



凱和樂

kidsland international holdings limited

凱和樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2122)

2026
Interim Report



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CORPORATE INFORMATION



BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Du Ping

Independent Non-executive Directors

Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Mr. Albert Thomas da Rosa, Junior

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Tung Wing Yee Winnie

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu
Ms. Tung Wing Yee Winnie

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

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

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

Suite 300, 3/F, Sunflower Tower
No. 37 Maizidian Street
Chaoyang District
Beijing, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Hong Kong

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

The PRC

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

COMPANY'S WEBSITE

www.kidslandholdings.com
(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

Against a challenging and evolving consumer market, Kidsland International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) continued to advance its strategic transformation during the first half of 2026, with a focus on strengthening its core businesses, optimising its product and channel mix, and improving operating efficiency. These initiatives delivered encouraging results, with the Group achieving gradual revenue growth and improvements in profitability and operational efficiency during the six months ended 30 June 2026 (the “Reporting Period”).

We continued to deepen our collaboration with the global top intellectual property (“IP”), Pokémon, and accelerate the development of our trading card game (“TCG”) business. Since the end of 2025, dedicated Pokémon zones have been progressively introduced across our retail store and consignment counter channels. By the first half of 2026, these dedicated zones had been rolled out across our major retail points, and Pokémon rapidly became one of our leading brands by sales, contributing to the overall improvement in retail performance. Meanwhile, building on our operational service collaboration with Pokémon, several Pokémon TCG Official Gyms were launched in multiple cities during the first half of 2026. The Pokémon TCG Official Gyms gained strong market attraction, demonstrating the significant potential of the TCG segment and further enhancing consumer engagement with our retail ecosystem.

We also further strengthened our partnership with Sam’s Club, with a number of products becoming best sellers in its toy category during the Reporting Period, yielded remarkable results. At the same time, we continued to develop new retail formats, with Hall One collectible toy stores further established in core cities. The newly opened stores recorded encouraging sales performance.

The Group achieved stable revenue growth of 6.5% to approximately RMB450.1 million during the Reporting Period, as compared with approximately RMB422.5 million for the six months ended 30 June 2025 (the “Prior Period”). Meanwhile, we continued to optimise our product portfolio by incorporating brands with strong margin profiles, strengthening our presence in high-demand categories, and mitigating margin erosion from retail discounting. As a result, overall gross profit margin increased from 29.9% for the Prior Period to 34.7% for the Reporting Period, reflecting a meaningful improvement in product mix and pricing discipline.

The retail network optimisation initiated in 2025 also delivered tangible results during the Reporting Period. Through the continued adjustment and optimisation of store with low-efficiency and underperforming, overall retail operating costs significantly reduced. In parallel, organisational restructuring further enhanced our operational and management efficiency. Against the backdrop of revenue growth and improved gross profit margin, we managed to streamline spending, total selling and distribution, and general and administrative expenses reduced by 9.2% from approximately RMB198.2 million for the Prior Period to approximately RMB179.9 million for the Reporting Period.

Looking ahead, while we are encouraged by the strategic transformation progress achieved during the first half of 2026, we remain mindful of fluctuations in macroeconomic consumer sentiment and evolving consumer preference cycles. To actively counter these uncertainties, we will continuously deepen our demand insights within the market and closely align with the latest trends in consumer preferences. By optimising product mix and delivering distinctive customer experience initiatives, we aim to capture the demands of core customer segments more precisely, thereby consolidating brand loyalty.

At the same time, to maintain operational sustainability and resilience, apart from exploring new brands and innovative business models, we will accelerate the incubation of our own proprietary IPs like Au Nain Bleu and innovative brands like Pic it, diversifying our product portfolio. In addition, we will maintain our ongoing focus on streamlining organisational structure and enhancing operational efficiency, thereby adhering to a balanced approach to growth and long-term value creation.



RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 30 June 2026, this network consisted of:

Self-operated Retail Channels

- 407 self-operated retail points of sale including retail shops and consignment counters (30 June 2025: 470)
- 37 online stores (30 June 2025: 39)

Wholesale Channels

- 264 distributors (30 June 2025: 253) which sell our products through third-party retailers or their own retail shops, totaling more than 900 (30 June 2025: more than 800)
- 6 hypermarket and supermarket chains (30 June 2025: 9) with a sum of 1,520 retail points (30 June 2025: 420)
- 2 online key accounts (30 June 2025: 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	
	2026	2025
Retail shops		
At the beginning of the period	97	140
Addition of new retail shops	8	2
Closure of retail shops	(9)	(25)
At the end of the period	96	117

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	
	2026	2025
Consignment counters		
At the beginning of the period	330	378
Addition of new consignment counters	2	9
Closure of consignment counters	(21)	(34)
At the end of the period	311	353

1.3 Online Stores

During the Reporting Period, we closed one flagship store of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 30 June 2026, we had 37 online stores in total, compared with 39 as of 30 June 2025.

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 2026, we had 264 distributors (30 June 2025: 253), which sell our products through third-party retailers or their own retail shops, totaling more than 900 (30 June 2025: more than 800).

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

	Six months ended 30 June	
	2026	2025
Distributors		
At the beginning of the period	256	270
Addition of new distributors	37	38
Expiry without renewal of distribution agreements	(29)	(55)
At the end of the period	264	253



2.2 Hypermarket and Supermarket Chains

As of 30 June 2026, we had wholesale arrangements with 6 hypermarket and supermarket chains (30 June 2025: 9) with a sum of 1,520 retail points (30 June 2025: 420) in Tier 1, 2 and 3 cities in Chinese Mainland (based on information provided by the hypermarket and supermarket chains).

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

	Six months ended 30 June	
	2026	2025
Hypermarket and supermarket chains		
At the beginning of the period	9	12
Termination or expiry of agreements with hypermarket and supermarket chains	(3)	(3)
At the end of the period	6	9

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	
	2026	2025
Online key accounts		
At the beginning of the period and at the end of the period	2	2

FINANCIAL REVIEW

Revenue

Driven by targeted product portfolio optimisation and innovative channel deployment, during the Reporting Period, the Group's revenue increased by 6.5% to approximately RMB450.1 million from approximately RMB422.5 million for the Prior Period. Both self-operated retail channels and wholesale channels recorded an increase in revenue as compared with the Prior Period.

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

	Six months ended 30 June	
	2026 RMB'000	2025 RMB'000
Self-operated retail channels		
– Retail shops	237,958	220,578
– Consignment counters	67,590	86,923
– Online stores	28,625	25,258
Sub-total	334,173	332,759
Wholesale channels		
– Distributors	75,363	80,651
– Hypermarket and supermarket chains	39,882	6,658
– Online key accounts	647	2,410
Sub-total	115,892	89,719
Total	450,065	422,478

Self-operated Retail Channels

The self-operated retail channels recorded an increase in revenue of 0.4% to approximately RMB334.2 million for the Reporting Period compared with the Prior Period, attributed to the growth in revenue from retail shops and online stores by 7.9% to approximately RMB238.0 million and 13.3% to approximately RMB28.6 million, respectively, partially offset by the drop in revenue from consignment counters by 22.2% to approximately RMB67.6 million.

Wholesale Channels

The Group's sustained collaboration with the Sam's Club in Chinese Mainland yielded remarkable results, with multiple products becoming top sellers in the Sam's Club toy category, boosted substantial sales growth. During the Reporting Period, revenue from hypermarket and supermarket chains rose significantly by 499.0% to approximately RMB39.9 million. Revenue from distributors and online key accounts dropped by 6.6% to approximately RMB75.4 million and 73.2% to approximately RMB0.6 million, respectively. Revenue contributed by wholesale channels increased by 29.2% to approximately RMB115.9 million during the Reporting Period.

Revenue from Hong Kong, Macau and overseas (after inter-segment elimination) recorded an increase of 11.1% from approximately RMB80.3 million for the Prior Period to approximately RMB89.1 million for the Reporting Period resulted from upturn in consumer sentiment.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 0.7% from approximately RMB296.0 million for the Prior Period to approximately RMB293.9 million for the Reporting Period. The Group's gross profit margin increased from 29.9% for the Prior Period to 34.7% for the Reporting Period, resulted from continuous product mix refinement centered on incorporating brands with strong margin profiles, strengthening the Group's presence in high-demand categories, and mitigating margin erosion from retail discounting. Gross profit increased from approximately RMB126.5 million for the Prior Period to approximately RMB156.2 million for the Reporting Period.



Other Income

Other income, consisting mainly of rebates from platform service providers of online stores, government grants and promotional service income, increased by approximately RMB0.2 million from approximately RMB1.3 million for the Prior Period to approximately RMB1.5 million for the Reporting Period, mainly due to the rise in rebates from platform service providers of online stores.

Other Gains, Net

Other gains, net was mainly attributable to net exchange differences and lease modifications. Other gains, net of approximately RMB15.8 million was recorded for the Reporting Period (Prior Period: approximately RMB9.4 million), mainly resulting from the appreciation of Renminbi ("RMB") against Hong Kong dollar ("HK\$").

Impairment Loss on Financial Assets

The amount represented provision made for impairment loss on trade and bill receivables. Provision for impairment loss of approximately RMB1.2 million was recorded for the Reporting Period (Prior Period: approximately RMB0.5 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 11.0% from approximately RMB182.5 million for the Prior Period to approximately RMB162.5 million for the Reporting Period, which was mainly attributable to intensified expense management, especially on lease-related expenses, staff costs and concessionaire fees.

General and Administrative Expenses

General and administrative expenses rose by 11.2% from approximately RMB15.7 million for the Prior Period to approximately RMB17.5 million for the Reporting Period, mainly resulting from the incurrence of equity-settled share-based expenses and slight increase in repair and maintenance costs.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, borrowings and loans from a related company, increased by approximately RMB0.9 million from approximately RMB5.0 million for the Prior Period to approximately RMB5.9 million for the Reporting Period.

Loss for the Period

A loss of approximately RMB13.6 million was recorded for the Reporting Period (Prior Period: approximately RMB67.6 million). The loss substantially narrowed by 79.9% resulting from the growth in both revenue and margin, as well as intensified expense management.

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 123 days for the Prior Period to 92 days for the Reporting Period. Trade receivables turnover days slightly increased from 17 days for the Prior Period to 18 days for the Reporting Period. Trade payables turnover days increased from 70 days for the Prior Period to 83 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 70 days for the Prior Period to 27 days for the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB4.1 million in property, plant, and equipment, mainly to renovate shops (Prior Period: approximately RMB2.8 million).

Liquidity and Financial Resources

The Group's cash position as of 30 June 2026 was approximately RMB49.7 million, compared to approximately RMB25.0 million as of 31 December 2025. 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 2026 were 0.7 and 0.4, respectively (31 December 2025: 0.8 and 0.4, respectively).

As of 30 June 2026, the Group had aggregate banking facilities of approximately RMB158.2 million (31 December 2025: approximately RMB154.6 million) for bank loans and trade financing, of which approximately RMB5.5 million (31 December 2025: approximately RMB2.1 million) was unutilised as of the same date.

As of 30 June 2026, the Group had a loan facility from a related company of approximately RMB130.3 million (31 December 2025: approximately RMB135.5 million), of which approximately RMB84.9 million (31 December 2025: approximately RMB95.2 million) was utilised as of the same date.

Gearing Ratio

The table below analyses the Group's capital structure as of 30 June 2026:

	At 30 June 2026 RMB'000	At 31 December 2025 RMB'000
Cash and cash equivalents	46,779	22,067
Borrowings	(124,475)	(120,040)
Loans from related companies	(87,436)	(95,230)
Interest payable of loans from related companies	(9,365)	(8,830)
Loan from a director of the Company	(15,000)	(15,000)
Liability component of the convertible preference shares	(4,656)	(5,378)
Lease liabilities	(94,974)	(79,790)
Net debt position	(289,127)	(302,201)
Total deficit	(156,009)	(133,540)

The Group was in a net debt position of approximately RMB289.1 million as of 30 June 2026 (31 December 2025: approximately RMB302.2 million). As the Group was of net deficit position, the management of the Group considered it irrelevant to further analyse its gearing ratio as of 30 June 2026, as calculated by dividing the Group's net debit by the Group's total deficit (31 December 2025: same).

Charge of Assets

As of 30 June 2026, the Group had restricted cash of approximately RMB3.0 million mainly for bank guarantee of a trade finance facility (31 December 2025: approximately RMB2.9 million).

Contingent Liabilities

As of 30 June 2026, the Group did not have significant contingent liabilities (31 December 2025: 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 (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 2026, the Company’s share capital comprised 1,355,914,286 issued ordinary shares (the “Share(s)”) with nominal value of HK\$0.01 each.

On 23 January 2026, the Company received a conversion notice from Asian Glory Holdings Limited, a company wholly owned by Mr. Lee Ching Yiu, the chairman of the board of directors of the Company (the “Directors” and the “Board”, respectively), an executive Director and the chief executive officer, in relation to the conversion of 250,000,000 convertible preference shares of the Company held by it, which were convertible into 250,000,000 new ordinary Shares. On 27 January 2026, 250,000,000 new ordinary Shares were allotted and issued to Asian Glory Holdings Limited. Please refer to the Company’s announcement dated 23 January 2026 for further details.

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 2026, the Group had approximately 900 employees (including both in-house and outsourced employees) (30 June 2025: approximately 900 employees) in Chinese Mainland, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB42.8 million and RMB25.3 million, respectively (Prior Period: approximately RMB37.6 million and RMB32.8 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

There were no material subsequent events undertaken by the Group after 30 June 2026 and up to the date of this interim report.

INTERIM DIVIDENDS

The Board has resolved not to declare the payment of any interim dividend for the Reporting Period.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the Corporate Governance Code contained in Appendix C1 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 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.

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 Mr. Albert Thomas da Rosa, Junior. It is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment or removal of external auditors; (ii) reviewing draft interim reports, annual reports, and financial statements (including any significant financial reporting 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 2026, 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 Shares

Name of Directors	Capacity/Nature of interests	Number of Shares held/interested	Approximate percentage of shareholding ⁽¹⁾
Mr. Lee Ching Yiu	Beneficial owner	14,000,000 (L) ⁽⁵⁾	1.03%
	Held by controlled corporation ⁽²⁾	1,748,795,952 (L) ⁽⁶⁾	128.98%
Ms. Zhong Mei	Beneficial owner	5,000,000 (L) ⁽⁵⁾	0.37%
	Held by controlled corporation ⁽³⁾	119,999,100 (L)	8.85%
Mr. Du Ping	Beneficial owner	1,500,000 (L) ⁽⁵⁾	0.11%
	Held by controlled corporation ⁽⁴⁾	5,999,910 (L)	0.44%

(L) denotes long position

Notes:

- (1) The percentages are calculated on the basis of 1,355,914,286 Shares in issue as of 30 June 2026.
- (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 92% of Lovable International Holdings Limited ("Lovable"). By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.
- (3) Ms. Zhong Mei, an executive Director, is the sole shareholder of Stars Link Ventures Limited. By virtue of the SFO, Ms. Zhong Mei is deemed to be interested in the Shares held by Stars Link Ventures Limited.
- (4) Mr. Du Ping, a non-executive Director, is the sole shareholder of Merits Forest Global Limited. By virtue of the SFO, Mr. Du Ping is deemed to be interested in the Shares held by Merits Forest Global Limited.
- (5) These include the maximum number of Shares which may be allotted and issued to such Directors (Mr. Lee Ching Yiu: 4,000,000 Shares; Ms. Zhong Mei: 5,000,000 Shares; and Mr. Du Ping: 1,500,000 Shares) upon the exercise of the pre-IPO share options and post-IPO share options granted to each of them under the pre-IPO share option scheme and post-IPO share option scheme approved and adopted by the then shareholders on 20 October 2017 (the "Pre-IPO Share Option Scheme" and "Post-IPO Share Option Scheme", respectively). Details of the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme are set out under the section headed "Share Option Schemes" below.
- (6) This includes the maximum number of Shares which may be allotted and issued to Asian Glory upon the conversion of its holding of the 872,657,143 convertible preference shares of the Company.

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

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

Save as disclosed above and to the best knowledge of the Directors, as of 30 June 2026, 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 2026, 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 ⁽¹⁾
Ms. Tang Hoi Lun	Interest of spouse ⁽²⁾	1,762,795,952 (L)	130.01%
Asian Glory	Beneficial owner	1,748,777,953 (L) ⁽⁴⁾	128.97%
	Held by controlled corporation ⁽³⁾	17,999 (L)	0.00%

(L) denotes long position

Notes:

- (1) The percentages are calculated on the basis of 1,355,914,286 Shares in issue as of 30 June 2026.
- (2) 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.
- (3) Lovable holds 17,999 Shares. Asian Glory owns approximately 92% of Lovable. By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.
- (4) This includes the maximum number of Shares which may be allotted and issued to Asian Glory upon the conversion of its holding of the 872,657,143 convertible preference shares of the Company.

Save as disclosed above, as of 30 June 2026, 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

Save as disclosed in this interim report, the Company is not aware of any changes in information of the Directors or chief executives of the Company that are required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of the 2025 annual report and up to the date of this interim report.

SHARE OPTION SCHEMES

The Post-IPO Share Option Scheme

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

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As of the date of this interim report, the Post-IPO Share Option Scheme had a remaining life of more than 1 year.

Options that are granted to Directors, chief executives of the Company, substantial Shareholders, or any of the foregoing parties’ associates need to be approved by INEDs 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 upon listing unless Shareholders approve otherwise. At both the beginning and the end of the Reporting Period, the number of options available for grant under the scheme mandate of the Post-IPO Share Option Scheme were 3,500,000. As of the date of this interim report, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 80,000,000 Shares, which represented 5.9% of the Shares in issue (excluding treasury Shares, if any) as of the same date.

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

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

On 25 July 2025, 76,500,000 share options were granted under the Post-IPO Share Option Scheme.

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

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

As of 30 June 2026:

- Share options exercisable into 76,500,000 Shares granted under the Post-IPO Share Option Scheme remained outstanding, representing approximately 5.64% of the total number of issued Shares; and
- 3,500,000 Shares of remained issuable under the Post-IPO Share Option Scheme, representing approximately 0.26% of the total number of issued Shares.

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme since its adoption and up to 30 June 2026.



The Pre-IPO Share Option Scheme

On 20 October 2017, the Pre-IPO Share Option Scheme was adopted, through a written resolution passed by the then Shareholders, to motivate, retain, and reward eligible full-time key employees, consultants, and Directors of the Company or any of its subsidiaries (the "Pre-IPO Eligible Participants"). As of the date of this interim report, the Pre-IPO Share Option Scheme had a remaining life of more than 1 year. At both the beginning and the end of the Reporting Period, the number of options available for grant under the scheme mandate of the Pre-IPO Share Option Scheme was nil.

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

	Outstanding as of 1 January 2026	Exercised during the period	Lapsed or cancelled during the period	Granted during the period	Outstanding as of 30 June 2026
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	15,500,000	—	1,800,000	—	13,700,000
Total	25,000,000	—	1,800,000	—	23,200,000

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 1,800,000 underlying Shares (Prior Period: 1,400,000) granted under the Pre-IPO Share Option Scheme lapsed, and the corresponding share option reserves of RMB1,438,000 (Prior Period: RMB1,170,000) were reclassified as retained earnings. As of 30 June 2026, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 23,200,000 Shares, which represented 1.7% of the Shares in issue (excluding treasury Shares, if any) as of the same date. As of the date of this interim report, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 22,700,000 Shares, which represented 1.7% of the Shares in issue (excluding treasury Shares, if any) as of the same date.

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

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

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme since its adoption and up to 30 June 2026.

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 any of such securities (including sale of treasury shares, if any) during the Reporting Period.

As of 30 June 2026, the Company did not hold any treasury shares.

Kidsland International Holdings Limited

Mr. Lee Ching Yiu

Chairman

28 August 2026

REPORT ON REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Moore CPA Limited

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To the Board of Directors of Kidsland International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the unaudited condensed consolidated financial statements of Kidsland International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 20 to 52, which comprise the unaudited condensed consolidated statement of financial position as of 30 June 2026 and the related unaudited condensed consolidated statement of profit or loss and other comprehensive income, unaudited condensed consolidated statement of changes in equity and unaudited condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. 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” (“HKAS 34”) as issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these unaudited condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these unaudited condensed consolidated financial statements 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” as issued by the Hong Kong Institute of Certified Public Accountants. A review of these unaudited condensed consolidated financial statements 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 to the unaudited condensed consolidated financial statements which indicates that the Group incurred a net loss of RMB13,598,000 for the six months ended 30 June 2026 and, as of that date, the Group’s current liabilities exceeded its current assets by RMB125,340,000, and the Group had net liabilities of RMB156,009,000. As stated in Note 1 to the unaudited condensed consolidated financial statements, these conditions, along with other matters as set forth in Note 1 to the unaudited condensed consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Moore CPA Limited

Certified Public Accountants

Hong Kong, 28 August 2026

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

For the Six Months Ended 30 June 2026

	Notes	Six months ended 30 June	
		2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Revenue	4	450,065	422,478
Cost of sales	8	(293,886)	(295,951)
Gross profit		156,179	126,527
Other income	5	1,469	1,300
Other gains, net	6	15,846	9,365
Impairment loss on financial assets	8	(1,217)	(478)
Selling and distribution expenses	8	(162,471)	(182,497)
General and administrative expenses	8	(17,454)	(15,692)
Operating loss		(7,648)	(61,475)
Finance costs		(5,885)	(5,031)
Loss before income tax		(13,533)	(66,506)
Income tax expense	7	(65)	(1,083)
Loss for the period		(13,598)	(67,589)
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		215	49
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		(10,949)	(4,751)
Other comprehensive expense for the period, net of tax		(10,734)	(4,702)
Total comprehensive expense for the period		(24,332)	(72,291)
Loss for the period attributable to:			
– owners of the Company		(13,412)	(67,298)
– non-controlling interests		(186)	(291)
		(13,598)	(67,589)
Total comprehensive (expense)/income for the period attributable to:			
– owners of the Company		(24,423)	(72,060)
– non-controlling interests		91	(231)
		(24,332)	(72,291)
Loss per share, basic and diluted (RMB cents)	10	(1.02)	(6.58)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026

	Notes	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	14,216	14,259
Right-of-use assets	12	90,784	75,658
Intangible assets		665	1,137
Financial assets at fair value through profit or loss		—	—
Rental and other deposits	13	12,650	11,518
Deferred tax assets		11,227	11,405
		129,542	113,977
Current assets			
Inventories		151,138	148,224
Trade and bill receivables	13	44,469	42,879
Other receivables, deposits and prepayments	13	40,110	47,426
Right-of-return assets		54	165
Restricted cash		2,957	2,930
Cash and cash equivalents		46,779	22,067
		285,507	263,691
DEFICIT			
Attributable to owners of the Company			
Share capital	18	11,992	9,752
Deficit		(173,208)	(148,408)
		(161,216)	(138,656)
Non-controlling interests		5,207	5,116
Total deficit		(156,009)	(133,540)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026

	Notes	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Loans from a related company	20	84,936	95,230
Loan from a director of the Company	20	15,000	15,000
Convertible preference shares	17	4,656	5,378
Other payables	14	2,663	2,795
Lease liabilities	12	52,956	43,905
		160,211	162,308
Current liabilities			
Trade payables	14	158,979	111,234
Other payables and accruals	14	74,563	70,561
Loan from a related company	20	2,500	–
Borrowings	16	124,475	120,040
Lease liabilities	12	42,018	35,885
Contract liabilities	15	7,931	10,799
Current tax liabilities		381	381
		410,847	348,900
Net current liabilities		(125,340)	(85,209)
Total assets less current liabilities		4,202	28,768
Net liabilities		(156,009)	(133,540)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2026

	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	Convertible preference share equity reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2025 (audited)	6,931	323,968	(118,988)	4,454	185,068	–	14,777	21,949	(527,949)	(89,790)	5,890	(83,900)
Loss for the period	–	–	–	–	–	–	–	–	(67,298)	(67,298)	(291)	(67,589)
Other comprehensive (expense)/income for the period	–	–	–	–	–	–	(4,762)	–	–	(4,762)	60	(4,702)
Total comprehensive expense for the period	–	–	–	–	–	–	(4,762)	–	(67,298)	(72,060)	(231)	(72,291)
Issue of shares (note 18)	2,821	8,462	–	–	8,463	–	–	–	–	19,746	–	19,746
Issue of convertible preference shares (note 17)	–	–	–	–	–	67,819	–	–	–	67,819	–	67,819
Transaction costs attributable to issue of shares	–	(132)	–	–	–	–	–	–	–	(132)	–	(132)
Transaction costs attributable to issue of convertible preference shares	–	–	–	–	–	(452)	–	–	–	(452)	–	(452)
Share options lapsed	–	–	–	–	–	–	–	(1,170)	1,170	–	–	–
Balance at 30 June 2025 (unaudited)	9,752	332,298	(118,988)	4,454	193,531	67,367	10,015	20,779	(594,077)	(74,869)	5,659	(69,210)
Balance at 1 January 2026 (audited)	9,752	332,298	(118,988)	4,454	193,531	67,367	7,208	20,727	(655,005)	(138,656)	5,116	(133,540)
Loss for the period	–	–	–	–	–	–	–	–	(13,412)	(13,412)	(186)	(13,598)
Other comprehensive (expense)/income for the period	–	–	–	–	–	–	(11,011)	–	–	(11,011)	277	(10,734)
Total comprehensive (expense)/income for the period	–	–	–	–	–	–	(11,011)	–	(13,412)	(24,423)	91	(24,332)
Issue of shares upon conversion of convertible preference shares (notes 17 and 18)	2,240	13,353	–	–	–	(14,575)	–	–	–	1,018	–	1,018
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	845	–	845	–	845
Share options lapsed	–	–	–	–	–	–	–	(1,438)	1,438	–	–	–
Balance at 30 June 2026 (unaudited)	11,992	345,651	(118,988)	4,454	193,531	52,792	(3,803)	20,134	(666,979)	(161,216)	5,207	(156,009)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2026

	Six months ended 30 June	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	58,574	14,156
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,086)	(2,841)
Proceeds on disposal of property, plant and equipment	10	141
Interest received	3	7
NET CASH USED IN INVESTING ACTIVITIES	(4,073)	(2,693)
Cash flows from financing activities		
Principal elements of lease payments	(25,785)	(33,273)
Interest elements of lease payments	(2,385)	(2,063)
Proceeds from loans from related companies	16,645	30,077
Repayment of loans from related companies	(20,887)	–
New borrowings raised	44,524	12,440
Repayment of borrowings	(39,224)	(12,510)
Interest paid	(2,052)	(2,053)
Transaction costs attributable to issue of shares	–	(132)
Transaction costs attributable to issue of convertible preference shares	–	(483)
Guarantee fees paid	(85)	(75)
NET CASH USED IN FINANCING ACTIVITIES	(29,249)	(8,072)
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,252	3,391
CASH AND CASH EQUIVALENTS AT 1 JANUARY	22,067	16,636
Effect of foreign exchange rate changes	(540)	(137)
CASH AND CASH EQUIVALENTS AT 30 JUNE	46,779	19,890

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2026

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2026 have been prepared in accordance with Hong Kong Accounting Standard 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 2025, which have been prepared in accordance with HKFRS Accounting Standards.

Going concern basis

During the six months ended 30 June 2026, the Group reported a loss for the period of approximately RMB13,598,000 and had a net cash inflow of approximately RMB58,574,000 generated from the operating activities. As at 30 June 2026, the Group’s net current liabilities were approximately RMB125,340,000, and the Group’s net liabilities were approximately RMB156,009,000, of which the Group’s cash and cash equivalents amounted to approximately RMB46,779,000 as compared to the Group’s bank borrowings and loan from a related company of approximately RMB124,475,000 and RMB2,500,000 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 RMB84,936,000 and RMB15,000,000 respectively, which are repayable after the next twelve months from the end of the reporting period.

In light of the circumstances outlined above, the directors of the Company have thoroughly evaluated the Group’s future liquidity, operating performance, and available financing sources in assessing whether the Group will have sufficient resources to continue as a going concern. The directors of the Company are of the opinion, after implementing the following measures, that the projected cash flows generated from operating activities and financing activities will continue to be sufficient to meet the Group’s operational and financing needs when they fall due in the next twelve months from the date of these unaudited condensed consolidated financial statements authorised for issuance and accordingly it is appropriate to prepare the Group’s unaudited condensed consolidated financial statements on a going concern basis:

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

The Group has been actively exploring and expanding new sales channels and product lines to boost sales and attract a diverse range of new customers. In particular, the new brand partnerships and collaborations with leading intellectual property owner(s) that were established and already resulted in positive performance since the fourth quarter of 2025 to the first half of 2026 will continue to be further developed and scaled up in the second half of 2026 and throughout 2027. In this regard, the Group expects these new sales channels and product lines to be able to contribute significant positive results and cash flows to the Group in 2026, and substantially improve the Group’s overall operating performance and therefore the operating cash flows so as to enable the support of the Group’s liquidity and working capital requirements.

1. BASIS OF PREPARATION (Continued)**Going concern basis (Continued)***(ii) Continuing support from existing facilities from a related company and a loan from a director of the Company*

As mentioned and detailed in Note 20, the Group has obtained financial support from a related company, Lovable Products Trading Limited ("Lovable Products Trading"), which provides total facilities amounting to HK\$150,000,000 (equivalent to approximately RMB130,290,000). As at 30 June 2026, the Group has successfully obtained approval for extension of such facilities from the maturity date on 31 March 2027 to 31 January 2028, of which the unutilised portion of the facilities is approximately HK\$52,215,000 (equivalent to approximately RMB45,354,000) as at 30 June 2026. In addition, the Group has also obtained confirmation in writing for the extension of the repayment due date of another loan of RMB15,000,000 from Mr. Lee Ching Yiu, the chairman and executive director of the Company, from 7 February 2027 to 7 February 2028.

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

(iii) Negotiation on renewal of existing external borrowings

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

(iv) Cost-saving measures to be further implemented

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

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

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.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2025.

Application of amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2026 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11

The application of the amendments to HKFRS Accounting Standards 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.

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 2025.

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.

4. REVENUE AND SEGMENT INFORMATION (Continued)**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 2026 (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	360,915	92,850	(3,700)	450,065
Reportable segment (loss)/profit excluding depreciation and amortisation	(3,508)	11,860	–	8,352
Depreciation and amortisation	(22,871)	(7,464)	–	(30,335)
Reportable segment results	(26,379)	4,396	–	(21,983)
Unallocated other income				3
Unallocated corporate expenses				(3,874)
Unallocated other gains, net				15,821
Unallocated finance costs				(3,500)
Loss before income tax				(13,533)
Income tax expense				(65)
Loss for the period				(13,598)

4. REVENUE AND SEGMENT INFORMATION (Continued)**Segment revenue and results** (Continued)

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	342,222	83,787	(3,531)	422,478
Reportable segment (loss)/profit excluding depreciation and amortisation	(32,352)	3,047	–	(29,305)
Depreciation and amortisation	(27,593)	(9,397)	–	(36,990)
Reportable segment results	(59,945)	(6,350)	–	(66,295)
Unallocated other income				7
Unallocated corporate expenses				(3,284)
Unallocated other gains, net				6,034
Unallocated finance costs				(2,968)
Loss before income tax				(66,506)
Income tax expense				(1,083)
Loss for the period				(67,589)

4. REVENUE AND SEGMENT INFORMATION (Continued)**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities as at 30 June 2026 by reportable segment (unaudited):

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Segment assets	306,131	47,955	354,086
Deferred tax assets			11,227
Unallocated assets			49,736
Total assets per unaudited condensed consolidated statement of financial position			415,049
Segment liabilities	271,627	66,409	338,036
Current tax liabilities			381
Borrowings			124,475
Loans from related companies			87,436
Loan from a director of the Company			15,000
Convertible preference shares			4,656
Unallocated liabilities			1,074
Total liabilities per unaudited condensed consolidated statement of financial position			571,058

4. REVENUE AND SEGMENT INFORMATION (Continued)**Segment assets and liabilities** (Continued)

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

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

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	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Self-operated retail channels		
– Retail shops	237,958	220,578
– Consignment counters	67,590	86,923
– Online stores	28,625	25,258
Wholesale channels		
– Distributors	75,363	80,651
– Hypermarket and supermarket chains	39,882	6,658
– Online key accounts	647	2,410
	450,065	422,478

5. OTHER INCOME

	Six months ended 30 June	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Interest income	3	7
Government grants (Note)	240	270
Promotional service income	20	237
Rebates from platform service providers of online stores	1,032	525
Sundry income	174	261
	1,469	1,300

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

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For the Six Months Ended 30 June 2026

6. OTHER GAINS, NET

	Six months ended 30 June	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Net exchange gain	15,804	6,034
Gain on disposal of property, plant and equipment	–	86
Gain on lease modifications (note 12(ii))	75	3,253
Others	(33)	(8)
	15,846	9,365

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Current income tax	–	–
Deferred tax	65	1,083
	65	1,083

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 on financial assets, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Auditors' remuneration		
– Audit services	729	879
Amortisation of intangible assets	435	455
Depreciation of property, plant and equipment (<i>note 11</i>)	3,999	7,014
Depreciation of right-of-use assets (<i>note 12(ii)</i>)	25,901	29,521
Impairment loss on property, plant and equipment (<i>Note</i>)	86	1,451
Impairment loss on right-of-use assets (<i>Note</i>)	538	2,765
Cost of inventories	284,697	286,754
Write-down of inventories, net (included in cost of sales)	4,053	3,252
Rental expenses in respect of:		
– variable leases payments (<i>note 12(ii)</i>)	3,569	1,269
– short-term leases (<i>note 12(ii)</i>)	13,236	19,816
Advertising and promotional expenses	8,841	6,691
Concessionaire fees	23,195	29,481
Employee benefit expenses (including directors' emoluments)	42,768	37,588
Outsourced personnel service fees	25,264	32,816
Provision for impairment loss on trade receivables	1,217	478
Transportation costs	6,694	7,492
Building management fees	12,541	14,626

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 RMB86,000 and RMB538,000, respectively for the six months ended 30 June 2026 (30 June 2025: RMB1,451,000 and RMB2,765,000, 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. Discount rates of 11.4% and 12.9% (30 June 2025: 12.0% and 12.0%) were applied for the PRC segment and Hong Kong, Macau and overseas segment, respectively, to bring the future cash flows back to their present values.

9. DIVIDENDS

No dividends were paid during the six months ended 30 June 2026. The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2026 (2025: 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	
	2026 (unaudited)	2025 (unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share (in RMB'000)	(13,412)	(67,298)
Weighted average number of ordinary shares for the purpose of calculation of basic and diluted loss per share (in '000)	1,320,003	1,023,098

The computation of diluted loss per share for the six months ended 30 June 2026 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 2025: same) since they would have an anti-dilutive impact to the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2026, additions to property, plant and equipment amounted to RMB4,086,000 (30 June 2025: RMB2,841,000), consisting of leasehold improvements and furniture and equipment. The net book value of property, plant and equipment disposed during the six months ended 30 June 2026 amounted to RMB10,000 (30 June 2025: RMB55,000), while the depreciation charge for the six months ended 30 June 2026 was RMB3,999,000 (30 June 2025: RMB7,014,000).

The accumulated impairment loss of the Group's property, plant and equipment was RMB11,123,000 as at 30 June 2026 (31 December 2025: RMB11,515,000), representing additional impairment loss of RMB86,000 (for the year ended 31 December 2025: RMB1,614,000) recognised during the six months ended 30 June 2026.

12. 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 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Right-of-use assets		
– Leased premises	97,599	81,935
Less: provision for impairment	(6,815)	(6,277)
	90,784	75,658
Lease liabilities payable:		
Within one year	42,018	35,885
Within a period of more than one year but not exceeding two years	35,457	25,869
Within a period of more than two years but not exceeding five years	15,926	16,097
Within a period of more than five years	1,573	1,939
	94,974	79,790
Less: amount due for settlement within 12 months shown under current liabilities	(42,018)	(35,885)
Amount due for settlement after 12 months shown under non-current liabilities	52,956	43,905

During the six months ended 30 June 2026, additions to right-of use assets amounted to RMB42,238,000 (30 June 2025: RMB10,482,000).

12. LEASES (Continued)**(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	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Depreciation of right-of-use assets (<i>note 8</i>)	25,901	29,521
Interest expenses (included in finance costs)	2,385	2,063
Expense relating to short-term leases (<i>note 8</i>)	13,236	19,816
Expense relating to variable lease payments not included in lease liabilities (<i>note 8</i>)	3,569	1,269
Impairment loss on right-of-use assets (<i>note 8</i>)	538	2,765
Gain on lease modifications (<i>note 6</i>)	(75)	(3,253)



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

	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Trade receivables from contracts with customers	56,178	53,371
Less: provision for impairment	(11,709)	(10,492)
	44,469	42,879
Bill receivables	–	3,866
Less: provision for impairment	–	(3,866)
	–	–
Other receivables, deposits and prepayments		
– Rental deposits	31,136	32,100
– Other deposits	4,266	7,045
– Prepayments	5,979	7,193
– Prepaid royalties	94	323
– Rebate receivables from suppliers	8,240	8,498
– Promotion income receivables from brand owners	318	1,190
– Others	2,727	2,595
	52,760	58,944
	97,229	101,823
Trade and bill receivables		
– presented as current assets	44,469	42,879
Other receivables, deposits and prepayments		
– presented as non-current assets	12,650	11,518
– presented as current assets	40,110	47,426
	52,760	58,944
	97,229	101,823

13. TRADE AND BILL RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

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

	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Within 30 days	34,121	33,139
31 to 60 days	7,448	4,826
61 to 90 days	586	1,262
91 to 180 days	561	1,168
Over 180 days	13,462	12,976
	56,178	53,371
Less: provision for impairment	(11,709)	(10,492)
	44,469	42,879

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Trade payables (<i>Note (a)</i>)	158,979	111,234
Other payables and accruals		
– Due to related companies (<i>Note (b)</i>)	22,472	21,691
– Accrued expenses	23,736	25,560
– Accrued staff costs	7,368	5,543
– Accrued outsourced personnel service fees	3,174	3,390
– Provision for retirement benefit costs	4	194
– Long service payment provision	754	784
– Provision for reinstatement costs (<i>Note (c)</i>)	6,763	6,894
– Other taxes payable	10,509	6,863
– Others	2,446	2,437
	77,226	73,356
Less: Provision for reinstatement costs presented as non-current liability	(1,909)	(2,011)
Long service payment provision presented as non-current liability	(754)	(784)
	(2,663)	(2,795)
Other payables and accruals presented as current liabilities	74,563	70,561

Notes:

- (a) The credit periods granted by suppliers are generally ranged from 60 days to 90 days.

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

	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Within 30 days	146,073	99,918
31 to 60 days	4,907	6,146
61 to 90 days	2,280	987
Over 90 days	5,719	4,183
	158,979	111,234

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14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

Notes: (Continued)

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

Amounts due to related companies	Nature of balance	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Land Smart Development Limited (Note (i))	Non-trade	9,505	9,349
Lovable Products Trading (Note (i))	Non-trade	9,343	8,830
Politor Limited (Note (i))	Non-trade	3,601	3,512
東莞利法寶玩具製品有限公司 (Dongguan Lovable Products (China) Limited) ("Dongguan Lovable") (Note (i))	Non-trade	23	–
		22,472	21,691

Note:

- (i) The related companies are controlled by Mr. Lee Ching Yiu, the controlling shareholder of the Company and chairman of the Board. The amounts are unsecured, interest-free and repayable on demand.
- (c) Provision for reinstatement cost represents the present value of the estimated cost for the restoration work of the Group's leased premises agreed to be carried out upon the expiry of the relevant leases.

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 programme.

16. BORROWINGS

	Notes	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Secured and guaranteed			
– Bank borrowings	(a), (b)	31,715	32,580
Unsecured and guaranteed			
– Bank borrowings	(c)	89,460	84,460
Unsecured and unguaranteed			
– Bank borrowings		3,300	3,000
Total		124,475	120,040

16. BORROWINGS (Continued)

	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Fixed-rate borrowings	102,760	97,460
Variable-rate borrowings	21,715	22,580
	124,475	120,040

	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
The carrying amount of the borrowings are repayable:		
Within one year	102,760	97,460
The carrying amount of the borrowings that contain a repayment on demand clause but repayable:		
Within one year	21,715	22,580
Sub-total	124,475	120,040
Less: amounts due within one year shown under current liabilities	(124,475)	(120,040)
Amounts shown under non-current liabilities	—	—

Notes:

- (a) As at 30 June 2026, the fixed-rate revolving bank borrowing facility amounting to RMB10,000,000 (31 December 2025: RMB10,000,000), is secured by a property held by Mr. Lee Ching Yiu and guaranteed by Mr. Lee Ching Yiu and his spouse (31 December 2025: same). The facility was fully utilised as at 30 June 2026 and 31 December 2025. As at 30 June 2026, the interest rate of the borrowing is 2.45% (31 December 2025: 2.45%) per annum. The maturity date of the facility is in September 2033.
- (b) As at 30 June 2026, the variable-rate bank borrowings with principal amount of HK\$25,000,000 (equivalent to approximately RMB21,715,000) (31 December 2025: HK\$25,000,000 (equivalent to approximately RMB22,580,000)) carry interest at 1.80% (31 December 2025: 1.80%) above three month Hong Kong Inter-bank Offered Rate ("HIBOR") per annum. The amounts are secured by a deposit made by Lovable Products Trading and guaranteed by the Company and Lovable Products Trading (31 December 2025: same). As of the same date, although the Group has not fully met a specific financial covenant tied to this revolving loan facility, the Company is actively working with the bank to remediate and obtain a waiver from this. The directors of the Company are of the view that the Company is able to fulfill this obligation from its internal resources when required.
- (c) As at 30 June 2026, the fixed-rate bank borrowing facilities amounting to RMB89,460,000 (31 December 2025: RMB84,460,000) are unsecured and guaranteed by Ms. Zhong Mei, an executive director of the Company, and/or by subsidiaries of the Group and/or by several independent third parties (31 December 2025: same). As at 30 June 2026, the interest rates of the borrowings ranged from 2.20% to 4.75% (31 December 2025: 2.20% to 4.75%) per annum. The maturity date of the borrowing is one year after the date of drawdown.

16. BORROWINGS (Continued)

The Group's borrowings are denominated in the following currencies:

	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
RMB	102,760	97,460
HK\$	21,715	22,580
	124,475	120,040

The Group's borrowings are denominated in RMB and HK\$ which are the functional currencies of the relevant group entities.

17. CONVERTIBLE PREFERENCE SHARES

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

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

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

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

17. CONVERTIBLE PREFERENCE SHARES (Continued)

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

The Group has engaged Norton Appraisals Holdings Limited, an independent qualified professional valuer not connected to the Group, to perform a valuation of the fair value of the convertible preference shares on the initial recognition, using binomial model. The fair values of the liability component and equity component of the convertible preference shares are HK\$5,037,000 and HK\$73,549,000 (equivalent to approximately RMB4,645,000 and RMB67,819,000), respectively. At initial recognition, the equity component of the convertible preference shares was separated from the liability component. The equity element is presented in equity heading “convertible preference share equity reserve”. The effective interest rate of the liability component is 22.35%.

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

	RMB'000
Carrying amount at 1 January 2026 (audited)	5,378
Imputed interest expenses (included in finance costs)	477
Conversion on 27 January 2026 (note 18)	(1,018)
Exchange realignment	(181)
Carrying amount at 30 June 2026 (unaudited)	4,656

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

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

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18. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2025 (audited)	50,000,000,000	433,188
Decrease on 24 January 2025 (note (a))	(1,200,000,000)	(11,065)
At 30 June 2025 (unaudited), 31 December 2025 (audited), 1 January 2026 (audited) and 30 June 2026 (unaudited)	48,800,000,000	422,123
Issued and fully paid:		
At 1 January 2025 (audited)	800,000,000	6,931
Issue of shares on 19 February 2025 (note (b))	305,914,286	2,821
At 30 June 2025 (unaudited), 31 December 2025 (audited) and 1 January 2026 (audited)	1,105,914,286	9,752
Issue of shares upon conversion of convertible preference shares on 27 January 2026 (note 17)	250,000,000	2,240
At 30 June 2026 (unaudited)	1,355,914,286	11,992
	Number of shares	Face value RMB'000
Convertible preference shares of HK\$0.01 each		
Authorised:		
At 1 January 2025 (audited)	—	—
Increase on 24 January 2025 (note (a))	1,200,000,000	11,065
At 30 June 2025 (unaudited), 31 December 2025 (audited), 1 January 2026 (audited) and 30 June 2026 (unaudited)	1,200,000,000	11,065
Issued and fully paid:		
At 1 January 2025 (audited)	—	—
Issue on 19 February 2025 (notes (b) and (c))	1,122,657,143	10,352
At 30 June 2025 (unaudited), 31 December 2025 (audited), 1 January 2026 (audited)	1,122,657,143	10,352
Conversion on 27 January 2026 (note 17)	(250,000,000)	(2,240)
At 30 June 2026 (unaudited)	872,657,143	8,112

Notes:

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

18. SHARE CAPITAL OF THE COMPANY (Continued)*Notes: (Continued)*

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

- (a) HK\$21,414,000 would be settled through the issuance of 305,914,286 of new shares of the Company to Asian Glory (see details below); and
- (b) HK\$78,586,000 would be settled through the issuance of 1,122,657,143 new convertible preference shares, with fixed cumulative preferential cash dividends at a rate of 2% per annum on the issue price, to Asian Glory (details are disclosed in note 17),

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

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

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

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

- (c) The convertible preference shares shall be redeemable at the sole discretion of the Company. At initial recognition, the equity component of the convertible preference shares was separated from the liability component. The equity element is presented in equity heading "convertible preference share equity reserve". Further details of convertible preference shares are set out in note 17.

19. 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.

19. 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	Outstanding at 1 January 2026 (audited)	Lapsed during the period (unaudited)	Exercised during the period (unaudited)	Outstanding at 30 June 2026 (unaudited)
Directors				
Tranche 1	3,800,000	–	–	3,800,000
Tranche 2	2,850,000	–	–	2,850,000
Tranche 3	2,850,000	–	–	2,850,000
	9,500,000	–	–	9,500,000
Employees				
Tranche 1	6,200,000	(720,000)	–	5,480,000
Tranche 2	4,650,000	(540,000)	–	4,110,000
Tranche 3	4,650,000	(540,000)	–	4,110,000
	15,500,000	(1,800,000)	–	13,700,000
	25,000,000	(1,800,000)	–	23,200,000

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	

19. 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 2026, the Post-IPO Share Option Scheme had a remaining life of less than 2 years.

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

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

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

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

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.

19. SHARE OPTION SCHEMES (Continued)**(ii) The Post-IPO Share Option Scheme (Continued)**

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

At the beginning and the end of the six months ended 30 June 2026, the number of options available for grant under the scheme mandate of the Post-IPO Share Option Scheme were 3,500,000 and 3,500,000, respectively (at the beginning and the end of the year ended 31 December 2025: 80,000,000 and 3,500,000, respectively).

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

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

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

The following table discloses movements of the share options granted under the Post-IPO Share Option Scheme during the six months ended 30 June 2026:

Options	Vesting period	Outstanding at 1 January 2026	Granted during the period	Exercised during the period	Lapsed during the period	Forfeited during the period	Outstanding at 30 June 2026
Director	25 July 2025 to 24 January 2027	1,000,000	–	–	–	–	1,000,000
Employees	25 July 2025 to 24 January 2027	75,500,000	–	–	–	–	75,500,000
		76,500,000	–	–	–	–	76,500,000
Exercisable at the end of the period							–
Weighted average exercise price							HK\$0.063

19. SHARE OPTION SCHEMES (Continued)**(ii) The Post-IPO Share Option Scheme** (Continued)

The share options outstanding at 30 June 2026 had a weighted average remaining contractual life of 2 years (31 December 2025: 3 years).

No share options were exercised during the six months ended 30 June 2026.

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

The Group recognised the total expense of RMB845,000 for the six months ended 30 June 2026 (six months ended 30 June 2025: N/A) in relation to share options granted by the Company.

20. RELATED PARTY TRANSACTIONS**(a) Related parties**

As at 30 June 2026, Asian Glory held 64.62% (31 December 2025: 66.11%) 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	
		2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Land Smart Development Limited (Note)	Rental expenses	156	156
Politor Limited (Note)	Rental expenses	227	304
Lovable Products Trading (Note)	Loan interest	863	565
Dongguan Lovable (Note)	Loan interest	23	—

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

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

	At 30 June 2026 RMB'000 (unaudited)	At 31 December 2025 RMB'000 (audited)
Amounts due to related companies		
Land Smart Development Limited	9,505	9,349
Lovable Products Trading	9,343	8,830
Politor Limited	3,601	3,512
Dongguan Lovable	23	–
	22,472	21,691
Loans from related companies		
Lovable Products Trading	84,936	95,230
Dongguan Lovable	2,500	–
	87,436	95,230
Loan from a director of the Company		
Mr. Lee Ching Yiu	15,000	15,000
Convertible preference shares		
Asian Glory	4,656	5,378

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

As at 30 June 2026, the loans from Lovable Products Trading, with the aggregate facilities limit of HK\$150,000,000 (equivalent to approximately RMB130,290,000) (31 December 2025: HK\$150,000,000 (equivalent to approximately RMB135,480,000)), comprised the principal amounts of US\$10,145,000 (equivalent to approximately RMB68,737,000) (31 December 2025: US\$11,145,000 (equivalent to approximately RMB78,520,000)) and HK\$18,650,000 (equivalent to approximately RMB16,199,000) (31 December 2025: HK\$18,500,000 (equivalent to approximately RMB16,710,000)). The loans were interest bearing at 2.0% (31 December 2025: 2.0%) per annum, unsecured and repayable on 31 January 2028 (31 December 2025: repayable on 31 March 2027). As at 30 June 2026 and 31 December 2025, the carrying amounts of the loans approximate to their fair value. On 30 June 2026, the Group renewed the loan facilities from Lovable Products Trading to extend the repayment date of the loans from a related company of RMB84,936,000 as at 31 March 2027 to 31 January 2028, and hence the loans were classified as non-current as at 30 June 2026. As at 30 June 2026, there was unutilised loan facility of approximately RMB45,354,000 (31 December 2025: RMB40,250,000) from the related company.

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

On 11 March 2026, 凱知樂貿易(天津)有限公司, a wholly-owned subsidiary of the Group, entered into a loan agreement with Dongguan Lovable, a company controlled by Mr. Lee Ching Yiu, the controlling shareholder of the Company and chairman of the Board, in which Dongguan Lovable agreed to provide a loan of RMB2,500,000 (31 December 2025: nil) to 凱知樂貿易(天津)有限公司 for a period of less than one year. This loan was fully repaid in August 2026.

As at 30 June 2026, the loan from a director of the Company with principal amount of RMB15,000,000 (31 December 2025: RMB15,000,000) was interest-free, unsecured and had been renewed in June 2026 and the maturity will be in February 2028.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the periods are as follows:

	Six months ended 30 June	
	2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Directors' fees	367	498
Short-term employee benefits	4,145	4,856
Discretionary bonus	—	—
Post-employment benefits	303	405
Share-based payments	403	—
	5,218	5,759

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed herein, there were no material subsequent events undertaken by the Group after 30 June 2026 and up to the date of this interim report.