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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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2025

HIGHLIGHTS

- Aiming for sustainable healthy business, the Group has taken more aggressive measures to optimise its distribution network and product portfolio by right-sizing of retail stores and conducting stock clearance. This resulted in revenue of approximately RMB422.5 million being recorded for the Reporting Period, a decrease of 14.4% from approximately RMB493.7 million for the Prior Period, mainly due to the decline of revenue from retail shops. On the other hand, the Group achieved growth in wholesale channels, especially hypermarket and supermarket chains, which was the main growth contributor, with the strengthened collaboration with the Sam’s Club, achieved sales growth of 134.6% as compared to the Prior Period.
- Despite of the continued stock clearance which depressed gross profit margin in the short term, through exploring innovative products including developing its own products and strategic collaboration with all the leading brands, both international ones and local ones, from retail collaboration to flagship store and pop-up mall event, the Group’s gross profit margin achieved a growth from 29.3% for the year ended 31 December 2024 to 29.9% for the Reporting Period.
- Total inventory continued to drop by 24.5% during the Reporting Period. Inventory turnover days dropped to 123 days and cash conversion cycle improved to 70 days for the Reporting Period (Prior Period: 159 days and 117 days, respectively). Such improvement enabled the Group to keep agile in adapting to future development with a healthier foundation.

- The Group has taken various aggressive measures to improve efficiency and reduce operating costs, which resulted in total selling, distribution, general and administrative expenses being decreased by 17.1% from approximately RMB239.0 million for the Prior Period to approximately RMB198.2 million for the Reporting Period.
- Net loss after tax was narrowed by 15.7% to approximately RMB67.6 million (Prior Period: approximately RMB80.2 million), with the efforts from optimisation of distribution network and product assortment as well as intensified cost reduction.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the first half year of 2025, against a backdrop of evolving market dynamics and shifting consumer sentiments and behaviours, Kidsland International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has responded tirelessly and embarked on a comprehensive transformation journey, not only to restore resilience and efficiency in operations, but also to secure sustainable long-term growth.

Beginning with decisive cost reduction measures and retail business right-sizing, the Group has concurrently laid the foundation for future opportunities through new business development initiatives. The Group has implemented a robust cost reduction program across its operations, including people, supply chain, office and administration, and retail operations. During the six months ended 30 June 2025 (the “**Reporting Period**”), the Group’s selling, distribution, general and administrative expenses decreased by 17.1%, while employee benefit expenses reduced by 21.7%, compared to the six months ended 30 June 2024 (the “**Prior Period**”). These measures have already begun to deliver tangible results, though the full impact will be incarnated in the second half of 2025 and the year after. All these measures will help to create a leaner and more responsive organisation.

In parallel, the Group is committed to investing in the future. A new business division dedicated to exploring and developing the kidult market has been established, targeting teenagers and young adults to capitalise on emerging market trends. The Group has also collaborated closely with intellectual property (“**IP**”) owners to test IP pop-up stores, reinforcing its commitment to diversifying its business and expanding its customer base.

During the Reporting Period, the Group has opened the first Tomica flagship store in Beijing F.A.O. Schwarz, a leading toy experiential retail store operated by the Group as its exclusive franchise partner in China. It attracted thousands of fans of Tomica brand and sales achieved record high. The Group has also liaised with Kayou, a leading trading card company in China, for pop-up events, and with Mattel for its Hot Wheels City Tour in multiple cities across China. These demonstrate the Group’s commitments to broadening the target age groups and strategic collaboration with more leading brands and IPs, both international ones and local ones.

Building on this progress, the Group has continued to enhance its product portfolio to bring more fresh offerings and improve gross profit margin. Apart from strengthening the collaborations with leading brands, the Group has started to launch its own products taking the advantage of China supply chain and consumer insights it has gained over the years. With all these efforts, the Group managed to increase its gross profit margin from 29.3% for the year ended 31 December 2024 to 29.9% for the Reporting Period, despite of the continued stock clearance activities. The Group believes with the stock clearance completing periodically in the second half of 2025, its gross profit margin should be improved more significantly.

Internally, to accelerate decision making and execution, the Group has launched initiative to simplify processes and adopt advanced technologies such as artificial intelligence tools to improve efficiency, driving a “Fewer, Better, Quicker” approach. The Group will focus on streamlining organisation structure, supported by performance-linked remuneration system, cultivating a culture that emphasises accountability, agility and the shared values.

Looking forward, the Group is repositioning itself from a traditional business model of toy retailer and distributor to an integrated business model encompassing IP incubation, product research and development, and a portfolio of self-owned retail outlets. This represents an important step forward in upgrading the Group’s position along the industrial value chain, enabling the Group to capture greater value and deliver sustainable returns to its stakeholders.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 30 June 2025, this network consisted of:

Self-operated Retail Channels

- 470 self-operated retail points of sale including retail shops and consignment counters (30 June 2024: 535)
- 39 online stores (30 June 2024: 34)

Wholesale Channels

- 253 distributors (30 June 2024: 304) which sell our products through third-party retailers or their own retail shops, totaling more than 800 (30 June 2024: more than 1,300)
- 9 hypermarket and supermarket chains (30 June 2024: 9) with a sum of 420 retail points (30 June 2024: 412)
- 2 online key accounts (30 June 2024: 2)

Detailed breakdowns of our distribution network are as follows:

1. Self-operated Retail Channels

1.1 Retail Shops

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

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

	Six months ended 30 June	
	2025	2024
Retail shops		
At the beginning of the period	140	155
Addition of new retail shops	2	7
Closure of retail shops	(25)	(17)
At the end of the period	117	145

1.2 Consignment Counters

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

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

	Six months ended 30 June	
	2025	2024
Consignment counters		
At the beginning of the period	378	404
Addition of new consignment counters	9	18
Closure of consignment counters	(34)	(32)
At the end of the period	353	390

1.3 Online Stores

During the Reporting Period, we opened three flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 30 June 2025, we had 39 online stores in total, compared with 34 as of 30 June 2024.

2. Wholesale Channels

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

2.1 Distributors

As of 30 June 2025, we had 253 distributors (30 June 2024: 304), which sell our products through third-party retailers or their own retail shops, totaling more than 800 (30 June 2024: more than 1,300).

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

	Six months ended 30 June	
	2025	2024
Distributors		
At the beginning of the period	270	306
Addition of new distributors	38	47
Expiry without renewal of distribution agreements	(55)	(49)
At the end of the period	253	304

2.2 Hypermarket and Supermarket Chains

As of 30 June 2025, we had wholesale arrangements with 9 hypermarket and supermarket chains (30 June 2024: 9) with a sum of 420 retail points (30 June 2024: 412) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

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

	Six months ended 30 June	
	2025	2024
Hypermarket and supermarket chains		
At the beginning of the period	12	12
Termination or expiry of agreements with hypermarket and supermarket chains	<u>(3)</u>	<u>(3)</u>
At the end of the period	<u>9</u>	<u>9</u>

2.3 Online Key Accounts

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

	Six months ended 30 June	
	2025	2024
Online key accounts		
At the beginning of the period and at the end of the period	<u>2</u>	<u>2</u>

FINANCIAL REVIEW

Revenue

Optimising the distribution network by right-sizing of retail stores, during the Reporting Period, the Group's revenue decreased by 14.4% to approximately RMB422.5 million from approximately RMB493.7 million for the Prior Period. Despite the weak market sentiment and consumption downgrading, the Group managed to increase revenue from wholesale channels by strengthening and expanding its collaboration with both leading and potential brands.

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Self-operated retail channels		
– Retail shops	220,578	265,747
– Consignment counters	86,923	109,060
– Online stores	25,258	29,574
Sub-total	332,759	404,381
Wholesale channels		
– Distributors	80,651	82,824
– Hypermarket and supermarket chains	6,658	2,838
– Online key accounts	2,410	3,609
Sub-total	89,719	89,271
Total	422,478	493,652

Self-operated Retail Channels

The self-operated retail channels recorded a decrease in revenue of 17.7% to approximately RMB332.8 million for the Reporting Period compared to the Prior Period, attributed to the drop in revenue from retail shops, consignment counters and online stores by 17.0% to approximately RMB220.6 million, 20.3% to approximately RMB86.9 million and 14.6% to approximately RMB25.3 million, respectively.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels increased by 0.5% to approximately RMB89.7 million. With the strengthened collaboration with the Sam's Club, revenue from hypermarket and supermarket chains rose by 134.6% to approximately RMB6.7 million, while revenue from distributors as well as online key accounts dropped by 2.6% to approximately RMB80.7 million and 33.2% to approximately RMB2.4 million, respectively.

Revenue from Hong Kong, Macau and overseas (after inter-segment elimination) recorded a decrease of 13.0% from approximately RMB92.2 million for the Prior Period to approximately RMB80.3 million for the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 9.1% from approximately RMB325.7 million for the Prior Period to approximately RMB296.0 million for the Reporting Period. The Group's gross profit margin decreased from 34.0% for the Prior Period to 29.9% for the Reporting Period, while increased as compared to 29.3% for the year ended 31 December 2024. Stock clearance activities depressed gross profit margin in the short term, however, through exploring innovative products including developing own products and strategic collaboration with all the leading brands, and optimising product assortment, gross profit margin improved gradually. Stock clearance activities continuously reduced inventory backlog by 24.5% during the Reporting Period. Gross profit decreased from approximately RMB167.9 million for the Prior Period to approximately RMB126.5 million for the Reporting Period.

Other Income

Other income, consisting mainly of government grants, promotional service income and rebates from platform service providers of online stores, decreased by approximately RMB0.9 million from approximately RMB2.2 million for the Prior Period to approximately RMB1.3 million for the Reporting Period, mainly resulting from the drop in government grants.

Other Gains/Losses, Net

Other gains/losses, net was mainly attributable to net exchange differences and lease modifications. Other gains, net of approximately RMB9.4 million was recorded for the Reporting Period (Prior Period: losses, net of approximately RMB3.8 million), mainly resulting from the appreciation of Renminbi (“**RMB**”) against Hong Kong dollar (“**HK\$**”) and gains on lease modifications.

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

The amount represented provision made for impairment loss on trade and bill receivables. Provision for impairment loss of approximately RMB478,000 was recorded for the Reporting Period (Prior Period: reversal of impairment loss of approximately RMB98,000).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 15.7% from approximately RMB216.5 million for the Prior Period to approximately RMB182.5 million for the Reporting Period, which was mainly attributable to intensified expense management, especially on concessionaire fees, staff costs and lease-related expenses.

General and Administrative Expenses

General and administrative expenses dropped by 30.2% from approximately RMB22.5 million for the Prior Period to approximately RMB15.7 million for the Reporting Period, resulting from control over staff costs and office rental expenses.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, borrowings and loans from a related company, slightly decreased by approximately RMB0.7 million from approximately RMB5.7 million for the Prior Period to approximately RMB5.0 million for the Reporting Period.

Loss for the Period

A loss of approximately RMB67.6 million was recorded for the Reporting Period (Prior Period: approximately RMB80.2 million). The loss narrowed by 15.7% resulting from the optimisation of distribution network and product assortment, as well as intensified expense management.

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 159 days for the Prior Period to 123 days for the Reporting Period. Trade receivables turnover days decreased from 20 days for the Prior Period to 17 days for the Reporting Period. Trade payables turnover days increased from 62 days for the Prior Period to 70 days for the Reporting Period.

Cash Conversion Cycle

Cash conversion cycle is a metric that shows the amount of time it takes a company to convert its investment in inventory to cash, which equals to inventory turnover days plus trade receivables turnover days minus trade payables turnover days. The cash conversion cycle of the Group decreased from 117 days for the Prior Period to 70 days for the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB2.8 million in property, plant, and equipment, mainly to renovate shops (Prior Period: approximately RMB5.6 million).

Liquidity and Financial Resources

The Group's cash position as of 30 June 2025 was approximately RMB22.8 million, compared to approximately RMB19.4 million as of 31 December 2024. The current ratio calculated by dividing total current assets by total current liabilities and quick ratio calculated by dividing total current assets excluding inventories and right of return assets by total current liabilities excluding lease liabilities as of 30 June 2025 were 0.9 and 0.4, respectively (31 December 2024: 1.0 and 0.4, respectively).

As of 30 June 2025, the Group had aggregate banking facilities of approximately RMB146.6 million (31 December 2024: approximately RMB141.0 million) for bank loans and trade financing, of which approximately RMB7.1 million (31 December 2024: approximately RMB0.7 million) was unutilised as of the same date.

As of 30 June 2025, the Group had a loan facility from a related company of approximately RMB136.8 million (31 December 2024: approximately RMB231.5 million), of which approximately RMB73.3 million (31 December 2024: approximately RMB139.8 million) was utilized as of the same date.

Charge of Assets

As of 30 June 2025, the Group had restricted cash of approximately RMB2.9 million mainly for bank guarantee of a trade finance facility (31 December 2024: approximately RMB2.7 million).

Contingent Liabilities

As of 30 June 2025, the Group did not have significant contingent liabilities (31 December 2024: Nil).

Foreign Exchange

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

RESULTS

The board of directors of the Company (the “**Directors**” and the “**Board**”, respectively) announces the unaudited condensed consolidated results of the Group for the Reporting Period, prepared on the basis set out in Note 1 below, together with the comparative figures for the Prior Period, as follows.

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

	<i>Notes</i>	Six months ended 30 June	
		2025	2024
		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue	4	422,478	493,652
Cost of sales	8	<u>(295,951)</u>	<u>(325,742)</u>
Gross profit		126,527	167,910
Other income	5	1,300	2,193
Other gains/(losses), net	6	9,365	(3,819)
(Impairment loss)/reversal of impairment loss on financial assets, net	8	(478)	98
Selling and distribution expenses	8	(182,497)	(216,466)
General and administrative expenses	8	<u>(15,692)</u>	<u>(22,496)</u>
Operating loss		(61,475)	(72,580)
Finance costs		<u>(5,031)</u>	<u>(5,690)</u>
Loss before income tax		(66,506)	(78,270)
Income tax expense	7	<u>(1,083)</u>	<u>(1,950)</u>
Loss for the period		<u>(67,589)</u>	<u>(80,220)</u>
Other comprehensive (expense)/income:			
<i>Item that will not be reclassified to profit or loss:</i>			
– Exchange differences on translation from functional currency to presentation currency		49	764
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<u>(4,751)</u>	<u>1,060</u>
Other comprehensive (expense)/income for the period, net of tax		<u>(4,702)</u>	<u>1,824</u>
Total comprehensive expense for the period		<u>(72,291)</u>	<u>(78,396)</u>

		Six months ended 30 June	
		2025	2024
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
– owners of the Company		(67,298)	(80,154)
– non-controlling interests		(291)	(66)
		<u>(67,589)</u>	<u>(80,220)</u>
Total comprehensive expense for the period attributable to:			
– owners of the Company		(72,060)	(78,290)
– non-controlling interests		(231)	(106)
		<u>(72,291)</u>	<u>(78,396)</u>
Loss per share, basic and diluted (<i>RMB cents</i>)	10	<u>(6.58)</u>	<u>(10.02)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2025 <i>RMB'000</i> (unaudited)	At 31 December 2024 <i>RMB'000</i> (audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		14,667	20,387
Right-of-use assets	11	36,411	63,561
Intangible assets		1,886	2,373
Financial assets at fair value through profit or loss (“FVTPL”)		—	—
Rental deposits		11,638	15,561
Deferred tax assets		12,021	13,153
		<u>76,623</u>	<u>115,035</u>
Current assets			
Inventories		172,736	228,906
Trade and bill receivables	12	39,375	40,742
Other receivables, deposits and prepayments		52,299	49,897
Right-of-return assets		102	254
Restricted cash		2,908	2,747
Cash and cash equivalents		19,890	16,636
		<u>287,310</u>	<u>339,182</u>
DEFICIT			
Attributable to owners of the Company			
Share capital		9,752	6,931
Deficit		<u>(84,621)</u>	<u>(96,721)</u>
		(74,869)	(89,790)
Non-controlling interests		<u>5,659</u>	<u>5,890</u>
Total deficit		<u><u>(69,210)</u></u>	<u><u>(83,900)</u></u>

		At 30 June 2025 <i>RMB'000</i> (unaudited)	At 31 December 2024 <i>RMB'000</i> (audited)
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Loans from a related company		73,265	139,792
Loan from a director of the Company		15,000	15,000
Convertible preference shares		4,909	–
Other payables		1,996	2,903
Lease liabilities	11	16,131	27,717
		<u>111,301</u>	<u>185,412</u>
Current liabilities			
Trade payables	13	113,008	116,960
Other payables and accruals		65,513	74,435
Loan from a related company		3,000	–
Borrowings		106,800	107,220
Lease liabilities	11	25,957	45,789
Contract liabilities		7,147	7,883
Current tax liabilities		417	418
		<u>321,842</u>	<u>352,705</u>
Net current liabilities		<u>(34,532)</u>	<u>(13,523)</u>
Total assets less current liabilities		<u>42,091</u>	<u>101,512</u>
Net liabilities		<u><u>(69,210)</u></u>	<u><u>(83,900)</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2025

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2025 have 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2024, which have been prepared in accordance with HKFRS Accounting Standards.

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

Going concern basis

During the six months ended 30 June 2025, the Group reported a loss before income tax of approximately RMB66,506,000 and had a net cash inflow of approximately RMB14,156,000 generated from the operating activities. As at 30 June 2025, the Group’s net current liabilities were approximately RMB34,532,000, and the Group’s net liabilities were approximately RMB69,210,000, of which the Group’s cash and cash equivalents amounted to approximately RMB19,890,000 as compared to the Group’s bank borrowings and loan from a related company of approximately RMB106,800,000 and RMB3,000,000 respectively, which are repayable within the next twelve months from the end of the reporting period; loans from a related company and loan from a director of the company of approximately RMB73,265,000 and RMB15,000,000 respectively, which are repayable after the next twelve months from the end of the reporting period.

The Group’s business has been negatively impacted by the weak market sentiment amidst the uncertainty about the macro-economic environment in Mainland China during the six months ended 30 June 2025. The poor consumer sentiment caused short-term disruption to the Group’s operations in Mainland China. Also, it is uncertain whether the weak market sentiment will continue and impact 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 would have sufficient financial resources to continue as a going concern. Management have prepared a cash flow forecast of the Group which covers a period of not less than twelve months from the date of the end of reporting period based on the existing situation, future events and commitments of the Group. 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 following:

- (i) as at 30 June 2025, a loan facility is provided to the Group from its related company, with a facility limit of HK\$150,000,000 (equivalent to approximately RMB136,800,000), of which there was unutilised facility of approximately RMB63,535,000. Besides, the Group has available unutilised loan facilities of approximately RMB7,000,000 from financial institutions. The total unutilised facilities are RMB70,535,000, and the Group will draw down the loans to finance its operations, when needed;
- (ii) for the borrowings which will be maturing within 12 months after the end of this reporting period, the Group is actively negotiating with the banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group’s working capital and financial requirements in the future will continue to be met. The Directors do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities and there is no indication that

these bank lenders will not renew the existing bank borrowings upon the Group's request. The Directors have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturity. Besides, for the loan from a director of the Company amounting to RMB15,000,000, such amount has been renewed in June 2025 and the maturity will be in February 2027;

- (iii) the Group is implementing active cost-saving measures to control selling and distribution and administrative costs through various ways to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group. Under the effect of the measures applied, the selling and distribution expenses and general and administrative expenses dropped from RMB216,466,000 and RMB22,496,000 during the six months ended 30 June 2024 to RMB182,497,000 and RMB15,692,000 during the six months ended 30 June 2025, respectively;
- (iv) the Group will actively consider to launch marketing events in order to facilitate the sales of the inventories to strengthen further the working capital in the second half of 2025; and
- (v) the Group will continue to seek for other alternative source of finance and borrowings to strengthen working capital requirements and 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. 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 2025. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the unaudited condensed consolidated financial statements on a going concern basis.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

Other than application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2024.

Application of amendments to a HKFRS Accounting Standard

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

Amendments to HKAS 21

Lack of Exchangeability

The application of the amendments to a HKFRS Accounting Standard in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Derecognition of financial liabilities

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

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

Convertible preference shares

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

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

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

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

3. ESTIMATION

The preparation of unaudited condensed consolidated financial statements requires management to make judgments, 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 the unaudited condensed consolidated financial statements, the significant judgments 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 2024.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in trading and sale of toys 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, Macau 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 2025

(Unaudited)	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	<u>342,222</u>	<u>83,787</u>	<u>(3,531)</u>	<u>422,478</u>
Reportable segment (loss)/profit excluding depreciation and amortisation	<u>(32,352)</u>	<u>3,047</u>	<u>–</u>	<u>(29,305)</u>
Depreciation and amortisation	<u>(27,593)</u>	<u>(9,397)</u>	<u>–</u>	<u>(36,990)</u>
Reportable segment results	<u>(59,945)</u>	<u>(6,350)</u>	<u>–</u>	<u>(66,295)</u>
Unallocated other income				7
Unallocated corporate expenses				(3,284)
Unallocated other gains, net				6,034
Unallocated finance costs				<u>(2,968)</u>
Loss before income tax				(66,506)
Income tax expense				<u>(1,083)</u>
Loss for the period				<u>(67,589)</u>

Six months ended 30 June 2024

(Unaudited)	The PRC <i>RMB'000</i>	Hong Kong, Macau and overseas <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
– Revenue recognised at a point in time	<u>401,406</u>	<u>95,701</u>	<u>(3,455)</u>	<u>493,652</u>
Reportable segment (loss)/profit excluding depreciation and amortisation	(22,689)	5,101	–	(17,588)
Depreciation and amortisation	<u>(36,782)</u>	<u>(13,856)</u>	<u>–</u>	<u>(50,638)</u>
Reportable segment results	<u>(59,471)</u>	<u>(8,755)</u>	<u>–</u>	<u>(68,226)</u>
Unallocated other income				25
Unallocated corporate expenses				(3,320)
Unallocated other losses, net				(3,963)
Unallocated finance costs				<u>(2,786)</u>
Loss before income tax				(78,270)
Income tax expense				<u>(1,950)</u>
Loss for the period				<u><u>(80,220)</u></u>

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	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Self-operated retail channels		
– Retail shops	220,578	265,747
– Consignment counters	86,923	109,060
– Online stores	25,258	29,574
Wholesale channels		
– Distributors	80,651	82,824
– Hypermarket and supermarket chains	6,658	2,838
– Online key accounts	2,410	3,609
	<u>422,478</u>	<u>493,652</u>

5. OTHER INCOME

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	7	25
Government grants (<i>Note</i>)	270	815
Promotional service income	237	42
Rebates from platform service providers of online stores	525	880
Sundry income	261	431
	<u>1,300</u>	<u>2,193</u>

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

6. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net exchange gain/(loss)	6,034	(3,965)
Gain/(loss) on disposal of property, plant and equipment	86	(527)
Gain on lease modifications (<i>note 11(ii)</i>)	3,253	700
Gain on disposal of financial assets at FVTPL	–	2
Others	(8)	(29)
	<u>9,365</u>	<u>(3,819)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax		
– Hong Kong, Macau and overseas profits tax	–	199
Deferred tax	<u>1,083</u>	<u>1,751</u>
	<u>1,083</u>	<u>1,950</u>

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

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Auditors' remuneration		
– Audit services	879	826
Amortisation of intangible assets	455	672
Depreciation of property, plant and equipment	7,014	10,330
Depreciation of right-of-use assets (<i>note 11(ii)</i>)	29,521	39,636
Impairment loss on property, plant and equipment (<i>Note</i>)	1,451	1,308
Impairment loss on right-of-use assets (<i>Note</i>)	2,765	2,898
Cost of inventories	286,754	318,003
Write-down of inventories, net (included in cost of sales)	3,252	2,717
Rental expenses in respect of:		
– variable leases payments (<i>note 11(ii)</i>)	1,269	1,730
– short-term leases (<i>note 11(ii)</i>)	19,816	20,554
Advertising and promotional expenses	6,691	5,093
Concessionaire fees	29,481	35,590
Employee benefit expenses (including directors' emoluments)	37,588	48,028
Outsourced personnel service fees	32,816	37,430
Provision for/(reversal of) impairment loss on trade receivables	478	(98)
Transportation costs	7,492	7,948
Building management fees	14,626	15,783

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 RMB1,451,000 and RMB2,765,000, respectively for the six months ended 30 June 2025 (30 June 2024: RMB1,308,000 and RMB2,898,000, respectively) was made based on impairment assessment carried out for the retail store assets which have an impairment indicator. Such impairment losses were recorded in selling and distribution expenses. The recoverable amounts are based on value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage of individual CGUs based on the Group's annual budget covering an average of 2-year period. A discount rate of 12.0% (30 June 2024: 13.5%) was applied to bring the future cash flows back to their present values.

9. DIVIDENDS

No dividends were paid during the six months ended 30 June 2025. The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2025 (2024: nil).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share (<i>in RMB'000</i>)	<u>(67,298)</u>	<u>(80,154)</u>
Weighted average number of ordinary shares for the purpose of calculation of basic and diluted loss per share (<i>in '000</i>)	<u>1,023,098</u>	<u>800,000</u>

The computation of diluted loss per share for the six months ended 30 June 2025 does not assume the exercise of the Company's outstanding share options and the conversion of the Company's outstanding convertible preference shares (30 June 2024: exercise of the Company's outstanding share options) since they would have an anti-dilutive impact to the basic loss per share.

11. LEASES

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

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

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

	At 30 June 2025 <i>RMB'000</i> (unaudited)	At 31 December 2024 <i>RMB'000</i> (audited)
Right-of-use assets		
– Leased premises	44,096	76,761
Less: provision for impairment	(7,685)	(13,200)
	<u>36,411</u>	<u>63,561</u>
Lease liabilities payable:		
Within one year	25,957	45,789
Within a period of more than one year but not exceeding two years	12,417	12,565
Within a period of more than two years but not exceeding five years	2,166	11,164
Within a period of more than five years	1,548	3,988
	<u>42,088</u>	<u>73,506</u>
Less: amount due for settlement within 12 months shown under current liabilities	(25,957)	(45,789)
Amount due for settlement after 12 months shown under non-current liabilities	<u>16,131</u>	<u>27,717</u>

During the six months ended 30 June 2025, additions to right-of use assets amounted to RMB10,482,000 (30 June 2024: RMB43,209,000).

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

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

	Six months ended 30 June	
	2025 <i>RMB'000</i> (unaudited)	2024 <i>RMB'000</i> (unaudited)
Depreciation of right-of-use assets (<i>note 8</i>)	29,521	39,636
Interest expenses (included in finance costs)	2,063	2,904
Expense relating to short-term leases (<i>note 8</i>)	19,816	20,554
Expense relating to variable lease payments not included in lease liabilities (<i>note 8</i>)	1,269	1,730
Impairment loss on right-of-use assets (<i>note 8</i>)	2,765	2,898
Gain on lease modifications (<i>note 6</i>)	(3,253)	(700)

12. TRADE AND BILL RECEIVABLES

	At 30 June 2025 <i>RMB'000</i> (unaudited)	At 31 December 2024 <i>RMB'000</i> (audited)
Trade receivables from contracts with customers	50,144	51,033
Less: provision for impairment	(10,769)	(10,291)
	39,375	40,742
Bill receivables	3,866	3,866
Less: provision for impairment	(3,866)	(3,866)
	—	—
	39,375	40,742

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

	At 30 June 2025 <i>RMB'000</i> (unaudited)	At 31 December 2024 <i>RMB'000</i> (audited)
Within 30 days	22,067	26,515
31 to 60 days	9,869	6,368
61 to 90 days	3,083	2,089
91 to 180 days	3,108	4,873
Over 180 days	12,017	11,188
	50,144	51,033
Less: provision for impairment	(10,769)	(10,291)
	39,375	40,742

13. TRADE PAYABLES

The credit periods granted by suppliers are generally ranged from 60 to 90 days. The following is an ageing analysis of trade payables presented based on the invoice date.

	At 30 June 2025 <i>RMB'000</i> (unaudited)	At 31 December 2024 <i>RMB'000</i> (audited)
Within 30 days	77,612	84,309
31 to 60 days	26,286	25,452
61 to 90 days	4,636	3,040
Over 90 days	4,474	4,159
	113,008	116,960

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

As of 30 June 2025, the Company did not hold any treasury shares.

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 2025, the Company's share capital comprised 1,105,914,286 issued ordinary shares (the "**Share(s)**") with nominal value of HK\$0.01 each.

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

Save as disclosed above, there was no change in the share capital of the Company during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2025, the Group had approximately 900 employees (including both in-house and outsourced employees) (30 June 2024: approximately 1,200 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB37.6 million and RMB32.8 million, respectively (Prior Period: approximately RMB48.0 million and RMB37.4 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

On 25 July 2025 (the “**Grant Date**”), an aggregate of 76,500,000 share options (the “**Options**”) have been granted to a Director and 15 employees of the Group (the “**Grantees**”) under the post-IPO share option scheme adopted by the Company on 20 October 2017. The Options gave the Grantees the right to subscribe, in aggregate, up to 76,500,000 Shares. The exercise price of the Options and the closing price of the Shares on the Grant Date were both HK\$0.063 per Share. For details, please refer to the Company’s announcement dated 25 July 2025.

Save as disclosed herein, there were no material subsequent events undertaken by the Group after 30 June 2025 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the “**CG Code**”) as its own code on corporate governance. The Company has complied with all of the mandatory disclosure requirements and all applicable code provisions as set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of 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 C3 to the Listing Rules (the “**Model Code**”) as 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.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors (the “**INEDs**”), namely Mr. Cheng Yuk Wo (chairman of the Audit Committee), Mr. Huang Lester Garson and Mr. Albert Thomas da Rosa, Junior. The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee.

The unaudited condensed consolidated financial statements have been reviewed by Moore CPA Limited, the Company’s independent auditor, 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 HKICPA.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the respective websites of the Company (www.kidslandholdings.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the Reporting Period will be dispatched and disseminated to the Shareholders, if a printed copy is requested, and made available in the above websites in due course in the manner as required by the Listing Rules.

GRATITUDE

I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude to all our staff for their dedication and cooperation and to all our Shareholders for their support.

By order of the Board

Kidsland International Holdings Limited

Lee Ching Yiu

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 August 2025

As of the date of this announcement, the Board comprises the executive Directors, namely Mr. Lee Ching Yiu (Chairman and Chief Executive Officer) and Ms. Zhong Mei; the non-executive Director, namely Mr. Du Ping; and the INEDs, namely Mr. Cheng Yuk Wo, Mr. Huang Lester Garson and Mr. Albert Thomas da Rosa, Junior.