



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)

Interim
Report
2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Du Ping
Ms. Duan Lanchun (resigned on 14 April 2022)

Independent Non-executive Directors

Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Dr. Lam Lee G.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Tung Wing Yee Winnie

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu
Ms. Tung Wing Yee Winnie

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

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

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

Level 9, One Indigo
20 Jiuxianqiao Road
Chaoyang District
Beijing, 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

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Hong Kong

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

The PRC

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

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung, Solicitors

COMPANY'S WEBSITE

www.kidslanholdings.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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Kidsland International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) reported a net loss after tax of approximately RMB63.6 million for the six months ended 30 June 2022 (the “Reporting Period”), compared to a net profit after tax of approximately RMB12.0 million for the six months ended 30 June 2021 (the “Prior Period”). Due to the sharp depreciation in RMB, a net exchange loss of approximately RMB15.4 million was recorded in the Reporting Period. An adjusted loss of approximately RMB48.2 million would have been recorded, without taking into account of such net exchange loss.

The resurgence of Coronavirus Disease 2019 (the “COVID-19”) in Mainland China during the Reporting Period proved to be more damaging to the Group’s business than the initial COVID-19 outbreak that took place in 2020. There were more regions and cities across Mainland China that were affected by the COVID-19 outbreak in 2022. The Group’s business traditionally concentrated more in first tier cities in Mainland China, where it happened to be more seriously impacted by the various lockdown and suspension of logistic support measures.

However, the Group’s sales in Mainland China have been steadily improving in June and July 2022 when the impact from the current wave of COVID-19 outbreak tapered off. During the Reporting Period, the Group had also accelerated the e-commerce efforts, particularly the neighbourhood e-commerce and group buys, that leveraged our retail network very well.

In Mainland China, the Group continued to optimise our retail network and negotiated rent concessions to improve our cashflow and profitability. In addition, the Group expects to open three to five LEGO Certified Store in Mainland China in second half of 2022. The Group is also going to represent another top international toy brand to open single brand stores in 2023, which will mark a major milestone and achievement for the Group.

On the product front, the Group is introducing a number of strong product lines from a few top international toy brands, that would help increase the assortment for boys and the diversity and passion points for girls. The expansion and upgrade in product assortment is expected to drive the Group’s sales and profitability meaningfully.

In Hong Kong, the Group expects to continue to expand its LEGO Certified Store and kkplus kidsland retail network to help drive the growth of the Group’s business and profitability.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 30 June 2022, this network comprised:

Self-operated Retail Channels

- 614 self-operated retail points of sale consisting of retail shops and consignment counters (30 June 2021: 642)
- 21 online stores (30 June 2021: 24)

Wholesale Channels

- 515 distributors (30 June 2021: 578) which onsell our products through third party retailers or at their own retail shops, which totaled to more than 1,900 (30 June 2021: more than 2,300)
- 12 hypermarket and supermarket chains (30 June 2021: 12) with a sum of 682 retail points (30 June 2021: 682)
- 5 online key accounts (30 June 2021: 6)

Detailed breakdowns of our distribution network are set out below:

1. Self-operated Retail Channels

1.1 Retail Shops

During the Reporting Period, we continuously optimised our store network.

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

	Six months ended 30 June	
	2022	2021
Retail shops		
At the beginning of the period	185	202
Addition of new retail shops	9	11
Closure of retail shops	(13)	(24)
At the end of the period	181	189

1.2 Consignment Counters

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

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

	Six months ended 30 June	
	2022	2021
Consignment counters		
At the beginning of the period	442	468
Addition of new consignment counters	15	6
Closure of consignment counters	(24)	(21)
At the end of the period	433	453

1.3 Online Stores

During the Reporting Period, we launched 2 and closed 2 flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 30 June 2022, we had 21 online stores in total, compared with 24 as of 30 June 2021.

2. Wholesale Channels

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

2.1 Distributors

As of 30 June 2022, we had 515 distributors (30 June 2021: 578), which onsell our products through third party retailers or at their own retail shops, which totaled to more than 1,900 (30 June 2021: more than 2,300) in Mainland China.

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

	Six months ended 30 June	
	2022	2021
Distributors		
At the beginning of the period	521	580
Addition of new distributors	42	51
Expiry without renewal of distribution agreements	(48)	(53)
At the end of the period	515	578

2.2 Hypermarket and Supermarket Chains

As of 30 June 2022, we had wholesale arrangements with 12 hypermarket and supermarket chains (30 June 2021: 12) with a sum of 682 retail points (30 June 2021: 682) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

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

	Six months ended 30 June	
	2022	2021
Hypermarket and supermarket chains		
At the beginning of the period	12	16
Addition of new hypermarket and supermarket chains	–	1
Termination or expiry of agreements with hypermarket and supermarket chains	–	(5)
At the end of the period	12	12

2.3 Online Key Accounts

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

	Six months ended 30 June	
	2022	2021
Online key accounts		
At the beginning of the period	6	5
Addition of new online key accounts	–	1
Termination or expiry of agreements with online key accounts	(1)	–
At the end of the period	5	6

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group decreased by 19.9% from approximately RMB754.0 million for the Prior Period to approximately RMB603.8 million.

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Self-operated retail channels		
– Retail shops	317,668	351,365
– Consignment counters	150,420	207,529
– Online stores	34,320	39,373
Sub-total:	502,408	598,267
Wholesale channels		
– Distributors	87,668	131,252
– Hypermarket and supermarket chains	9,323	14,376
– Online key accounts	4,394	10,145
Sub-total:	101,385	155,773
Total:	603,793	754,040

Self-operated Retail Channels

The self-operated retail channels recorded a decrease in revenue of 16.0% to approximately RMB502.4 million during the Reporting Period compared to the Prior Period, resulted from impact of the resurgence of COVID-19. Revenue from retail shops, consignment counters and online stores dropped by 9.6% to approximately RMB317.7 million, 27.5% to approximately RMB150.4 million and 12.8% to approximately RMB34.3 million, respectively.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels also decreased by 34.9% to approximately RMB101.4 million. Revenue from distributors, hypermarket and supermarket chains and online key accounts dropped by 33.2% to approximately RMB87.7 million, 35.1% to approximately RMB9.3 million and 56.7% to approximately RMB4.4 million, respectively.

Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 18.3% from approximately RMB81.7 million for the Prior Period to approximately RMB96.7 million during the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 16.1% from approximately RMB436.6 million in the Prior Period to approximately RMB366.4 million in the Reporting Period, which was consistent with the decrease in revenue. The Group's gross profit margin decreased from 42.1% in the Prior Period to 39.3% in the Reporting Period. Gross profit dropped from approximately RMB317.4 million in the Prior Period to approximately RMB237.4 million in the Reporting Period.

Other Income

Other income, consisting mainly of government grants, dropped by approximately RMB0.9 million from approximately RMB2.7 million in the Prior Period to approximately RMB1.8 million in the Reporting Period.

Other Losses/Gains, Net

Other losses, net of approximately RMB15.3 million recorded in the Reporting Period, compared to other gains, net of approximately RMB1.7 million in the Prior Period. Other losses/gains, net was mainly attributable to net exchange differences.

Impairment Loss/Reversal of Impairment Loss on Financial Assets

The amount represented impairment loss on or provision made for trade receivables. Provision for impairment loss of approximately RMB1.0 million was recorded in the Reporting Period, compared to reversal of impairment loss of approximately RMB0.9 million in the Prior Period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 9.0% from approximately RMB274.7 million in the Prior Period to approximately RMB250.0 million in the Reporting Period. Excluding effect of non-cash impairment provision of property, plant and equipment, and right-of-use assets amounted to approximately RMB5.5 million (Prior Period: Nil), the decline in selling and distribution expenses was consistent with the decrease in revenue and attributed to intensified expense management on promotion costs.

General and Administrative Expenses

General and administrative expenses remained stable over the Reporting Period of approximately RMB29.9 million and the Prior Period of approximately RMB29.6 million.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, slightly increased by approximately RMB0.5 million from approximately RMB4.6 million in the Prior Period to approximately RMB5.1 million in the Reporting Period.

Loss/Profit for the Period

A loss of approximately RMB63.6 million was recorded in the Reporting Period (Prior Period: profit of approximately RMB12.0 million).

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days increased from 175 days in the Prior Period to 225 days in the Reporting Period. Trade receivables turnover days increased from 22 days in the Prior Period to 25 days in the Reporting Period. Trade payables turnover days increased from 55 days in the Prior Period to 64 days in the Reporting Period.

Cash Conversion Cycle

Cash conversion cycle is a metric that shows the amount of time it takes a company to convert its investment in inventory to cash, which equals to inventory turnover days plus trade receivables turnover days minus trade payables turnover days. The cash conversion cycle of the Group increased from 142 days in the Prior Period to 186 days in the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB10.7 million in property, plant, and equipment, mainly to renovate existing shops (Prior Period: approximately RMB8.6 million).

Liquidity and Financial Resources

The Group's cash position as of 30 June 2022 was approximately RMB42.4 million, compared to approximately RMB25.4 million as of 31 December 2021. 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 30 June 2022 were 1.8 and 0.7, respectively (31 December 2021: 1.9 and 0.7, respectively).

As of 30 June 2022, the Group had aggregate banking facilities of approximately RMB112.0 million (31 December 2021: approximately RMB90.4 million) for bank loans and trade financing, of which approximately RMB50.4 million (31 December 2021: approximately RMB52.5 million) was unutilised as of the same date. These facilities are secured by corporate guarantees provided by the Company.

As of 30 June 2022, the Group had a loan facility from a related company of approximately RMB55.6 million (31 December 2021: approximately RMB53.1 million), of which approximately RMB42.3 million (31 December 2021: approximately RMB40.5 million) was utilised.

Gearing Ratio

The table below analyses the Group's capital structure as of 30 June 2022:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank balances and cash	37,014	19,984
Restricted cash	5,380	5,405
Loan from a related company	(42,337)	(40,475)
Bank borrowings	(21,380)	–
Lease liabilities	(136,239)	(141,328)
Net debt position	(157,562)	(156,414)
Total equity	429,636	481,153

The Group was in a net debt position of approximately RMB157.6 million as of 30 June 2022 (31 December 2021: approximately RMB156.4 million). The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as of 30 June 2022 was approximately 36.7% (31 December 2021: 32.5%).

Charge of Assets

As of 30 June 2022, the Group had restricted cash of approximately RMB5.4 million for bank guarantee of a trade finance facility (31 December 2021: approximately RMB5.4 million).

Contingent Liabilities

As of 30 June 2022, the Group did not have significant contingent liabilities (31 December 2021: Nil).

Foreign Exchange

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

Significant Investment Held and Material Acquisition and Disposal

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

Capital Structure

As of 30 June 2022, the Company's share capital comprised 800,000,000 issued ordinary shares with nominal value of HK\$0.01 each. There was no change in the share capital of the Company during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2022, the Group had approximately 1,600 employees (including both in-house and outsourced employees) (30 June 2021: approximately 1,700 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB51.3 million and RMB48.8 million, respectively (Prior Period: approximately RMB47.6 million and RMB49.8 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; and 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 Group has been ensuring adequate training and professional development opportunities to employees.

EVENTS AFTER THE REPORTING PERIOD

In relation to the section headed "Going concern basis" in Note 1 to the Condensed Consolidated Interim Financial Information, on 23 August 2022, the Group obtained an email confirmation from the relevant bank notifying the Company that the bank will not take any action to demand for immediate repayment of its revolving loan facility amounting to RMB21,380,000 arising from the non-compliance with a restrictive financial covenant.

INTERIM DIVIDENDS

The board of directors of the Company (the "Directors" and the "Board", respectively) has resolved not to declare the payment of any interim dividend for the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules” and the “CG Code”, respectively) 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 Reporting Period 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 (the “Shareholders”) as a whole that Mr. Lee Ching Yiu continues to assume the roles of the Chairman and the CEO.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the guidelines for the Director’s 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 Reporting Period.

BOARD COMMITTEES

Three committees of the Board (the “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. A list of the chairman and members of each Board Committee is set out under “Corporate Information” on page 2.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the Reporting Period and this interim report. Based on this review and based on discussions with the Management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group’s financial position and results for the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of 30 June 2022, 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, to be notified to the Company and the Stock Exchange were as follows:

Interests in the Company's shares (the "Shares")

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

(L) denotes long position

Notes:

- (1) These represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the pre-IPO share options granted to each of them under the pre-IPO share option scheme approved and adopted by the then shareholders on 20 October 2017 (the "Pre-IPO Share Option Scheme"). Details of the Pre-IPO Share Option Scheme are set out under the section headed "Share Option Schemes" below.
- (2) Mr. Lee Ching Yiu, the chairman of the Board, an executive Director and the CEO, is the sole shareholder of Asian Glory Holdings Ltd. ("Asian Glory"). By virtue of the SFO, Mr. Lee Ching Yiu is deemed to be interested in the Shares held by Asian Glory. Asian Glory owns approximately 74.87% of Lovable International Holdings Limited ("Lovable"). By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.
- (3) Ms. Zhong Mei, an executive Director, is the sole shareholder of Stars Link Ventures Limited. By virtue of the SFO, Ms. Zhong Mei is deemed to be interested in the Shares held by Stars Links Venture Limited.
- (4) Mr. Du Ping, a non-executive Director, is the sole shareholder of Merits Forest Global Limited. By virtue of the SFO, Mr. Du Ping is deemed to be interested in the Shares held by Merits Forest Global Limited.
- (5) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 30 June 2022.

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 30 June 2022, 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 30 June 2022, so far as 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 Divisions 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:

Interests in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/interested	Approximate percentage of shareholding ⁽⁴⁾
Ms. Tang Hoi Lun	Interest of spouse ⁽¹⁾	439,224,523 (L)	54.90%
Asian Glory	Beneficial owner	425,206,524 (L)	53.15%
	Held by controlled corporation ⁽²⁾	17,999 (L)	0.00%
FCPR Cathay Capital II	Held by controlled corporation ⁽³⁾	55,005,637 (L)	6.88%
Eurojoy Limited	Beneficial owner	55,005,637 (L)	6.88%

(L) denotes long position

Notes:

- (1) Ms. Tang Hoi Lun is the spouse of Mr. Lee Ching Yiu. By virtue of the SFO, Ms. Tang Hoi Lun is deemed to be interested in the Shares which Mr. Lee Ching Yiu is interested or is deemed to be interested in.
- (2) Lovable holds 17,999 Shares. Asian Glory owns approximately 74.87% of Lovable. By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.
- (3) FCPR Cathay Capital II is the sole shareholder of Eurojoy Limited. By virtue of the SFO, FCPR Cathay Capital II is deemed to be interested in the Shares held by Eurojoy Limited.
- (4) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 30 June 2022.

Save as disclosed above, as of 30 June 2022, 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.

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 2021 annual report and up to the date of this interim report are set out below:

- (i) On 24 May 2022, Mr. Huang Lester Garson has been appointed as a director of Pacific Basin Economic Council Limited;
- (ii) On 30 June 2022, Dr. Lam Lee G. has been appointed as an independent non-executive director of RENHENG Enterprise Holdings Limited (stock code: 3628), a company listed on the Main Board of the Stock Exchange; and
- (iii) On 25 July 2022, Dr. Lam Lee G. has resigned as a non-executive director of National Arts Group Holdings Limited (stock code: 8228), a company listed on GEM of the Stock Exchange.

SHARE OPTION SCHEMES

The Post-IPO Share Option Scheme

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

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

Options that are granted to Directors, chief executives of the Company, substantial Shareholders, or any of the foregoing parties' associates need to be approved by INEDs that 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 (i) 0.1% of the total number of issued Shares calculated on the day of the grant; and (ii) HK\$5 million in value, based on the closing share price on the day of the grant.

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

The aggregate number of underlying Shares of options granted, whether through the Post-IPO Share Option Scheme or other means, must never exceed 10% of the total number of issued Shares unless Shareholders approve otherwise. As of 30 June 2022, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 46,300,000 Shares, which represented 5.8% of the Shares in issue as of the date of this interim report.

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

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

No share option was granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme since its adoption and up to 30 June 2022. No share option was outstanding under the Post-IPO Share Option Scheme as of 30 June 2022.

The Pre-IPO Share Option Scheme

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

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

	Outstanding as of 1 January 2022	Exercised during the period	Lapsed or cancelled during the period	Granted during the period	Outstanding as of 30 June 2022
Directors					
Mr. Lee Ching Yiu	4,000,000	–	–	–	4,000,000
Ms. Zhong Mei	4,000,000	–	–	–	4,000,000
Mr. Du Ping	1,500,000	–	–	–	1,500,000
Employees	24,700,000	–	500,000	–	24,200,000
Total	34,200,000	–	500,000	–	33,700,000

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 Reporting Period, options comprising 500,000 underlying Shares (Prior Period: nil) granted under the Pre-IPO Share Option Scheme lapsed, and the corresponding share option reserves of RMB375,000 (Prior Period: nil) were reclassified as retained earnings. As of 30 June 2022, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 33,700,000 Shares, which represented 4.2% of the Shares in issue as of the date of this interim report.

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

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

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme since its adoption and up to 30 June 2022.

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

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

Once the scheme is terminated by a resolution of each of a meeting by the Board or a general meeting by Shareholders in accordance with the terms of the scheme, no additional share options will be offered under the Pre-IPO Share 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.

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 such securities during the Reporting Period.

Kidsland International Holdings Limited

Mr. Lee Ching Yiu

Chairman

31 August 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 42, which comprises the interim condensed consolidated statement of financial position of Kidsland International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2022

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	603,793	754,040
Cost of sales	8	(366,408)	(436,627)
Gross profit		237,385	317,413
Other income	5	1,808	2,716
Other (losses)/gains, net	6	(15,284)	1,724
(Impairment loss)/reversal of impairment loss on financial assets	8	(1,002)	944
Selling and distribution expenses	8	(249,976)	(274,694)
General and administrative expenses	8	(29,915)	(29,560)
Operating (loss)/profit		(56,984)	18,543
Finance costs		(5,095)	(4,550)
(Loss)/profit before income tax		(62,079)	13,993
Income tax expense	7	(1,544)	(1,945)
(Loss)/profit for the period		(63,623)	12,048
Other comprehensive income/(loss), net of tax: <i>Item that may be reclassified subsequently to profit or loss:</i> – Exchange differences on translation of foreign operations		12,106	(3,040)
Total comprehensive (loss)/income for the period		(51,517)	9,008
(Loss)/profit for the period attributable to:			
– owners of the Company		(61,960)	12,314
– non-controlling interest		(1,663)	(266)
		(63,623)	12,048
Total comprehensive (loss)/income for the period attributable to:			
– owners of the Company		(49,598)	9,207
– non-controlling interest		(1,919)	(199)
		(51,517)	9,008
(Loss)/earnings per share, basic and diluted (RMB cents)	10	(7.75)	1.54

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	38,158	37,496
Right-of-use assets	12	122,096	129,716
Intangible assets		12,260	12,361
Financial asset at fair value through profit or loss ("FVTPL")		290	290
Deposits paid for acquisition of property, plant and equipment	13	429	–
Rental deposits	13	32,820	31,113
Deferred tax assets		22,050	22,097
		228,103	233,073
Current assets			
Inventories		438,535	472,052
Trade and bill receivables	13	75,616	98,510
Other receivables, deposits and prepayments	13	65,291	75,865
Right of return assets		305	2,210
Tax recoverable		–	56
Restricted cash		5,380	5,405
Bank balances and cash		37,014	19,984
		622,141	674,082
LIABILITIES			
Current liabilities			
Trade payables	14	113,867	143,602
Other payables and accruals	14	84,157	77,073
Loan from a related company	20	42,337	40,475
Bank borrowings	16	21,380	–
Lease liabilities	12	76,625	71,582
Contract liabilities	15	9,123	11,780
Current tax liabilities		7,545	5,825
		355,034	350,337

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Non-current liabilities			
Provision for reinstatement costs	14	5,960	5,919
Lease liabilities	12	59,614	69,746
		65,574	75,665
Net current assets		267,107	323,745
Total assets less current liabilities		495,210	556,818
Net assets		429,636	481,153
EQUITY			
Owners of the Company			
Share capital	17	6,931	6,931
Reserves		415,309	464,907
		422,240	471,838
Non-controlling interest		7,396	9,315
Total equity		429,636	481,153

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2021	6,931	323,968	(118,988)	4,443	185,068	(10,713)	27,678	59,923	478,310	8,411	486,721
Profit/(loss) for the period	-	-	-	-	-	-	-	12,314	12,314	(266)	12,048
Other comprehensive (loss)/ income for the period	-	-	-	-	-	(3,107)	-	-	(3,107)	67	(3,040)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(3,107)	-	12,314	9,207	(199)	9,008
Balance at 30 June 2021 (unaudited)	6,931	323,968	(118,988)	4,443	185,068	(13,820)	27,678	72,237	487,517	8,212	495,729
Balance at 1 January 2022	6,931	323,968	(118,988)	4,443	185,068	(18,526)	27,528	61,414	471,838	9,315	481,153
Loss for the period	-	-	-	-	-	-	-	(61,960)	(61,960)	(1,663)	(63,623)
Other comprehensive income/ (loss) for the period	-	-	-	-	-	12,362	-	-	12,362	(256)	12,106
Total comprehensive income/ (loss) for the period	-	-	-	-	-	12,362	-	(61,960)	(49,598)	(1,919)	(51,517)
Share options lapsed	-	-	-	-	-	-	(375)	375	-	-	-
Balance at 30 June 2022 (unaudited)	6,931	323,968	(118,988)	4,443	185,068	(6,164)	27,153	(171)	422,240	7,396	429,636

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	53,728	106,246
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,683)	(8,434)
Net proceeds from purchase and disposal of financial assets at fair value through profit or loss	–	365
Non-current deposits and prepayments paid	(429)	(3,043)
Interest received	104	160
	(11,008)	(10,952)
NET CASH USED IN FINANCING ACTIVITIES		
Principal elements of lease payments	(41,281)	(47,883)
Interest elements of lease payments	(4,472)	(4,161)
Net (payment)/refund of rental deposits	(1,305)	1,868
Decrease/(increase) in restricted cash	25	(2,952)
Proceeds from bank borrowings	21,380	–
	(25,653)	(53,128)
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,067	42,166
CASH AND CASH EQUIVALENTS AT 1 JANUARY	19,984	48,334
Effect of foreign exchange rate changes	(37)	945
CASH AND CASH EQUIVALENTS AT 30 JUNE	37,014	91,445

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2022

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Going concern basis

During the six months ended 30 June 2022, the Group reported a loss before income tax of RMB62,079,000 and its total bank borrowings, all classified as current liabilities, amounted to RMB21,380,000.

Based on unaudited consolidated interim financial information as at 30 June 2022, the directors became aware that the Group may not have complied with a restrictive financial covenant of its revolving loan facility amounting to RMB21,380,000. Such non-compliance of covenant may cause the relevant revolving loan facility to become immediately due and payable.

The Group’s business has been negatively impacted by the weak market sentiment amidst the Coronavirus Disease 2019 (“COVID-19”) pandemic during the six months ended 30 June 2022. The COVID-19 pandemic has continued to affect China (the “PRC”) in 2022 and a series of precautionary and control measures have been and continued to be implemented in the PRC. Key cities where the Group operates, including Beijing and Shanghai, have experienced various extents of lockdown in connection with such measures. These measures together with poor consumer sentiment caused by the pandemic have caused short-term disruption to the Group’s operations in the PRC. Also, it is uncertain whether the COVID-19 pandemic will continue and whether the restrictions and control measures will have a prolonged impact to the Group’s operating performance and cash flows.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the followings:

- (i) as soon as the directors were aware of the potential non-compliance, the Group obtained an email confirmation from the relevant bank notifying the Company that the bank will not take any action to demand for repayment of loan with regard to the relevant non-compliance. The directors, based upon their communication with the bank, are confident that the existing bank loans and facilities will continue to be available to the Group in the next twelve months from 30 June 2022;
- (ii) as at 30 June 2022, the Group has available banking facility of RMB10,000,000 from another financial institution and another unutilised loan facility of approximately RMB13,300,000 from a related company (Note 20). On 26 August 2022, the unutilised loan facility from the related party was increased to RMB30,404,000. The Group will draw down the loans to finance its operations, if needed;

1. BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

- (iii) the directors of the Company are of the opinion that the sales performance and the operating cash flow of the Group will improve in the next twelve months mainly driven by the easing of negative impact of COVID-19; and
- (iv) the Group will continue to seek for other alternative financing and bank borrowings to finance the settlement of the existing financial obligations and future operating and capital expenditure.

The directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for the financial asset at FVTPL which is measured at fair value.

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2021 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated interim financial information:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and amended standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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

3. ESTIMATION

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021 except for the estimation of income tax.

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in trading and sales of toy and related lifestyle products.

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

Segment revenue and results

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

Six months ended 30 June 2022 (unaudited)

	The PRC RMB'000	Hong Kong and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	507,109	107,217	(10,533)	603,793
Reportable segment results	(48,148)	7,250		(40,898)
Unallocated other income				104
Unallocated corporate expenses				(5,251)
Unallocated other losses, net				(15,411)
Unallocated finance costs				(623)
Loss before income tax				(62,079)
Income tax expense				(1,544)
Loss for the period				(63,623)

Six months ended 30 June 2021 (unaudited)

	The PRC RMB'000	Hong Kong and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	672,300	106,996	(25,256)	754,040
Reportable segment results	13,071	5,758		18,829
Unallocated other income				160
Unallocated corporate expenses				(6,471)
Unallocated other gains, net				1,864
Unallocated finance costs				(389)
Profit before income tax				13,993
Income tax expense				(1,945)
Profit for the period				12,048

4. REVENUE AND SEGMENT INFORMATION (Continued)**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 periods indicated:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Self-operated retail channels		
– Retail shops	317,668	351,365
– Consignment counters	150,420	207,529
– Online stores	34,320	39,373
Wholesale channels		
– Distributors	87,668	131,252
– Hypermarket and supermarket chains	9,323	14,376
– Online key accounts	4,394	10,145
	603,793	754,040

5. OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest income	104	160
Government grants (Note)	1,490	1,778
Sundry income	214	778
	1,808	2,716

Note: The Group recognises various government grants from the local government authorities for subsidising the operating activities and acquisition of fixed assets.

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net exchange (loss)/gain	(15,411)	1,499
Gain on fair value changes of financial asset at FVTPL	–	365
Gain on lease modifications	80	–
Others	47	(140)
	(15,284)	1,724

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current income tax:		
Hong Kong and overseas profits tax	1,460	447
PRC corporate income tax	–	62
	1,460	509
Over-provision in prior years:		
Hong Kong and overseas profits tax	(66)	–
Deferred tax	150	1,436
	1,544	1,945

Income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

8. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Auditors' remuneration		
– Audit services	1,118	1,096
Amortisation of intangible assets	464	242
Depreciation of property, plant and equipment	9,657	12,345
Depreciation of right-of-use assets (note 12(ii))	43,828	38,770
Impairment loss on property, plant and equipment (Note)	811	–
Impairment loss on right-of-use assets (Note)	4,680	–
Cost of inventories	358,819	427,257
Rental expenses in respect of:		
– variable leases payments (note 12(ii))	4,842	7,552
– short-term leases (note 12(ii))	21,788	15,053
Rent concessions (note 12(ii))	(4,325)	–
Advertising and promotional expenses	8,657	18,638
Concessionaire fees	48,796	66,709
Employee benefit expenses (including directors' emoluments)	51,296	47,563
Outsourced personnel service fees	48,763	49,799
Provision for/(reversal of) impairment loss on trade receivables	1,002	(944)
Reversal of impairment loss on inventories, net (included in cost of sales)	(34)	–
Transportation costs	9,063	12,900
Building management fees	15,790	16,035

Note: The Group determines each individual retail store as a separately identifiable cash-generating unit (the "CGU") and monitors their financial performance. A provision for impairment of the Group's property, plant and equipment and right-of-use assets of RMB811,000 and RMB4,680,000, respectively for the six months ended 30 June 2022 (2021: nil) was made based on impairment assessment carried out for the retail store assets which have an impairment indicator. Such impairment losses were recorded in selling and distribution expenses. The recoverable amounts are based on value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage of individual CGUs based on the Group's annual budget covering an average of 2-year period. A discount rate of 10.78% (2021: 10.78%) was applied to bring the future cash flows back to their present values.

9. DIVIDENDS

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (2021: nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
(Loss)/profit attributable to the owners of the Company (in RMB'000)	(61,960)	12,314
Weighted average number of ordinary shares for the purpose of calculation of (loss)/earnings per share (in '000)	800,000	800,000

The computation of diluted (loss)/earnings per share for the six months ended 30 June 2022 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic (loss)/earnings per share (2021: same).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, additions to property, plant and equipment amounted to RMB10,683,000 (2021: RMB8,624,000), consisting of leasehold improvements and furniture and equipment. The depreciation charge of the six months ended 30 June 2022 was RMB9,657,000 (2021: RMB12,345,000).

The accumulated impairment loss of the Group's property, plant and equipment asset was RMB13,359,000 as at 30 June 2022 (31 December 2021: RMB 13,446,000), representing additional impairment loss of RMB811,000 recognised during six months ended 30 June 2022 and derecognise of impairment loss of RMB898,000 when those underlying property, plant and equipment was written off.

12. LEASES

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

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

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Right-of-use assets		
– Leased premises	147,327	150,448
Less: Impairment provision	(25,231)	(20,732)
	122,096	129,716
Lease liabilities		
Current	76,625	71,582
Non-current	59,614	69,746
	136,239	141,328

(ii) Amounts recognised in the condensed consolidated statement of profit or loss and other comprehensive income

The condensed consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Depreciation of right-of-use assets (<i>note 8</i>)	43,828	38,770
Interest expenses (included in finance costs)	4,472	4,161
Expense relating to short-term leases (<i>note 8</i>)	21,788	15,053
Expense relating to variable lease payments not included in lease liabilities (<i>note 8</i>)	4,842	7,552
Impairment loss on right-of-use assets (<i>note 8</i>)	4,680	–
Rent concessions (<i>note 8</i>)	(4,325)	–
Gain on lease modifications (<i>note 6</i>)	(80)	–

13. TRADE AND BILL RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade receivables from contracts with customers	83,314	104,554
Provision for impairment	(11,564)	(10,562)
	71,750	93,992
Bill receivables	3,866	4,518
Other receivables, deposits and prepayments		
– Rental deposits	41,379	40,074
– Other deposits	15,982	15,063
– Prepayments for purchase of merchandise stock for resale and expenses	12,320	14,163
– Prepaid royalties	2,282	1,556
– Rebate receivables from suppliers	7,131	10,488
– Promotion income receivable from brand owners	5,936	8,862
– Other taxes recoverable	6,427	9,736
– Others	7,083	7,036
	98,540	106,978
	174,156	205,488
Presented as non-current assets	33,249	31,113
Presented as current assets	140,907	174,375
	174,156	205,488

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 to the Group after deducting the concessionaire fee. 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.

13. TRADE AND BILL RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

The following is an ageing analysis of trade receivables presented based on the invoice date.

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 30 days	39,111	67,026
31 to 60 days	16,478	11,711
61 to 90 days	2,585	5,767
91 to 180 days	7,533	9,201
Over 180 days	17,607	10,849
	83,314	104,554
Less: Provision for impairment	(11,564)	(10,562)
	71,750	93,992

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade payables (<i>Note (a)</i>)	113,867	143,602
Other payables and accruals		
– Due to related companies (<i>Note (b)</i>)	10,300	8,709
– Accrued expenses	41,180	37,704
– Accrued staff costs	11,631	9,325
– Provision for retirement benefit costs	1,767	1,535
– Provision for reinstatement costs (<i>Note (c)</i>)	14,328	14,225
– Deferred government grant	1,083	1,583
– Other taxes payable	6,736	6,816
– Others	3,092	3,095
	90,117	82,992
Less: Provision for reinstatement costs presented as non-current liability	(5,960)	(5,919)
Other payables and accruals presented as current liabilities	84,157	77,073

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)*Note (a)*

The credit periods on trade payables offered by suppliers are within 60 days to 90 days.

The following is an analysis of trade payables presented based on the invoice date.

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 30 days	79,104	124,967
31 to 60 days	26,779	9,601
61 to 90 days	632	4,377
Over 90 days	7,352	4,657
	113,867	143,602

Note (b)

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

Amounts due to related companies	Nature of balance	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Land Smart Development Limited (<i>Note (i)</i>)	Non-trade	6,565	5,848
Lovable Products Trading Limited (<i>Note (i)</i>)	Non-trade	2,324	1,782
Politor Limited (<i>Note (i)</i>)	Non-trade	1,411	1,079
		10,300	8,709

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.

Note (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.

15. CONTRACT LIABILITIES

Contract liabilities of the Group arise from the advance payments made by customers while the underlying products are yet to be delivered, provision for sales return and customer loyalty program.

16. BANK BORROWINGS

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Secured		
Current portion	21,380	–

As at 30 June 2022, the Group has not complied with a restrictive financial covenant of its revolving loan facility amounting to RMB21,380,000. Such non-compliance of covenant may cause the relevant revolving loan facility to become immediately due and payable.

Bank borrowings carry interest at 1.8% per annum over 3-month HIBOR and are secured by the corporate guarantees given by the Company.

17. SHARE CAPITAL

	Number of shares	RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2021, 1 January 2022 and 30 June 2022	50,000,000,000	433,188
Issued and fully paid:		
At 31 December 2021, 1 January 2022 and 30 June 2022	800,000,000	6,931

18. SHARE OPTION SCHEMES

(i) 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 was 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.

18. SHARE OPTION SCHEMES (Continued)

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

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

Options	Vesting period	Outstanding at 31 December 2021 (audited)	Lapsed during the period	Exercised during the period	Outstanding at 30 June 2022 (unaudited)
Directors					
Tranche 1	25 October 2017 to 24 October 2018	3,800,000	–	–	3,800,000
Tranche 2	25 October 2017 to 24 October 2019	2,850,000	–	–	2,850,000
Tranche 3	25 October 2017 to 24 October 2020	2,850,000	–	–	2,850,000
		9,500,000	–	–	9,500,000
Employees					
Tranche 1	25 October 2017 to 24 October 2018	9,880,000	(200,000)	–	9,680,000
Tranche 2	25 October 2017 to 24 October 2019	7,410,000	(150,000)	–	7,260,000
Tranche 3	25 October 2017 to 24 October 2020	7,410,000	(150,000)	–	7,260,000
		24,700,000	(500,000)	–	24,200,000
		34,200,000	(500,000)	–	33,700,000

Details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

	Date of Grant	Number of share options granted	Exercise period
Tranche 1	25 October 2017	19,000,000	25 October 2018 to 24 October 2027
Tranche 2	25 October 2017	14,250,000	25 October 2019 to 24 October 2027
Tranche 3	25 October 2017	14,250,000	25 October 2020 to 24 October 2027
		47,500,000	

18. SHARE OPTION SCHEMES (Continued)

(ii) 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 30 June 2022, the Post-IPO Share Option Scheme had a remaining life of more than 5 years.

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

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

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

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

18. SHARE OPTION SCHEMES (Continued)

(ii) 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 required.

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

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

19. COMMITMENTS

(a) Capital commitments

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Contracted but not provided for in the condensed consolidated interim financial information in respect of:		
– acquisition of property, plant and equipment	269	–

(b) Other commitments

As of 30 June 2022, the Group's commitments related to minimum royalties payables for merchandising rights contracted but not yet reflected in the consolidated financial statement were USD700,000 (equivalent to RMB4,500,000) from which USD300,000 (equivalent to RMB2,000,000) are expected to be incurred in the year ending 31 December 2022 and USD400,000 (equivalent to RMB2,500,000) are expected to be incurred in the year ending 31 December 2023.

20. RELATED PARTY TRANSACTIONS

(a) Related parties

As at 30 June 2022, Asian Glory Holdings Limited held 53.15% (31 December 2021: 53.15%) equity interest in the Company as the single largest shareholder.

(b) Transactions

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	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Land Smart Development Limited (Note)	Rental expenses	720	720
Politor Limited (Note)	Rental expenses	273	275
Lovable Products Trading Limited (Note)	Loan interest	443	389
Wealth Effort Limited (Note)	Management fee	–	8

Note:

The related companies are controlled by Mr. Lee Ching Yiu, the controlling shareholder and chairman of the Board.

(c) Balances with related parties

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Amount due to related companies		
Land Smart Development Limited	6,565	5,848
Lovable Products Trading Limited	2,324	1,782
Politor Limited	1,411	1,079
	10,300	8,709
Loan from a related company		
Lovable Products Trading Limited (Note)	42,337	40,475

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

20. RELATED PARTY TRANSACTIONS (Continued)**(c) Balances with related parties** (Continued)

Note:

Kidsland HK Limited entered into a loan agreement and an amendment agreement on 27 August 2019 and 1 December 2021, respectively, with Lovable Products Trading Limited, a company controlled by Mr. Lee Ching Yiu, the controlling shareholder and chairman of the Board, who agreed to provide a loan facility of approximately RMB55.6 million (31 December 2021: RMB53.1 million) of which approximately RMB42.3 million was utilised as at 30 June 2022 (31 December 2021: RMB40.5 million). The loan from a related company are unsecured, interest bearing at 1.3% above one-month LIBOR per annum and repayable in one year. The amounts approximate their fair values and are denominated in USD.

(d) Compensation of key management personnel

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Director's fees	82	83
Salaries and allowances	4,220	4,236
Retirement benefit schemes contributions	387	258
	4,689	4,577

21. SUBSEQUENT EVENT

Save as disclosed in note 1 of the interim financial information, there are no material subsequent events undertaken by the Group after 30 June 2022.