



凱知樂

kidsland international holdings limited

凱知樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

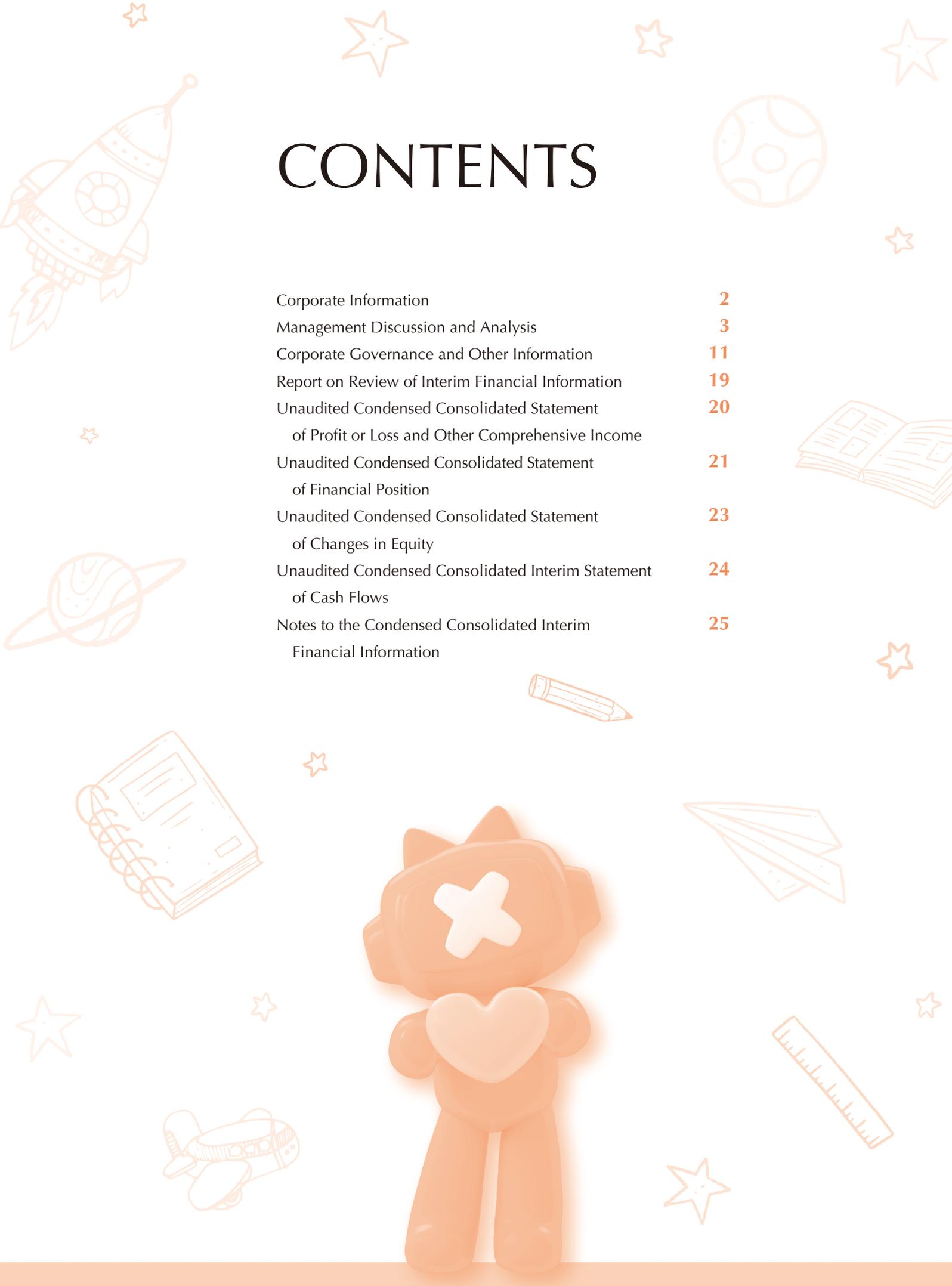
(Stock Code: 2122)

INTERIM
REPORT
2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Du Ping
Ms. Duan Lanchun

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chan Hau Lai

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu
Ms. Chan Hau Lai

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

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

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hong Kong

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

The PRC

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

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung, Solicitors

COMPANY'S WEBSITE

www.kidslandholdings.com
(information on this website does not form part of this report)

STOCK CODE

2122

BOARD LOT

2,000 shares



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The outbreak of the novel coronavirus disease 2019 (the “COVID-19”) had put severe pressure on the operations and financial results of Kidsland International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) during 2020. With the efforts the team had taken, the Group had substantially stabilised the business and there were initial signs of recovery since the second half of 2020 and the momentum carried well into 2021. During the six months ended 30 June 2021 (the “Reporting Period”), attributed to the increase in revenue by 17.6% and the intensified expense and product procurement management, the Group recorded a net profit after tax of approximately RMB12.0 million, compared to a net loss after tax of approximately RMB135.6 million for the six months ended 30 June 2020 (the “Prior Period”).

During the Reporting Period, the Group had been continuously optimising its retail network in Mainland China by, among others, renegotiating rental agreements and exiting loss-making retail locations. Meanwhile, the Group stayed focused on executing its strategic upgrade and turnaround plan as set out in the Group’s 2020 annual report.

In view of the market opportunities arising from trendy toys, domestic culture and the latest education policies, the Group is actively developing its trendy toy business, as well as its own product and brand development. While on course in executing the accelerated growth plan for Hong Kong and Macau business unit, the Group also aims to increase its own product development to generate 15–20% of total revenue of the Group’s Mainland China business unit in mid- to long-term, which will be driven by its own intellectual property (“IP”) and collaboration with international IPs.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 30 June 2021, this network comprised:

Self-operated Retail Channels

- 642 self-operated retail points of sale consisting of retail shops and consignment counters (30 June 2020: 717)
- 24 online stores (30 June 2020: 22)

Wholesale Channels

- 578 distributors (30 June 2020: 638) which onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,300 (30 June 2020: more than 2,600)
- 12 hypermarket and supermarket chains (30 June 2020: 16)
- 6 online key accounts (30 June 2020: 5)

Detailed breakdowns of our distribution network are set out below:

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	
	2021	2020
Retail shops		
At the beginning of the period	202	239
Addition of new retail shops	11	3
Closure of retail shops	(24)	(24)
At the end of the period	189	218

1.2 Consignment Counters

Most of our consignment counters were located at renowned department stores and a renowned regional toy store chain, and most of them operated under the brand name of Kidsland. During the Reporting Period, we continued to open new consignment counters only at strategically selected locations. At the same time, we terminated some loss-making consignment counters.

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

	Six months ended 30 June	
	2021	2020
Consignment counters		
At the beginning of the period	468	505
Addition of new consignment counters	6	17
Closure of consignment counters	(21)	(23)
At the end of the period	453	499

1.3 Online Stores

During the Reporting Period, we launched 3 and closed 3 flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 30 June 2021, we had 24 online stores in total, compared with 22 as of 30 June 2020.



2. Wholesale Channels

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

2.1 Distributors

As of 30 June 2021, we had 578 distributors (30 June 2020: 638), which onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,300 (30 June 2020: more than 2,600) in Mainland China.

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

	Six months ended 30 June	
	2021	2020
Distributors		
At the beginning of the period	580	697
Addition of new distributors	51	38
Expiry without renewal of distribution agreements	(53)	(97)
At the end of the period	578	638

2.2 Hypermarket and Supermarket Chains

As of 30 June 2021, we had wholesale arrangements with 12 hypermarket and supermarket chains (30 June 2020: 16) with a sum of 682 retail points (30 June 2020: 689) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

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

	Six months ended 30 June	
	2021	2020
Hypermarket and supermarket chains		
At the beginning of the period	16	16
Addition of new hypermarket and supermarket chains	1	–
Termination or expiry of agreements with hypermarket and supermarket chains	(5)	–
At the end of the period	12	16

2.3 Online Key Accounts

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

	Six months ended 30 June	
	2021	2020
Online key accounts		
At the beginning of the period	5	5
Addition of new online key accounts	1	–
At the end of the period	6	5

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group increased by 17.6% from approximately RMB641.2 million for the Prior Period to approximately RMB754.0 million.

Helped by the opening of kkplus kidsland in Hong Kong and LEGO Certified Store in Macau, revenue from Hong Kong and overseas regions (after inter-segment elimination) recorded an increase by 23.2% from approximately RMB66.3 million in the Prior Period to approximately RMB81.7 million in the Reporting Period.

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Self-operated retail channels		
– Retail shops	351,365	267,994
– Consignment counters	207,529	185,055
– Online stores	39,373	49,211
Sub-total:	598,267	502,260
Wholesale channels		
– Distributors	131,252	109,449
– Hypermarket and supermarket chains	14,376	9,587
– Online key accounts	10,145	19,893
Sub-total:	155,773	138,929
Total:	754,040	641,189



Self-operated Retail Channels

The self-operated retail channels recorded an increase in revenue of 19.1% to approximately RMB598.3 million during the Reporting Period compared to the Prior Period, resulted from diminishing impact of COVID-19 on sales. Revenue from retail shops and consignment counters rose by 31.1% to approximately RMB351.4 million and 12.1% to approximately RMB207.5 million, respectively, while online stores revenue dropped by 20.0% to approximately RMB39.4 million.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels also increased by 12.1% to approximately RMB155.8 million. Revenue from distributors and hypermarket and supermarket chains rose by 19.9% to approximately RMB131.3 million and 50.0% to approximately RMB14.4 million, respectively, while online key accounts revenue dropped by 49.0% to approximately RMB10.1 million.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by 2.3% from approximately RMB426.8 million in the Prior Period to approximately RMB436.6 million in the Reporting Period. Excluding non-cash inventory provision of approximately RMB31.1 million in the Prior Period, cost of sales would have increased by 10.3% in the Reporting Period, which was consistent with the increase in revenue volume. The Group's gross profit margin increased from 33.4% in the Prior Period to 42.1% in the Reporting Period. Excluding non-cash inventory provision of approximately RMB31.1 million, the Group's gross profit margin in the Prior Period would have been 38.3%. Gross profit rose by 48.0% from approximately RMB214.4 million in the Prior Period to approximately RMB317.4 million in the Reporting Period.

Other Income

Other income, consisting mainly of government grants, dropped by approximately RMB1.3 million from approximately RMB4.0 million in the Prior Period to approximately RMB2.7 million in the Reporting Period.

Other Gains/Losses, Net

Other gains, net of approximately RMB1.7 million recorded in the Reporting Period, compared to other losses, net of approximately RMB7.1 million in the Prior Period. Other gains/losses, net was mainly attributable to net exchange differences.

Reversal of Impairment Loss/Impairment Loss on Financial Assets

The amount represented reversal of impairment loss on or provision made for trade receivables. Reversal of impairment loss of approximately RMB0.9 million was recorded in the Reporting Period, compared to provision for impairment loss of approximately RMB1.5 million in the Prior Period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 11.6% from approximately RMB310.7 million in the Prior Period to approximately RMB274.7 million in the Reporting Period. Excluding effect of non-cash impairment provision of property, plant and equipment, and right-of-use assets amounted to approximately RMB20.3 million in the Prior Period, the decline in selling and distribution expenses was mainly attributed to intensified expense management on promotion and transportation costs.

General and Administrative Expenses

General and administrative expenses decreased by 1.7% from approximately RMB30.1 million in the Prior Period to approximately RMB29.6 million in the Reporting Period. The drop was mainly attributable to reduction in share-based payments and better cost control on other sundry expenses.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, dropped by approximately RMB1.4 million from approximately RMB6.0 million in the Prior Period to approximately RMB4.6 million in the Reporting Period.

Profit/Loss for the Period

A profit of approximately RMB12.0 million was recorded in the Reporting Period (Prior Period: loss of approximately RMB135.6 million).

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 224 days in the Prior Period to 175 days in the Reporting Period. Trade receivables turnover days decreased from 35 days in the Prior Period to 22 days in the Reporting Period. Trade payables turnover days decreased from 86 days in the Prior Period to 55 days in the Reporting Period.

Cash Conversion Cycle

Cash conversion cycle is a metric that shows the amount of time it takes a company to convert its investment in inventory to cash, which equals to inventory turnover days plus trade receivables turnover days minus trade payables turnover days. The cash conversion cycle of the Group decreased from 173 days in the Prior Period to 142 days in the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB8.6 million in property, plant, and equipment, mainly to renovate existing shops (Prior Period: approximately RMB24.7 million).

Liquidity and Financial Resources

The Group's cash position as of 30 June 2021 was approximately RMB99.8 million, compared to approximately RMB53.8 million as of 31 December 2020. The current ratio and quick ratio as of 30 June 2021 were 2.0 and 1.0, respectively (31 December 2020: 2.1 and 1.0, respectively).

As of 30 June 2021, the Group had aggregate banking facilities of approximately RMB91.6 million (31 December 2020: approximately RMB77.3 million) for trade financing, of which approximately RMB45.3 million (31 December 2020: approximately RMB39.9 million) was unutilised as of the same date. These facilities were secured by corporate guarantees provided by the Company.

As of 30 June 2021, the Group had a loan facility from a related company of approximately RMB33.3 million (31 December 2020: approximately RMB33.7 million), of which approximately RMB33.0 million (31 December 2020: approximately RMB33.4 million) was utilised.



Gearing Ratio

The table below analyses the Group's capital structure as of 30 June 2021:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank balances and cash	91,445	48,334
Restricted cash	8,392	5,440
Loan from a related company	(33,036)	(33,413)
Lease liabilities	(121,022)	(128,976)
Net debt position	(54,221)	(108,615)
Total equity	495,729	486,721

The Group was in a net debt position of approximately RMB54.2 million as of 30 June 2021 (31 December 2020: approximately RMB108.6 million). The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as of 30 June 2021 was approximately 10.9% (31 December 2020: 22.3%).

Charge of Assets

As of 30 June 2021, the Group had restricted cash of approximately RMB8.4 million for bank guarantee of trade finance facilities (31 December 2020: approximately RMB5.4 million).

Contingent Liabilities

As of 30 June 2021, the Group did not have significant contingent liabilities (31 December 2020: Nil).

Foreign Exchange

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

Significant Investment Held and Material Acquisition and Disposal

During the Reporting Period, there was no significant investments held by the Group.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the section headed "Use of Proceeds from Initial Public Offering", as of 30 June 2021, the Group has no other future plans for material investments or capital assets.

Capital Structure

As of 30 June 2021, the Company's share capital comprised 800,000,000 issued ordinary shares with nominal value of HK\$0.01 each. There was no change in the share capital of the Company during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2021, the Group had approximately 1,700 employees (including both in-house and outsourced employees) (30 June 2020: approximately 1,900 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB47.6 million and RMB49.8 million, respectively (Prior Period: approximately RMB39.9 million and RMB48.8 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; 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

No important event affecting the Group that had taken place after 30 June 2021 and up to the date of this interim report.

INTERIM DIVIDENDS

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”, the “Listing Rules” and the “CG Code”, respectively) as its own code on corporate governance. The Company has complied with all applicable code provisions as set out in the CG Code for the Reporting Period except for the deviation as stated below:

Code provision A.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. The Directors consider that the present structure provides the Group with strong and consistent leadership which facilitates the development of the Group’s business strategies and execution of its business plans in the most efficient and effective manner. The Directors believe that it is in the best interest of the Company and its shareholders (the “Shareholders”) as a whole that Mr. Lee Ching Yiu continues to assume the roles of the Chairman and the CEO.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the guidelines for the Director’s dealings in the securities of the Company. Following specific enquiries made to each of the Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the Reporting Period.

BOARD COMMITTEES

Three committees of the Board (the “Board Committees”), namely the Audit Committee, the Remuneration Committee and the Nomination Committee, are established for the roles of overseeing particular aspects of the Group under defined terms of reference. The terms of reference align with the CG Code and are made available on the websites of the Stock Exchange and the Company. A list of the chairman and members of each Board Committee is set out under “Corporate Information” on page 2.

AUDIT COMMITTEE

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

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

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

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

As of 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

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

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

(L) denotes long position

Notes:

- (1) These represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the pre-IPO share options granted to each of them under the pre-IPO share option scheme approved and adopted by the then shareholders on 20 October 2017 (the "Pre-IPO Share Option Scheme"). Details of the Pre-IPO Share Option Scheme are set out under the section headed "Share Option Schemes" below.
- (2) Mr. Lee Ching Yiu, the chairman of the Board, an executive Director and the CEO, is the sole shareholder of Asian Glory Holdings Ltd. ("Asian Glory"). By virtue of the SFO, Mr. Lee Ching Yiu is deemed to be interested in the Shares held by Asian Glory. Asian Glory owns approximately 74.87% of Lovable International Holdings Limited ("Lovable"). By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.
- (3) Ms. Zhong Mei, an executive Director, is the sole shareholder of Stars Link Ventures Limited. By virtue of the SFO, Ms. Zhong Mei is deemed to be interested in the Shares held by Stars Links Venture Limited.
- (4) Mr. Du Ping, a non-executive Director, is the sole shareholder of Merits Forest Global Limited. By virtue of the SFO, Mr. Du Ping is deemed to be interested in the Shares held by Merits Forest Global Limited.
- (5) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 30 June 2021.



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 2021, 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 2021, so far as known to the Board, the following persons (other than the Directors and chief executives of the Company) or entities had an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO:

Interests in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/interested	Approximate percentage of shareholding ⁽⁴⁾
Ms. Tang Hoi Lun	Interest of spouse ⁽¹⁾	439,224,523 (L)	54.90%
Asian Glory	Beneficial owner	425,206,524 (L)	53.15%
	Held by controlled corporation ⁽²⁾	17,999 (L)	0.00%
FCPR Cathay Capital II	Held by controlled corporation ⁽³⁾	78,777,637 (L)	9.85%
Eurojoy Limited	Beneficial owner	78,777,637 (L)	9.85%

(L) denotes long position

Notes:

- (1) Ms. Tang Hoi Lun is the spouse of Mr. Lee Ching Yiu. By virtue of the SFO, Ms. Tang Hoi Lun is deemed to be interested in the Shares which Mr. Lee Ching Yiu is interested or is deemed to be interested in.
- (2) Lovable holds 17,999 Shares. Asian Glory owns approximately 74.87% of Lovable. By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.
- (3) FCPR Cathay Capital II is the sole shareholder of Eurojoy Limited. By virtue of the SFO, FCPR Cathay Capital II is deemed to be interested in the Shares held by Eurojoy Limited.
- (4) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 30 June 2021.

Save as disclosed above, as of 30 June 2021, the Directors are not aware that any other persons (other than any Directors or chief executives of the Company) or entities had an interest or short position in the Shares or underlying Shares, which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors since the date of the 2020 annual report are set out below:

- (i) On 1 February 2021, Mr. Hung Shing Ming has been appointed as an independent non-executive director of Yuexiu Services Group Limited (stock code: 6626), a company listed on the Main Board of the Stock Exchange on 28 June 2021;
- (ii) On 13 May 2021, Dr. Lam Lee G. has been appointed as a non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725), a company listed on the Main Board of the Stock Exchange;
- (iii) On 4 June 2021, Dr Lam Lee G., a non-executive director of Mingfa Group (International) Company Limited (stock code: 846), a company listed on the Main Board of the Stock Exchange, has been appointed as the chairman of its board of directors;
- (iv) On 8 June 2021, Mr. Cheng Yuk Wo has resigned as an independent non-executive director of HKC (Holdings) Limited (stock code: 190), a company listed on the Main Board of the Stock Exchange and privatized on 8 June 2021;
- (v) On 30 June 2021, Mr. Cheng Yuk Wo has resigned as an independent non-executive director of Goldbond Group Holdings Limited (stock code: 172), a company listed on the Main Board of the Stock Exchange and delisted on 2 August 2021;
- (vi) On 30 June 2021, Dr. Lam Lee G. has resigned as an independent director of Sunwah International Limited (stock code: SWH), a company listed on the Toronto Stock Exchange of TMX Group Limited;
- (vii) On 26 August 2021, Dr. Lam Lee G. has retired as a non-executive director of Tianda Pharmaceuticals Limited (stock code: 455), a company listed on the Main Board of the Stock Exchange;
- (viii) On 31 August 2021, Mr. Huang Lester Garson has been appointed as a director of The Jockey Club CPS Limited;
- (ix) On 31 August 2021, Dr. Lam Lee G. has retired as an independent non-executive director of Top Global Limited (stock code: BHO), a company listed on the Singapore Exchange Limited and privatized on 17 August 2021; and
- (x) On 1 September 2021, Dr. Lam Lee G. has been appointed as an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993), a company listed on the Main Board of the Stock Exchange.



SHARE OPTION SCHEMES

The Post-IPO Share Option Scheme

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

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As of the date of this interim report, the Post-IPO Share Option Scheme had a remaining life of more than 6 years.

Options that are granted to Directors, chief executives of the Company, substantial Shareholders, or any of the foregoing parties’ associates need to be approved by INEDs that are not among the proposed grantees of the options. A proposed share option grant requires prior approval through a polled Shareholder resolution at which all the Company’s connected persons (as defined under the Listing Rules) shall abstain from voting if (i) the proposed grantee is a substantial Shareholder, INED, or associate of either one; and (ii) the share option grant introduces the theoretical possibility of a substantial aggregate increase via options-exercising at any point during any twelve-month span to the grantee’s total shareholding; an increase is substantial if it exceeds (i) 0.1% of the total number of issued Shares calculated on the day of the grant; and (ii) HK\$5 million in value, based on the closing share price on the day of the grant.

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

The aggregate number of underlying Shares of options granted, whether through the Post-IPO Share Option Scheme or other means, must never exceed 10% of the total number of issued Shares unless Shareholders approve otherwise. As of 30 June 2021, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 45,600,000 Shares, which represented 5.7% of the Shares in issue as of the date of this interim report.

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

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

No share option was granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme since its adoption and up to 30 June 2021. No share option was outstanding under the Post-IPO Share Option Scheme as of 30 June 2021.

The Pre-IPO Share Option Scheme

On 20 October 2017, the Pre-IPO Share Option Scheme was adopted, through a written resolution passed by the Shareholders, to motivate, retain, and reward eligible full-time key employees, consultants, and Directors of the Company or any of its subsidiaries (the "Pre-IPO Eligible Participants"). As of the date of this interim report, the Pre-IPO Share Option Scheme had a remaining life of more than 6 years.

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

	Outstanding as of 1 January 2021	Exercised during the period	Lapsed or cancelled during the period	Granted during the period	Outstanding as of 30 June 2021
Directors					
Mr. Lee Ching Yiu	4,000,000	–	–	–	4,000,000
Ms. Zhong Mei	4,000,000	–	–	–	4,000,000
Mr. Du Ping	1,500,000	–	–	–	1,500,000
Employees	24,900,000	–	–	–	24,900,000
Total	34,400,000	–	–	–	34,400,000

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, no option under the Pre-IPO Share Option Scheme was exercised, lapsed or granted. For the Prior Period, options comprising 2,400,000 underlying Shares granted under the Pre-IPO Share Option Scheme were lapsed, and the corresponding share option reserves of RMB1,346,000 were reclassified as retained earnings. As of 30 June 2021, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 34,400,000 Shares, which represented 4.3% of the Shares in issue as of the date of this interim report.

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

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

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme since its adoption and up to 30 June 2021.



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

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

Once the scheme is terminated by a resolution of each of a meeting by the Board or a general meeting by Shareholders in accordance with the terms of the scheme, no additional share options will be offered under the Pre-IPO Share Option Scheme. The terms of the scheme, however, shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior thereto or otherwise as may be required in accordance with the terms of the Pre-IPO Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its securities listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell such securities during the Reporting Period.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 10 November 2017 (the "Listing Date"), the Company, in connection with its initial public offering (the "IPO"), issued 200,000,000 ordinary shares with a nominal value of HK\$0.01 each. Net proceeds from the IPO after deducting underwriting commission and other IPO expenses (the "Net Proceeds") amounted to approximately HK\$288.3 million.

As stated in the prospectus of the Company dated 31 October 2017 (the "Prospectus"), the Company intended to use the Net Proceeds to (i) expand the Group's retail network in Mainland China and Hong Kong; (ii) strengthen the Group's capabilities in product development for the Group's existing brands or new brands; (iii) develop experience centres and associated products; and (iv) bolster its working capital.

An analysis of the utilisation of the Net Proceeds from the Listing Date up to 30 June 2021 is set out below:

	Use of the Net Proceeds as stated in the Prospectus (amount adjusted per final offer price) HK\$ million	Actual use of the Net Proceeds as of 30 June 2021 HK\$ million	Actual use of the Net Proceeds during the Reporting Period HK\$ million	Unused Net Proceeds as of 30 June 2021 HK\$ million	Further information
Expand the Group's retail network in Mainland China and Hong Kong					
– Opening flagship toy stores in Mainland China	60.5	60.5	–	–	The full amount has been utilised as intended.
– Opening Kidsland and Babyland stores in Mainland China	46.1	46.1	–	–	The full amount has been utilised as intended.
– Opening LEGO Certified Stores in Mainland China and Hong Kong	34.6	34.6	–	–	The full amount has been utilised as intended.
– Upgrading the information technology system, developing e-commerce business, upgrading store image and visual display, and paying for other marketing expenses at the retail points	34.6	34.6	–	–	The full amount has been utilised as intended.
Strengthen the Group's product development capabilities	51.9	51.9	–	–	The full amount has been utilised as intended.
Develop experience centres and associated products	31.7	24.9	3.6	6.8	The remaining amount is planned to be utilised by 31 December 2021 as originally intended. However, given the unfavourable factors as a result of the COVID-19, the progress of the development of experience centres and associated products may be affected. Accordingly, the Management will re-assess and, where necessary, revise the timeline of the said development by the third quarter of 2021.
Working capital and other general corporate purposes	28.9	28.9	–	–	The full amount has been utilised as intended.
	288.3	281.5	3.6	6.8	

As of the date of this interim report, the amount of Net Proceeds not yet utilised is approximately HK\$6.8 million. The Company has used and/or intends to use the unused Net Proceeds in the same manner as disclosed in the Prospectus.

Kidsland International Holdings Limited
Mr. Lee Ching Yiu
Chairman
 31 August 2021



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 40, which comprises the interim condensed consolidated statement of financial position of Kidsland International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other 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” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2021

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

For the Six Months Ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	4	754,040	641,189
Cost of sales		(436,627)	(426,782)
Gross profit		317,413	214,407
Other income	5	2,716	3,952
Other gains/(losses), net	6	1,724	(7,065)
Reversal of impairment loss/(impairment loss) on financial assets		944	(1,502)
Selling and distribution expenses		(274,694)	(310,744)
General and administrative expenses		(29,560)	(30,145)
Operating profit/(loss)		18,543	(131,097)
Finance costs		(4,550)	(6,028)
Profit/(loss) before income tax		13,993	(137,125)
Income tax (expense)/credit	7	(1,945)	1,512
Profit/(loss) for the period		12,048	(135,613)
Other comprehensive (loss)/income, net of tax: <i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		(3,040)	5,735
Total comprehensive income/(loss) for the period		9,008	(129,878)
Profit/(loss) for the period attributable to:			
– owners of the Company		12,314	(131,696)
– non-controlling interest		(266)	(3,917)
		12,048	(135,613)
Total comprehensive income/(loss) for the period attributable to:			
– owners of the Company		9,207	(125,833)
– non-controlling interest		(199)	(4,045)
		9,008	(129,878)
Earnings/(loss) per share, basic and diluted (RMB cents)	10	1.54	(16.46)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	35,087	38,899
Right-of-use assets	12	110,439	108,125
Intangible asset		8,454	8,795
Deposits and prepayments	13	4,932	2,079
Rental deposits	13	23,189	22,741
Deferred tax assets		22,946	24,401
		205,047	205,040
Current assets			
Inventories		423,426	419,865
Trade and bills receivables	13	96,950	94,235
Other receivables, deposits and prepayments	13	92,414	89,942
Right of return assets		1,251	2,246
Tax recoverable		56	56
Restricted cash		8,392	5,440
Bank balances and cash		91,445	48,334
		713,934	660,118
EQUITY			
Owners of the Company			
Share capital	16	6,931	6,931
Reserves		480,586	471,379
		487,517	478,310
Non-controlling interest		8,212	8,411
Total equity		495,729	486,721

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs	14	4,262	5,222
Lease liabilities	12	64,889	58,920
		69,151	64,142
Current liabilities			
Trade payables	14	172,198	93,390
Other payables and accruals	14	74,399	92,392
Loan from a related company	19	33,036	33,413
Lease liabilities	12	56,133	70,056
Contract liabilities	15	11,987	19,081
Current tax liabilities		6,348	5,963
		354,101	314,295
Net current assets		359,833	345,823
Total assets less current liabilities		564,880	550,863
Net assets		495,729	486,721



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2020	6,931	323,968	(118,988)	4,443	185,068	7,210	28,011	184,593	621,236	11,041	632,277
Loss for the period	-	-	-	-	-	-	-	(131,696)	(131,696)	(3,917)	(135,613)
Other comprehensive income/ (loss) for the period	-	-	-	-	-	5,863	-	-	5,863	(128)	5,735
Total comprehensive income/ (loss) for the period	-	-	-	-	-	5,863	-	(131,696)	(125,833)	(4,045)	(129,878)
Recognition of share-based payment expense (note 17)	-	-	-	-	-	-	1,134	-	1,134	-	1,134
Share options lapsed	-	-	-	-	-	-	(1,346)	1,346	-	-	-
Balance at 30 June 2020 (unaudited)	6,931	323,968	(118,988)	4,443	185,068	13,073	27,799	54,243	496,537	6,996	503,533
Balance at 1 January 2021	6,931	323,968	(118,988)	4,443	185,068	(10,713)	27,678	59,923	478,310	8,411	486,721
Profit/(loss) for the period	-	-	-	-	-	-	-	12,314	12,314	(266)	12,048
Other comprehensive (loss)/ income for the period	-	-	-	-	-	(3,107)	-	-	(3,107)	67	(3,040)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(3,107)	-	12,314	9,207	(199)	9,008
Balance at 30 June 2021 (unaudited)	6,931	323,968	(118,988)	4,443	185,068	(13,820)	27,678	72,237	487,517	8,212	495,729

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	108,114	134,378
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,434)	(24,709)
Net proceeds from purchase and disposal of financial assets at fair value through profit or loss	365	269
Non-current deposits and prepayments paid	(3,043)	(165)
Interest received	160	181
	(10,952)	(24,424)
NET CASH USED IN FINANCING ACTIVITIES		
Principal elements of lease payments	(47,883)	(45,271)
Interest elements of lease payments	(4,161)	(5,733)
Increase in restricted cash	(2,952)	–
Proceeds from loan from a related company	–	23,815
Repayment of loan from a related company	–	(1,696)
	(54,996)	(28,885)
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,166	81,069
CASH AND CASH EQUIVALENTS AT 1 JANUARY	48,334	30,685
Effect of foreign exchange rate changes	945	581
CASH AND CASH EQUIVALENTS AT 30 JUNE	91,445	112,335



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2021

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for the financial asset at fair value through profit or loss (“FVTPL”) which is measured at fair value.

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2020 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated interim financial information:

Amendments to HKFRS 16	COVID-19-related rent concession
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest rate benchmark reform – Phase 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to HKFRS 16 set out above.

The Group has early adopted HKFRS 16 (Amendment) “COVID-19-related rent concessions beyond 30 June 2021” (effective for annual periods beginning on or after 1st April 2021). The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 to cover lease payments related rent concessions that are originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The early adoption of HKFRS 16 (Amendment) does not have any impact to the Group for the six months ended 30 June 2021.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and amended standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 January 2023
HKAS 8 (Amendment)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRSs (Amendments)	Annual improvements 2018–2020 cycle	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK (IFRIC) – Int 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023

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

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

3. ESTIMATION

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.



4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in trading and sales 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 and overseas, which are based on the geographic area of the operations carried out by the Group. No operating segments have been aggregated in arriving at the reporting segments of the Group.

Segment revenue and results

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

Six months ended 30 June 2021 (unaudited)

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

Six months ended 30 June 2020 (unaudited)

	The PRC RMB'000	Hong Kong and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	574,847	87,860	(21,518)	641,189
Segment results	(127,090)	5,246		(121,844)
Unallocated other income				181
Unallocated corporate expenses				(8,282)
Unallocated other losses, net				(6,885)
Unallocated finance costs				(295)
Loss before income tax				(137,125)
Income tax credit				1,512
Loss for the period				(135,613)

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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Self-operated retail channels		
– Retail shops	351,365	267,994
– Consignment counters	207,529	185,055
– Online stores	39,373	49,211
Wholesale channels		
– Distributors	131,252	109,449
– Hypermarket and supermarket chains	14,376	9,587
– Online key accounts	10,145	19,893
	754,040	641,189

5. OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest income	160	181
Government grants (<i>Note</i>)	1,778	2,620
Sundry income	778	1,151
	2,716	3,952

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



6. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net exchange gain/(loss)	1,499	(7,154)
Gain on fair value changes of financial asset at fair value through profit or loss	365	269
Loss on disposal of property, plant and equipment	–	(3)
Others	(140)	(177)
	1,724	(7,065)

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current income tax:		
Hong Kong and overseas profits tax	447	468
PRC corporate income tax	62	(1,980)
	509	(1,512)
Deferred tax	1,436	–
	1,945	(1,512)

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Auditors' remuneration		
– Audit services	1,096	1,155
– Non-audit services	–	–
Amortisation of intangible asset	242	263
Depreciation of property, plant and equipment	12,345	21,926
Depreciation of right-of-use assets (note 12(ii))	38,770	57,604
Impairment loss on property, plant and equipment (Note)	–	9,530
Impairment loss on right-of-use assets (Note)	–	10,765
Cost of inventories	427,257	379,061
Rental expenses in respect of:		
– variable leases payments (note 12(ii))	7,552	6,977
– short term leases (note 12(ii))	7,502	8,211
Rent concessions (note 12(ii))	–	(7,700)
Advertising and promotional expenses	18,638	27,708
Concessionaire fees	66,709	63,944
Employee benefit expenses (including directors' emoluments)	47,563	39,922
Outsourced personnel service fees	49,799	48,790
(Reversal of)/provision for impairment loss on trade receivables	(944)	1,502
Provision for impairment loss on inventories, net (included in cost of sales)	–	31,131
Transportation costs	12,900	22,056
Building management fees	16,035	15,344

Note: The Group determines each individual retail store as a separately identifiable cash-generating unit (the "CGU") and monitors their financial performance. No provision for impairment of the Group's property, plant and equipment and right-of-use assets for the six months ended 30 June 2021 (2020: RMB9,530,000 and RMB10,765,000 respectively) was made based on an impairment assessment carried out for the retail store assets which have an impairment indicator. The recoverable amounts are based on value-in-use calculations which involved projected cash flows and key assumptions such as future revenue growth rate and gross profit margin percentage of individual CGUs based on the Group's annual budget.



9. DIVIDENDS

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
Profit/(loss) attributable to the owners of the Company (in RMB'000)	12,314	(131,696)
Weighted average number of ordinary shares for the purpose of calculation of earnings/(loss) per share (in '000)	800,000	800,000

The computation of diluted earnings/(loss) per share for the six months ended 30 June 2021 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic earnings/(loss) per share (2020: same).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, additions to property, plant and equipment amounted to RMB8,624,000 (2020: RMB24,709,000), consisting of leasehold improvements, furniture and equipment and motor vehicles.

12. LEASES

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

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

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

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Right-of-use assets		
– Leased premises	132,922	134,751
Less: Impairment provision	(22,483)	(26,626)
	110,439	108,125
Lease liabilities		
– Current	56,133	70,056
– Non-current	64,889	58,920
	121,022	128,976

(ii) Amounts recognised in the condensed consolidated statement of profit or loss

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Depreciation of right-of-use assets (note 8)	38,770	57,604
Impairment loss on right-of-use assets (note 8)	–	10,765
Interest expense (included in finance costs)	4,161	5,733
Expense relating to short-term leases (note 8)	7,502	8,211
Expense relating to variable lease payments not included in lease liabilities (note 8)	7,552	6,977
Rent concessions (note 8)	–	(7,700)



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

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Trade receivables, net	93,229	94,235
Bills receivables	3,721	–
	96,950	94,235
Other receivables, deposits and prepayments		
– Rental deposits	43,044	44,912
– Other deposits	16,248	18,215
– Prepayments for purchase of merchandise stock for resale and expenses	21,655	16,900
– Rebate receivables from suppliers	16,018	7,023
– Promotion income receivable from brand owners	2,070	7,145
– Other taxes recoverable	15,451	15,451
– Others	6,049	5,116
	120,535	114,762

The Group's retail revenue through self-operated retail stores in the PRC are transacted either by cash, credit cards, Alipay or 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 following is an aging analysis of trade receivables presented based on the invoice date.

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Within 30 days	57,026	64,532
31 to 60 days	22,766	14,868
61 to 90 days	6,204	7,089
91 to 180 days	5,231	5,295
Over 180 days	11,367	12,761
	102,594	104,545
Less: Provision for impairment	(9,365)	(10,310)
	93,229	94,235

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Trade payables (Note (a))	172,198	93,390
Other payables and accruals		
– Due to related companies (Note (b))	7,370	6,002
– Accrued expenses	24,679	35,962
– Provision for retirement benefit costs	11,167	13,030
– Provision for reinstatement costs (Note (c))	14,372	14,161
– Deferred government grant	2,083	3,862
– Other taxes payable	15,187	18,894
– Others	3,803	5,703
	78,661	97,614
Less: Provision for reinstatement costs presented as non-current liability (Note (c))	(4,262)	(5,222)
Other payables and accruals presented as current liabilities	74,399	92,392

Note (a)

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

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

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Within 30 days	75,623	76,650
31 to 60 days	86,202	9,032
61 to 90 days	4,149	2,810
Over 90 days	6,224	4,898
	172,198	93,390



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

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

Amount due to related companies	Nature of balance	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Land Smart Development Limited (<i>Note (i)</i>)	Non-trade	5,125	4,405
Lovable Products Trading Limited (<i>Note (i)</i>)	Non-trade	1,421	1,042
Politor Limited (<i>Note (i)</i>)	Non-trade	824	555
		7,370	6,002

Note:

- (i) The related companies are controlled by Mr. Lee Ching Yiu, chairman of the Board. The amounts are unsecured, interest-free and repayable on demand.

Note (c)

Provision for reinstatement cost represents the present value of the estimated cost for the restoration work of the Group's leased premises agreed to be carried out upon the expiry of the relevant leases.

15. CONTRACT LIABILITIES

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

16. SHARE CAPITAL

	Number of shares	RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2020, 1 January 2021 and 30 June 2021	50,000,000,000	433,188
Issued and fully paid:		
At 31 December 2020, 1 January 2021 and 30 June 2021	800,000,000	6,931

17. 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.



17. SHARE OPTION SCHEMES (Continued)**(i) The Pre-IPO Share Option Scheme** (Continued)

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

Options	Vesting period	Outstanding at 31 December 2020 (audited)	Lapsed during the period	Exercised during the period	Outstanding at 30 June 2021 (unaudited)
Directors					
Tranche 1	25 October 2017 to 24 October 2018	3,800,000	–	–	3,800,000
Tranche 2	25 October 2017 to 24 October 2019	2,850,000	–	–	2,850,000
Tranche 3	25 October 2017 to 24 October 2020	2,850,000	–	–	2,850,000
		9,500,000	–	–	9,500,000
Employees					
Tranche 1	25 October 2017 to 24 October 2018	9,960,000	–	–	9,960,000
Tranche 2	25 October 2017 to 24 October 2019	7,470,000	–	–	7,470,000
Tranche 3	25 October 2017 to 24 October 2020	7,470,000	–	–	7,470,000
		24,900,000	–	–	24,900,000
		34,400,000	–	–	34,400,000

17. 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 2021, the Post-IPO Share Option Scheme had a remaining life of more than 6 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.



17. 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.

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

(iii) Share awards

On 27 December 2018, a share award scheme of 24,000,000 shares in favour of Mr. Hung Shing Ming was adopted. Under such scheme, Mr. Hung Shing Ming acquired 12,000,000 shares from Mr. Lee Ching Yiu at total consideration of HK\$1 and has a right to acquire additional 12,000,000 shares from Mr. Lee Ching Yiu on 27 December 2019 at total consideration of HK\$1 subject to fulfilment of certain service condition.

The fair value of the 24,000,000 shares at the grant date was HK\$7,920,000, and is measured by the trading share price of the Company of the closing of the grant date.

18. CAPITAL COMMITMENTS

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Contracted but not provided for in the condensed consolidated interim financial information in respect of:		
– acquisition of property, plant and equipment	1,845	–
– investment in a live-action animation (<i>Note (i)</i>)	3,044	6,087

Note (i)

In December 2020, 北京孩思樂商業有限公司 (“北京孩思樂”), an indirect wholly owned subsidiary of the Company, entered into an agreement for the strategic collaboration with certain independent third parties for the production of a live-action animation, whereby 北京孩思樂 is committed to contributing 20% of the total production fee of the live-action animation. The amount disclosed represents the minimum investment amount committed by the Group.

19. RELATED PARTY TRANSACTIONS

(a) Related parties

As at 30 June 2021, Asian Glory Holdings Limited held 53.15% (31 December 2020: 53.15%) equity interest in the Company as the single largest shareholder.

(b) Transactions

Significant transactions with related parties and companies, which were carried out in the normal course of the Group's business, are summarised as follows:

Name of related companies	Nature of transactions	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Land Smart Development Limited (<i>Note</i>)	Rental expenses	720	720
Politor Limited (<i>Note</i>)	Rental expenses	275	299
Lovable Products Trading Limited (<i>Note</i>)	Loan interest	389	295
Wealth Effort Limited (<i>Note</i>)	Management fee	8	–

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

(c) Compensation of key management personnel

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Director's fees	83	90
Salaries and allowances	4,236	4,373
Share-based payments	–	355
Retirement benefit schemes contributions	258	205
	4,577	5,023

(d) Loan from a related company

On 27 August 2019, Kidsland HK Limited, an indirect wholly owned subsidiary of the Company, entered into a loan agreement (the "Loan Agreement") with Lovable Products Trading Limited, which provided a loan facility of approximately RMB33.3 million (31 December 2020: RMB33.7 million) of which approximately RMB33.0 million was utilised as at 30 June 2021 (31 December 2020: RMB33.4 million) and carry interest at one-month LIBOR + 1.3% per annum. Lovable Products Trading Limited is controlled by Mr. Lee Ching Yiu, the controlling shareholder and chairman of the Board.

