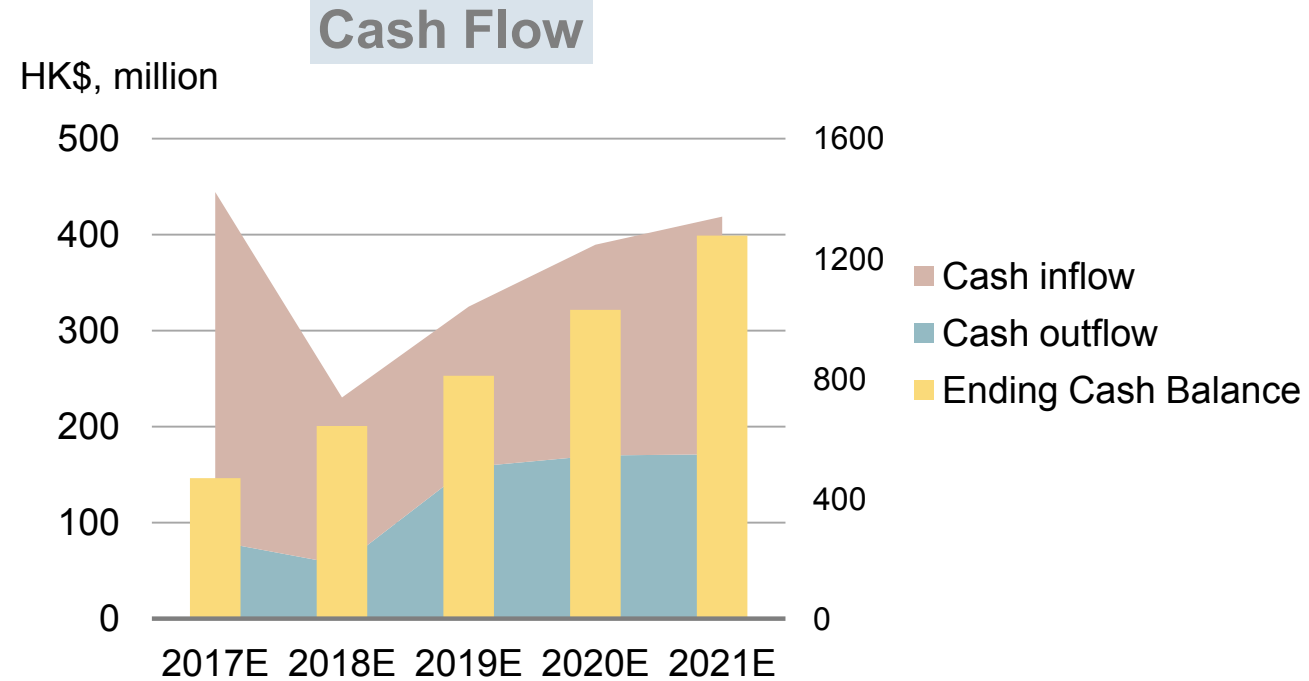
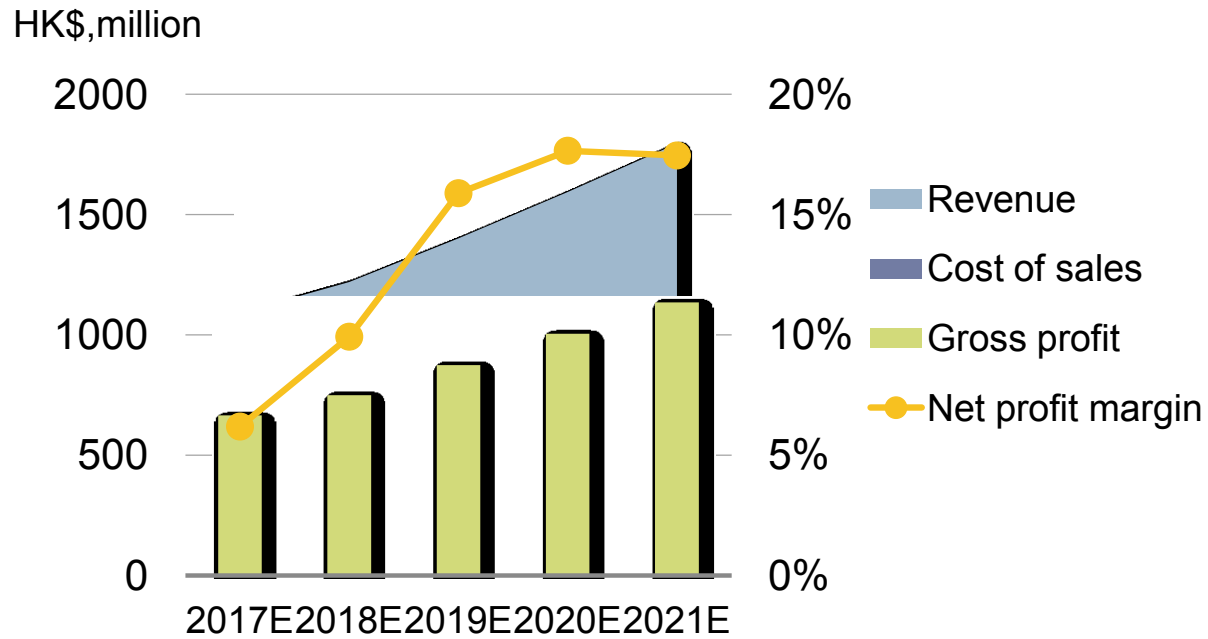
**Private placement**

**HK\$ 100M**



# Financial Forecast

# Profitability

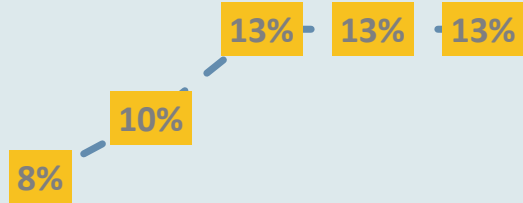


- Revenue growth rate: **8%** in 2017E, and **13%** since 2019
- Lower sales cost → Higher gross profit
- Costs control & Scale effect → Net profit margin: rise to 17% in 2021 from 5%
- Sufficient cash flow

# Financial Forecast

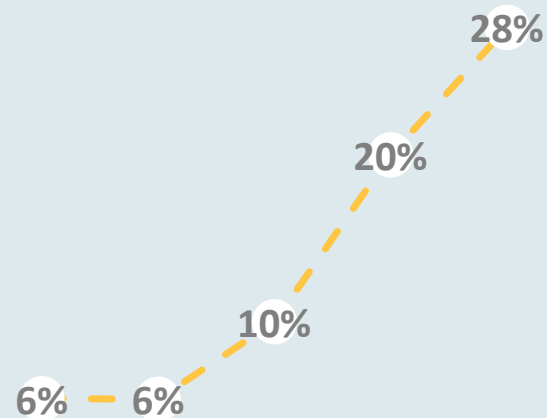
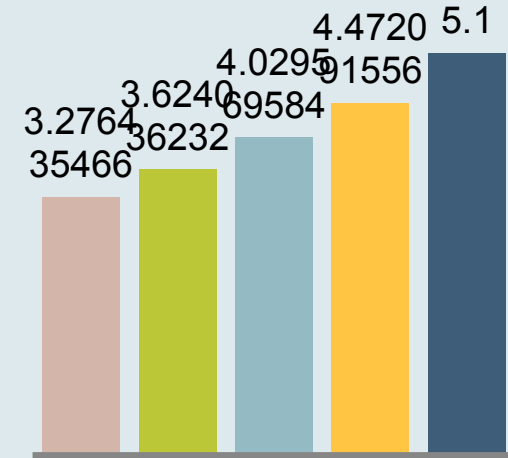
## KPI

### Four major capabilities



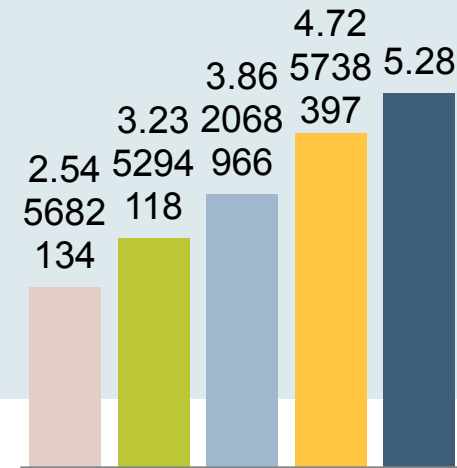
**Revenue growth rate**

**Current ratio**



**ROA**

**Inventory turnover**



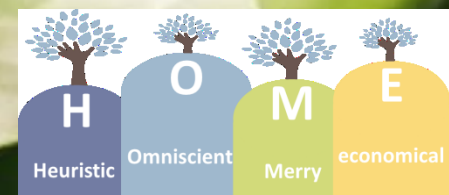




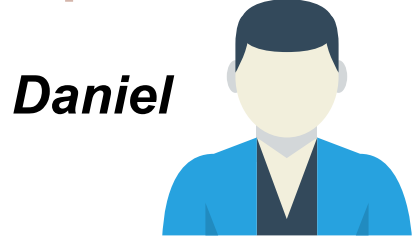
**“ Beside the strategy,  
there is still another problem...”**



# 5. Ethical Analysis



# Issue Review



**Daniel**

*Operations Officer &  
CEO & HK CPA*

**Report**

**Doing nothing in 48h**

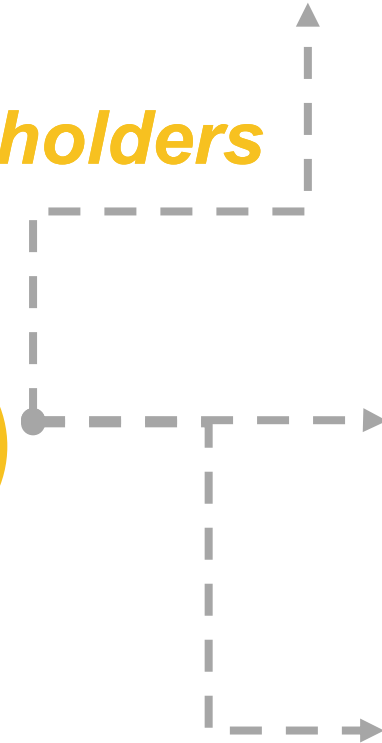


**Tiger Toys:  
"Dangerous Paint Toy Issue"**

**Investigation**



**Stakeholders**



**Retailer(TT)**



**Customers**

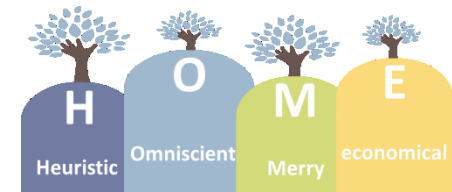


**Shareholders**



**Aimee**

*Second-in-command*



# Issue Analysis

## • Conflict

Threats

*Pressure*

Personal interests

**VS**

Principles-HKICPA COE

*Integrity*

*Objectivity*

## • Choice

Short Term

Long Term

Doing nothing

Taking action



# Action



Daniel



Aimee

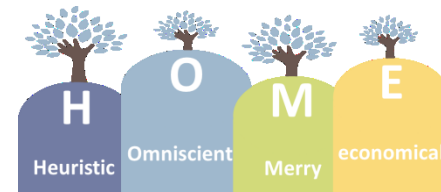


Other executives

***Stop related production and sales activities***

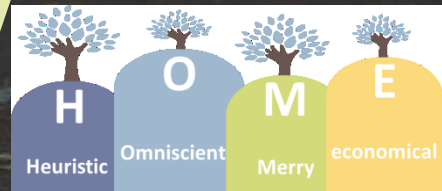
***Clarify the fact to the public  
& recall sold products***

***Set up a investigation team to  
investigate the issue***





***Thankes***





# Q&A



M

Merry



E

economical

# Appendix

- 1. I/S Forecast*
- 2. Funding Arrangement*
- 3. Cash Flow Statement*
- 4. Financial Ratios Table(2016)*
- 5. Recent Issuance of Corporate Bond in PRC*
- 6. Consumption Level & Market Size*
- 7. Key Financial Ratios Forecast*
- 8. Recent Issuance of Private Placement in PRC*
- 9. Implementation Time Table*
- 10. Sales Forecast of the Three Series*
- 11. The Proportion of Toy Retail Channels in Hongkong and Mainland China in 2015*
- 12. Assumption Table for Proposed Strategy's Financial Implementations*
- 13. List of Potential Manufacturers Partner*
- 14. Pricing for the Series*
- 15. Details of the Series Design*

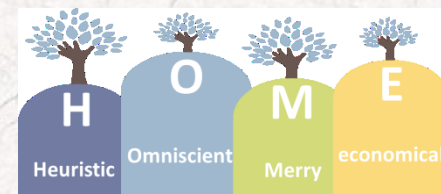


# Appendix 1: I/S Forecast

## Telly Toy Limited

### Income Statement Forecast

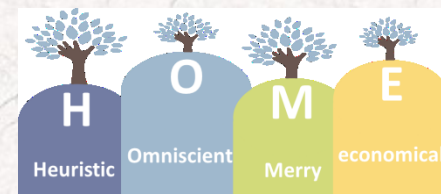
(HK\$000)	2015A	2016A	2017E	2018E	2019E	2020E	2021E
Revenue	1,065,257	1,034,237	1,116,976	1,228,674	1,388,401	1,568,893	1,772,849
Cost of sales	<u>(407,502)</u>	<u>(426,108)</u>	<u>(427,243)</u>	<u>(469,968)</u>	<u>(526,364)</u>	<u>(589,527)</u>	<u>(660,271)</u>
<b>Gross profit</b>	657,755	608,129	664,601	749,491	874,693	1,004,092	1,134,624
<b>Operating costs:</b>							
Employee costs	(211,861)	(221,768)	(226,203)	(230,727)	(235,342)	(276,056)	(342,790)
Occupancy costs	(106,167)	(108,325)	(110,492)	(112,701)	(114,955)	(120,221)	(127,571)
Property repairs and maintenanc	(18,080)	(16,730)	(18,430)	(20,273)	(22,909)	(25,887)	(29,252)
Depreciation	(77,594)	(77,621)	(78,397)	(79,181)	(79,973)	(80,773)	(81,580)
Other costs	<u>(96,295)</u>	<u>(102,130)</u>	<u>(122,867)</u>	<u>(135,154)</u>	<u>(131,898)</u>	<u>(149,045)</u>	<u>(168,421)</u>
Total operating costs	<u>509,997</u>	<u>526,574</u>	<u>556,390</u>	<u>578,037</u>	<u>585,077</u>	<u>651,982</u>	<u>749,614</u>
<b>EBIT (Operating profit)</b>	<b>147,758</b>	<b>81,555</b>	<b>108,211</b>	<b>171,454</b>	<b>289,616</b>	<b>352,110</b>	<b>385,010</b>
Finance costs	<u>(16,226)</u>	<u>(17,321)</u>	<u>(25,449)</u>	<u>(25,449)</u>	<u>(25,449)</u>	<u>(20,426)</u>	<u>(14,398)</u>
Profit before taxation	131,532	64,234	82,762	146,005	264,167	331,684	370,612
Taxation (16.5%)	<u>(21,703)</u>	<u>(10,598)</u>	<u>(13,656)</u>	<u>(24,091)</u>	<u>(43,587)</u>	<u>(54,728)</u>	<u>(61,151)</u>
<b>Profit after taxation</b>	<b><u>109,829</u></b>	<b><u>53,636</u></b>	<b><u>69,106</u></b>	<b><u>121,914</u></b>	<b><u>220,579</u></b>	<b><u>276,956</u></b>	<b><u>309,461</u></b>
Dividends	<u>50,000</u>	<u>50,000</u>	<u>54,751</u>	<u>55,657</u>	<u>57,339</u>	<u>58,892</u>	<u>60,834</u>





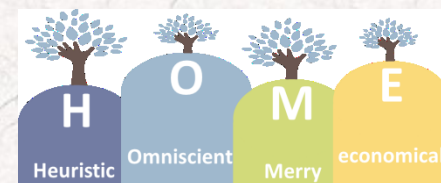
# Appendix 2: Funding Arrangement

Funding Arrangement					
( HK\$000)	2017E	2018E	2019E	2020E	2021E
Target funding acquired for next financial period	432,157	456,863	513,440	583,244	647,119
Cash remained from previous financial period	105,008	430,351	517,198	619,023	735,872
Sales revenue collected	1,061,127	1,167,240	1,318,981	1,490,449	1,684,207
Corporate bonds	165,000	0	0	0	0
Private placement	100,000	0	0	0	0
Loans repayment	0	0	(75,000)	(90,000)	(95,000)
<b>Total funding acquired</b>	<b>1,431,135</b>	<b>1,597,591</b>	<b>1,761,179</b>	<b>2,019,472</b>	<b>2,325,079</b>
R&D	55,849	61,434	41,652	47,067	53,185
Purchase of property, plant, equipment	595	595	0	643	1,071
Expenses of the present financial period	944,340	1,018,363	1,100,504	1,235,890	1,403,853
<b>Cash remaining</b>	<b>430,351</b>	<b>517,198</b>	<b>619,023</b>	<b>735,872</b>	<b>866,969</b>



# Appendix 3: Cash Flow Statement

<b>Telly Toy Limited</b>					
<b>Cash Flow Statement Forecast</b>					
(HK\$000)	2017E	2018E	2019E	2020E	2021E
<b><u>Operating Activities</u></b>					
Net income	69,106	121,914	220,579	276,956	309,461
Adjustment for:					
Depreciation	(78,397)	(79,181)	(79,973)	(80,773)	(81,580)
Finance costs	(25,449)	(25,449)	(25,449)	(20,426)	(14,398)
Cash Flow from Operating Activities	172,953	226,544	326,001	378,155	405,439
<b><u>Investing Activities</u></b>					
Purchase of Property, Plant, Equipment	(595)	(595)	0	(643)	(1,071)
Interest Received	6,455	7,758	9,285	11,038	13,005
Cash Flow from Investing Activities	5,860	7,163	9,285	10,395	11,933
<b><u>Financing Activities</u></b>					
Private placement	100,000	0	0	0	0
Proceeds from corporate bonds	165,000	0	0	0	0
Finance costs	(25,449)	(25,449)	(25,449)	(20,426)	(14,398)
Repayment of Loans	0	0	(75,000)	(90,000)	(95,000)
Dividends Paid	(54,751)	(55,657)	(57,339)	(58,892)	(60,834)
Cash Flow from Financing Activities	184,800	(81,106)	(157,788)	(169,318)	(170,232)
Net Change in Cash and Cash Equivalents	363,613	152,601	177,498	219,232	247,140
Beginning Cash Balance	105,008	468,621	621,222	798,721	1,017,952
<b>Ending Cash Balance</b>	<b>468,621</b>	<b>621,222</b>	<b>798,721</b>	<b>1,017,952</b>	<b>1,265,093</b>

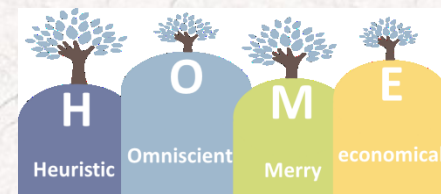


# Appendix 4: Financial Ratios Table(2016)

Financial Ratios Table(2016)

Location	Company	ROA	ROE	Gross Margin	Profit Margin	Fin. Exp./Sales rev.	Inventory turnover	Current ratio	Quick ratio	Asset liability ratio
PRC	驊威文化	5.7%	6.1%	46.5%	20.8%	-3.7%	2.21	4.93	4.02	6.8%
	群興玩具	1.9%	2.0%	21.9%	5.7%	-0.9%	3.32	5.07	3.96	7.0%
	星輝娛樂	13.1%	20.0%	43.2%	24.0%	2.4%	5.50	2.91	2.53	36.6%
	邦嚮益智	15.9%	18.1%	38.0%	21.4%	-0.5%	4.52	13.57	12.10	6.1%
HK	凱知樂國際	13.1%	36.0%	50.2%	7.0%	0.0%	1.95	1.47	0.63	63.7%
	彩星集團	5.3%	6.5%	65.6%	30.9%	1.0%	62.98	2.93	2.21	11.1%
	德林國際	11.5%	14.6%	23.5%	8.2%	0.0%	8.99	2.23	2.19	21.5%
	開達集團	5.4%	7.2%	76.0%	13.9%	9.1%	2.79	1.06	0.41	24.8%
	興利集團	3.7%	4.8%	23.9%	2.5%	/	5.98	3.14	2.29	22.6%
	Matrix Holdings	33.6%	39.4%	36.9%	30.4%	/	2.62	4.19	2.37	14.6%
<b>Avg</b>		<b>10.9%</b>	<b>15.5%</b>	<b>42.6%</b>	<b>16.5%</b>	<b>0.9%</b>	<b>10.09</b>	<b>4.15</b>	<b>3.27</b>	<b>21.5%</b>
<b>Telly Toys</b>		<b>12.2%</b>	<b>6.0%</b>	<b>58.8%</b>	<b>5.2%</b>	<b>1.7%</b>	<b>5.87</b>	<b>1.80</b>	<b>0.74</b>	<b>50.9%</b>

Better than average
  Worse than average



# Appendix 5: Assumption Table for Proposed Strategy's Financial Implementations

**Assumption Table for Proposed Strategy's Financial Implementations**

	2015A	2016A	2017E	2018E	2019E	2020E	2021E
Revenue Growth	/	-3%	8%	10%	13%	13%	13%
Employee costs growth	/	5%	2%	2%	2%	2%	2%
Occupancy costs growth	/	2%	2%	2%	2%	2%	2%
Depreciation growth	/	1%	1%	1%	1%	1%	1%
Property repairs and maintenance(as % of reverue)	1.70%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%
Other costs(as % of reverue)	9.04%	10.0%	11.0%	11.0%	9.5%	9.5%	9.5%
R&D Costs(as % of reverue)	/	/	5.0%	5.0%	3.0%	3.0%	3.0%
Taxation (as % of reverue)	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%
Gross Margin	61%	59%	59.50%	61%	63%	64%	64%
Dividend per share	41.7%	41.7%	42.3%	43.0%	44.3%	45.5%	47.0%
Corporate bondscoupon rate	/	/	5.08%	5.08%	5.08%	5.08%	5.08%
Bank loan rate	/	/	7%	7%	7%	7%	7%
Deposit rate	/	/	1.50%	1.50%	1.50%	1.50%	1.50%

**Remarks:**

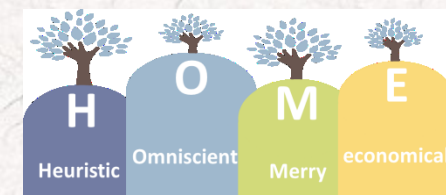
- 1.Finance costs = bank loan\*bank loan rate+corporate bonds\*corporate bonds coupon rate
- 2.Reverue, employee costs, occupancy costs, depreciation: set as specific rates of growth rather than the proportion of income
- 3.The expansion of stores will influence the employee costs and occupancy costs in 2020,2021.
- 4.Corporate bond coupon rate: set as the average level of corporate bonds which issued in the end of 2015.(Appendix 6)

# Appendix 6: Recent Issuance of Corporate Bond in PRC

## Recent Issuance of Corporate Bond in PRC

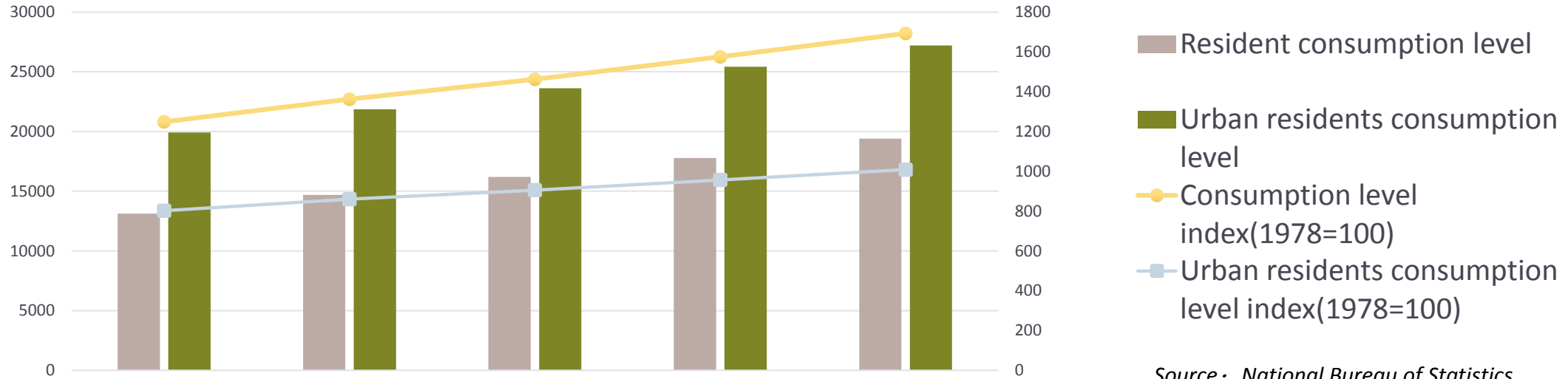
Company	Credit rating	Tenor(Yrs)	Listing date	Maturity	Payment frequency(Yrs)	Coupon Rate	Currency	Amount (million)
15司爾債	AA	5	2015/11/19	2020/11/19	1	4.98%	RMB	300
15旭輝02	AA	5	2015/11/11	2020/11/11	1	5.96%	RMB	500
15華發01	AA	5	2015/11/26	2020/11/26	1	4.50%	RMB	3000
15必康債	AA	5	2015/12/7	2020/12/7	1	4.68%	RMB	800
15瑞貝卡	AA	5	2015/12/8	2020/12/8	1	5.68%	RMB	560
15金茂投	AAA	5	2015/12/9	2020/12/9	1	3.55%	RMB	2200
15連雲港	AA	5	2015/12/10	2020/12/10	1	3.53%	RMB	660
15華信債	AA+	5	2015/12/10	2020/12/10	1	4.98%	RMB	3000
15雙欣債	AA	5	2015/12/4	2020/12/4	1	7.30%	RMB	1060
15協鑫債	AA	5	2015/10/28	2020/10/28	1	5.60%	RMB	1000
<b>Average</b>						<b>5.08%</b>		

Source: <http://www.gtarsc.com/>



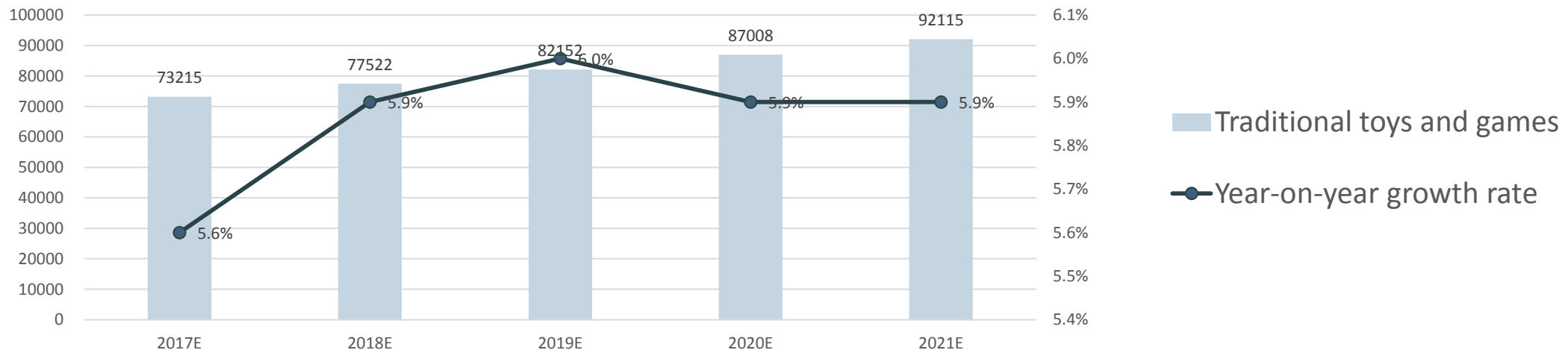
# Appendix 7: Consumption Level & Market Size

## Resident consumption level

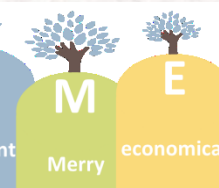


Source: National Bureau of Statistics

## Chinese traditional toys and game retail market size forecast

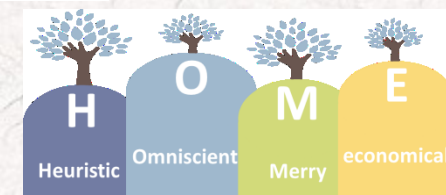


Source: Euromonitor Passport Toys and Games(2016)



# Appendix 8: Key Financial Ratios Forecast

Key Financial Ratios Forecast							
	2015A	2016A	2017E	2018E	2019E	2020E	2021E
<b>Profitability</b>							
Gross margin	62.0%	59.0%	59.5%	61.0%	63.0%	64.0%	64.0%
Net margin	10.3%	5.2%	6.2%	11.7%	15.1%	17.7%	17.5%
<b>Operating capacity</b>							
Turnover of inventory		2.42	2.55	3.24	3.86	4.73	5.28
Turnover of total assets		1.16	1.08	1.06	1.23	1.50	1.86
<b>Debt paying ability</b>							
Current ratio	1.92	1.76	3.28	3.62	4.03	4.47	5.10
Quick ratio	0.98	0.74	2.47	2.88	3.35	3.88	4.45
Cash ratio	0.79	0.57	2.31	2.72	3.19	3.72	4.30
Asset liability ratio	0.51	0.51	0.53	0.53	0.50	0.46	0.40
<b>Growth ability</b>							
revenue growth rate		-2.9%	8.0%	10.0%	13.0%	13.0%	13.0%
EBIT growth rate		-44.8%	32.7%	58.4%	68.9%	21.6%	9.3%
ROE		25.1%	12.8%	26.5%	38.8%	51.2%	57.1%
ROA	12.4%	6.0%	5.9%	12.3%	19.3%	27.7%	34.3%

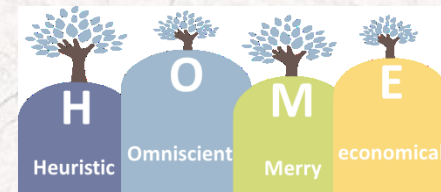


# Appendix9: Recent Issuance of Private Placement in PRC

## Recent Issuance of Private Placement in PRC

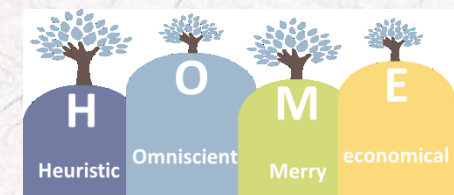
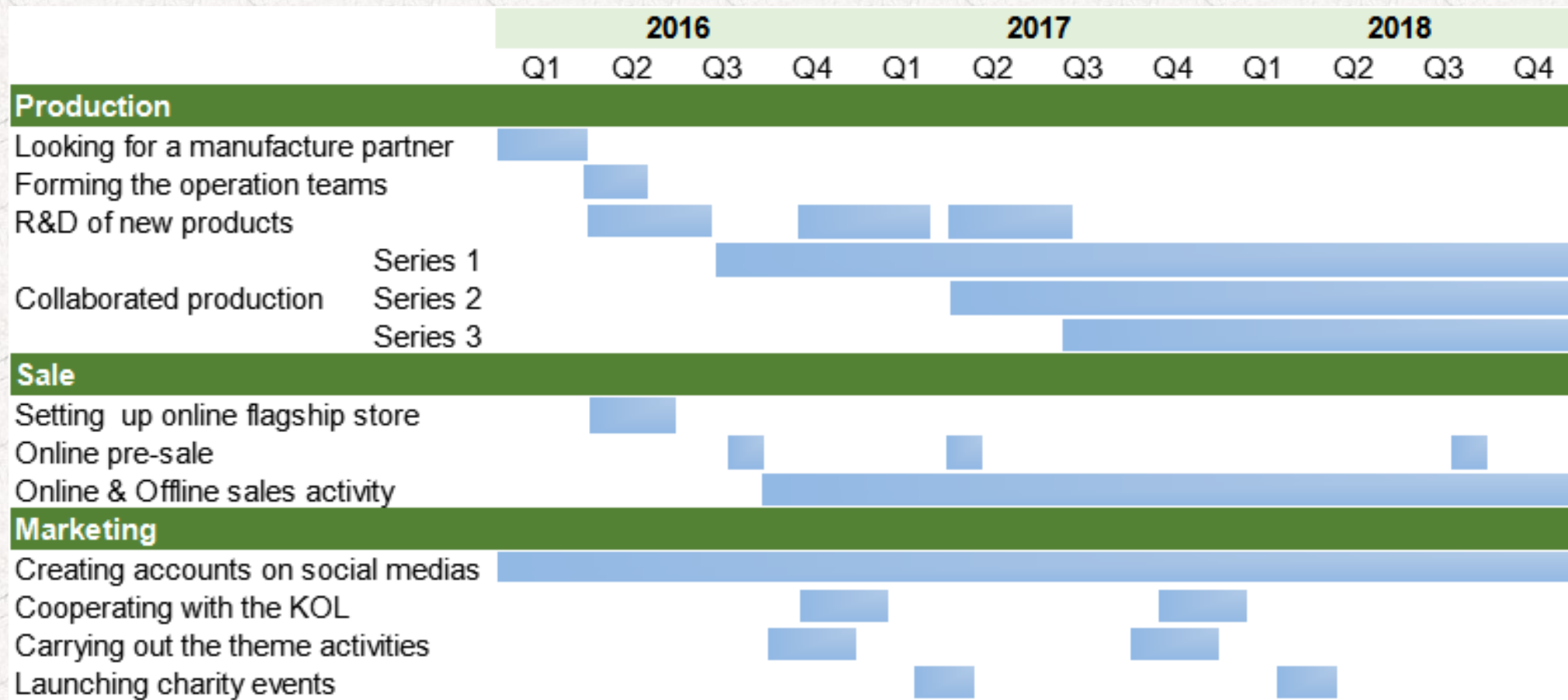
Company	Currency	Listed Date	Price	Issue Shares(k)	RaiseFund (Million)
飛亞達A	CNY	2016/1/15	13.05	45977	600
海王生物	CNY	2016/6/23	3.92	765306	3000
鄂武商A	CNY	2016/4/8	13.17	62809	827
高鴻股份	CNY	2017/1/12	11.6	13378	155
華東醫藥	CNY	2016/2/5	67.31	51998	3500
蘇寧雲商	CNY	2016/6/6	15.17	1926997	29233
步步高	CNY	2016/12/9	14.72	84918	1250
新華都	CNY	2016/3/22	7.04	77721	547
友阿股份	CNY	2016/6/20	10.46	142180	1487
亞夏汽車	CNY	2016/5/5	10.12	98814	1000
大東方	CNY	2016/8/18	9.02	45455	410
新世界	CNY	2016/9/14	11.43	115076	1315
百聯股份	CNY	2016/6/14	15.03	61672	927
益豐藥房	CNY	2016/7/21	31.73	42695	1355

- The above samples are from listed retail companies
- Source : <http://www.gtarsc.com/>





# Appendix10: Implementation Time Table

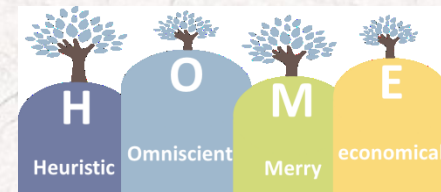


# Appendix 11: Sales Forecast of the Three Series

Sales of toys		2017	2018	2019	2020	2021
Quantity	Series 1	106778	107312	113241	130066	141609
	Series 2	/	91262	137578	158018	172043
	Series 3	/	59417	104500	120026	130678
Revenue	Series 1	34,062,298	34,232,610	36,123,962	41,490,950	45,173,272
	Series 2	/	30,481,670	45,951,117	52,778,141	57,462,201
	Series 3	/	44,443,992	78,165,871	89,779,087	97,746,981
<b>Total</b>		<b><u>34,062,298</u></b>	<b><u>109,158,272</u></b>	<b><u>160,240,950</u></b>	<b><u>184,048,177</u></b>	<b><u>200,382,453</u></b>

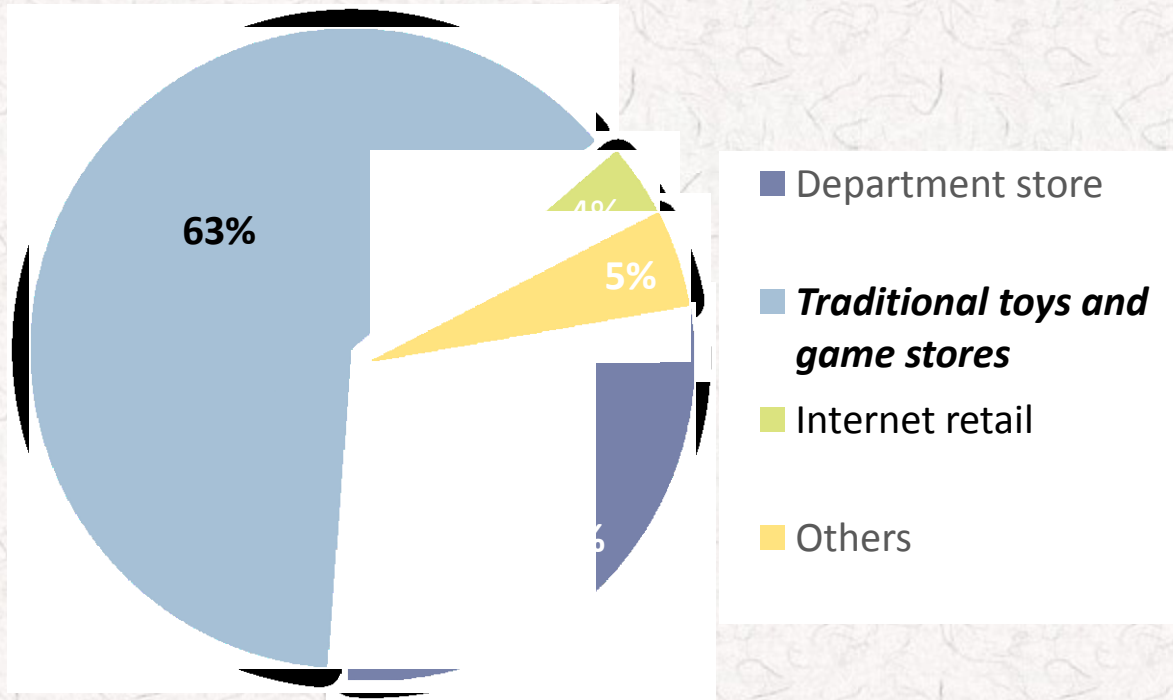
- Use the medium of price range for each series to calculate the revenue
- The sales volume is based on the following assumption:
  1. Population growth rate is 0.5%, and urban residents with middle or higher income levels account for 34%;
  2. Children aged 0-4, 5-9, and 10-14 years old account for 5.7%, 5.5% and 5.18% of the population respectively;
  3. The market share of TT is estimated to be 0.5% based on the sales of TT and the entire industry in the past two years.

(Source: China Light Industry Information Center, National Bureau of Statistics)

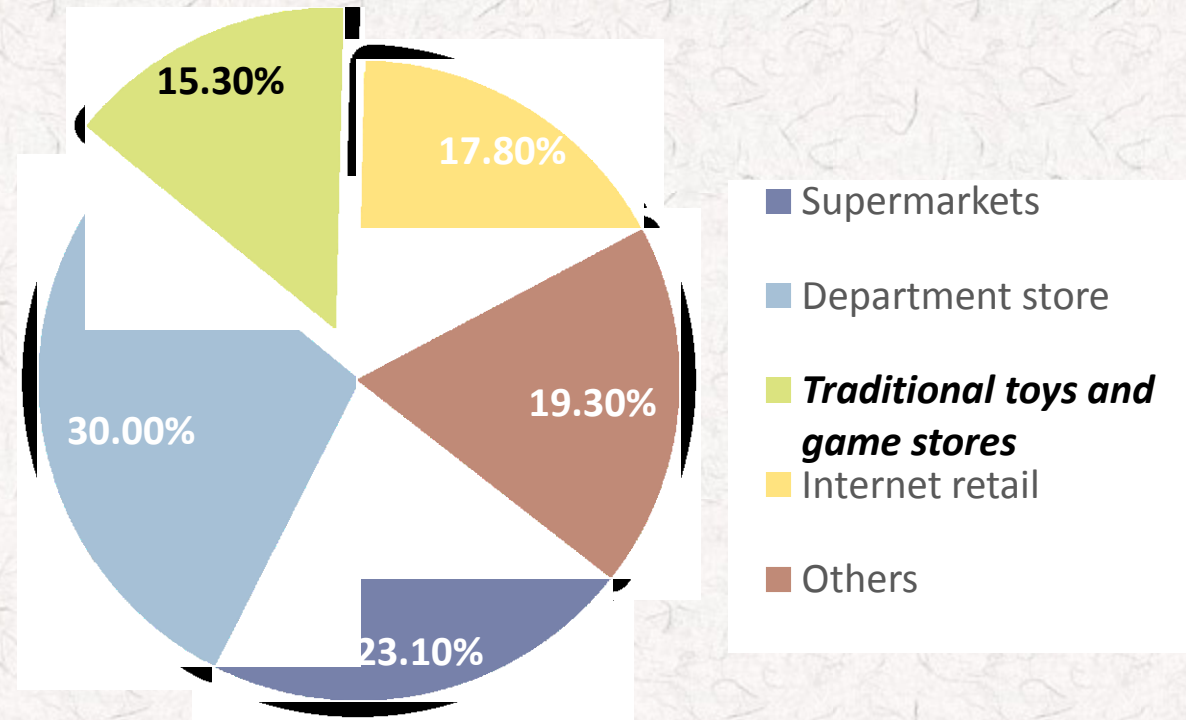


# Appendix12: The Proportion of Toy Retail Channels in Hongkong and Mainland China in 2015

HongKong



Mainland China

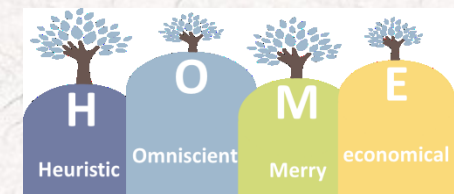


# Appendix 13: List of Potential Manufacturers Partner

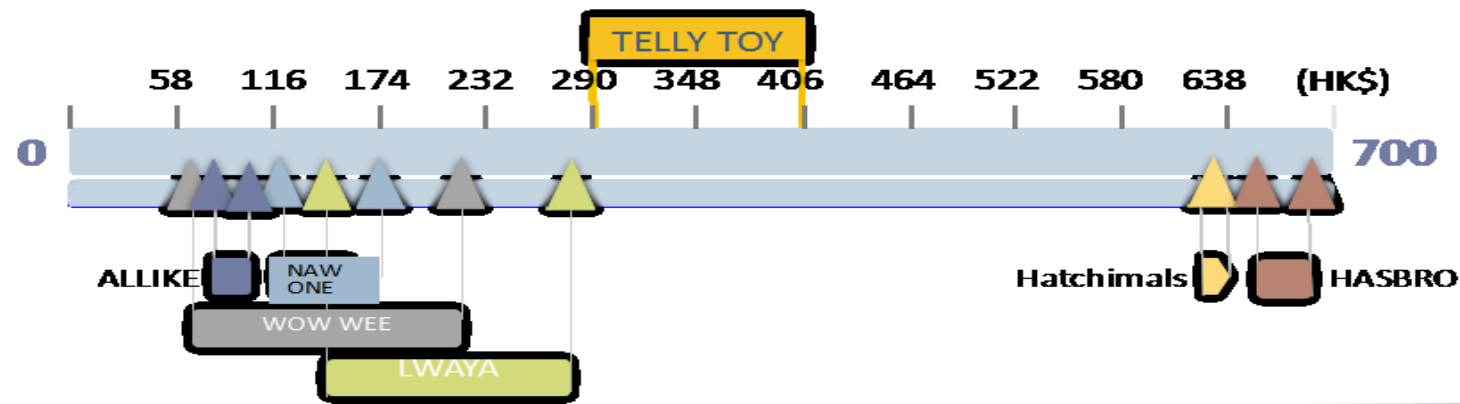
List of Potencial Manufacturers Partner			
Alternative company	Location	Brief introduction	Logo
Sea-Land Toys Co.,Ltd.	Guangzhou	<ul style="list-style-type: none"> <li>√ Simulation model board toy</li> <li>√ Implementing conceptual design</li> </ul>	
FINECO Science & Technology Co., Ltd.	Shenzhen	<ul style="list-style-type: none"> <li>√ Specializing in electronic digital entertainment products R &amp; D production</li> <li>√ RT600 series qualification certification</li> </ul>	
Shaoguan Guanghua plastic Hardware Co., Ltd.	Shaoguan	<ul style="list-style-type: none"> <li>√ Committed to early childhood toys research and development, design, manufacture, sales</li> <li>√ ICTI level A certification</li> <li>√ Export toy quality license</li> </ul>	
JIAQI Science and Technology Education Limited by Share Ltd	Guangzhou	<ul style="list-style-type: none"> <li>√ National 3C certification</li> <li>√ Export toy quality license</li> <li>√ EU ROHS, CE, EN71, EMC, ISO9001</li> <li>√ Main production robots</li> </ul>	
RASTAR Interactive Entertainment Co., Ltd.	Guangzhou	<ul style="list-style-type: none"> <li>√ The main production of automobiles and robots and other toys</li> <li>√ R&amp;D Center</li> <li>√ EU ROHS</li> </ul>	
TZB Science & Technology Co., Ltd.	Shenzhen	<ul style="list-style-type: none"> <li>√ Intelligent playing early education robot</li> <li>√ TBZ research team</li> </ul>	
NUKIED Co., Ltd.	Hongkong	<ul style="list-style-type: none"> <li>√ Specializing in the manufacture of children's toys and daily necessities for European brands</li> </ul>	
Qingdao Antai New Trade Co., Ltd.	Qingdao	<ul style="list-style-type: none"> <li>√ The pursuit of health, fashion, quality</li> <li>√ Focus on high-end brand toy products</li> </ul>	

Consideration factors:

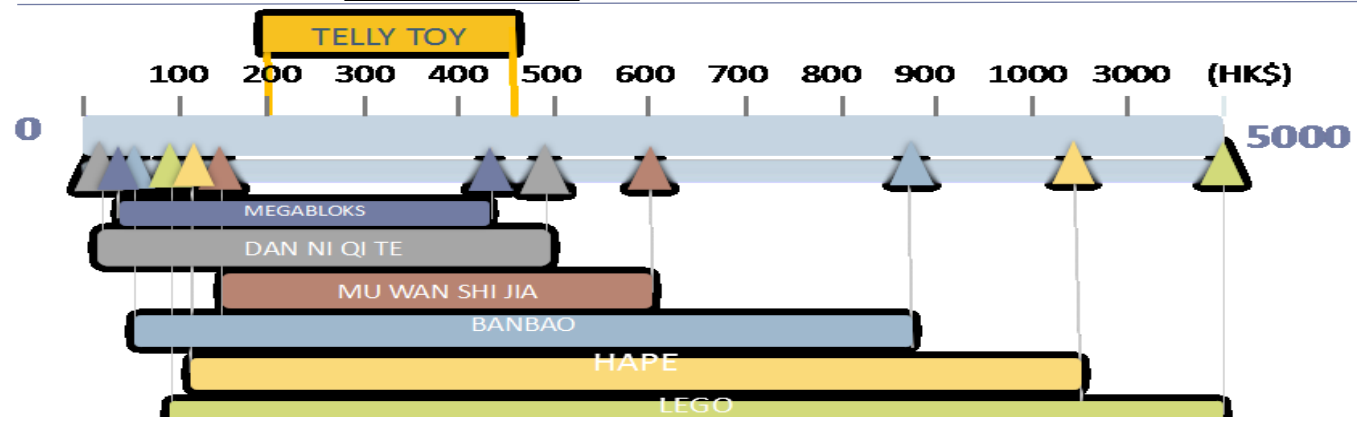
- Geographical location: mostly located in Guangdong Province, convenient transportation, low labor costs
- Product safety qualification certification: product safety issues can be guaranteed
- R&D Basics: the company has experience in developing toy products, especially smart toys
- Quality products: superior production resources and capabilities
- Strategic consistency: the potential of long-term cooperation between the two sides



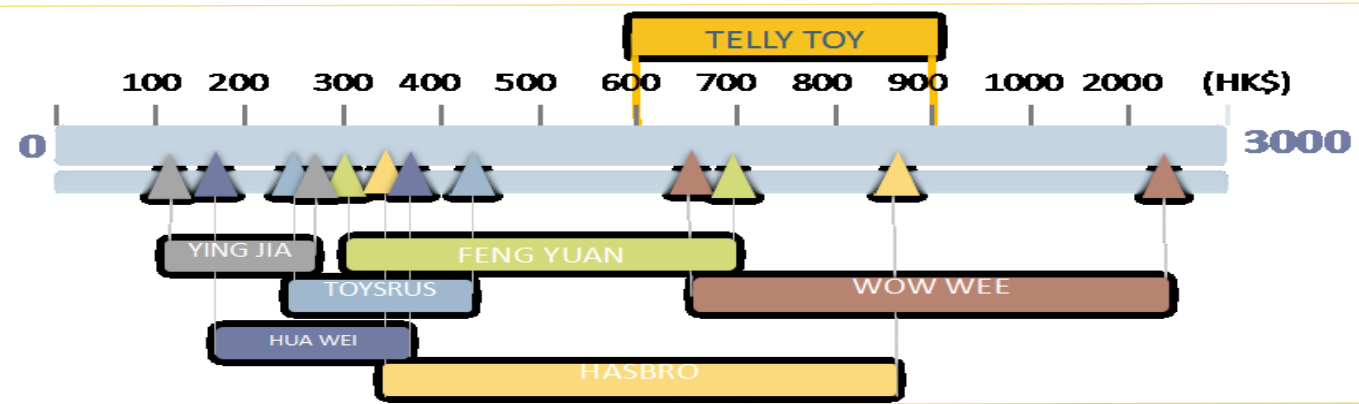
# Appendix 14: Pricing for the Series



○ 樂享

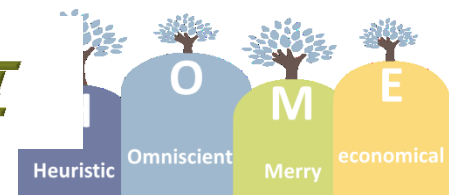


○ 歡享



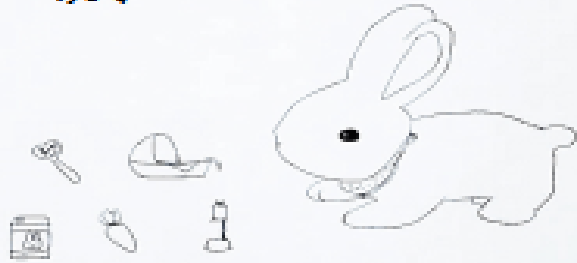
○

暢享



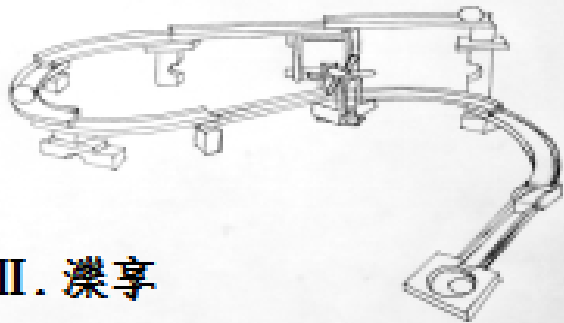
# Appendix 15: Details of the Series Design

## I. 歡享



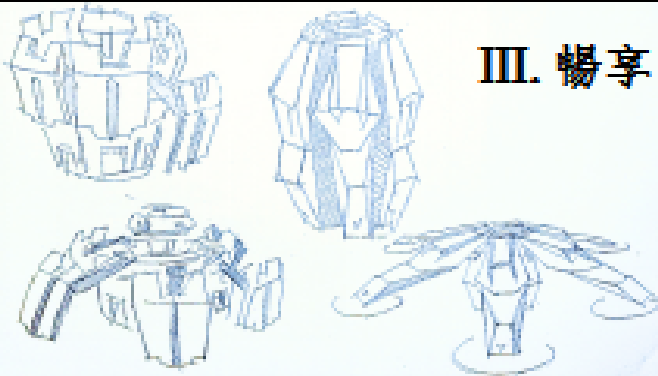
- Achieve the interaction between children and toys with the technology of AI.
- Use the big data to select three most popular styles among children.
- Children can learn to be kind and considerate.

## II. 潔享



- Use the advanced flexible electronic materials to achieve the shape change of single building block.
- Combine with Mohist organ surgery ("墨家機關術"), which uses the mechanical power to control things.
- There is an induction system in the building block, which can change its color randomly.

## III. 暢享



- This shapeable robot, equipped with functions such as voice, dance, and it can walk and fly.
- Children can program the robot through remote control to realize more personalized functions.
- The remote control is made of advanced flexible electronic materials, which are thin and flexible