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kidsland

凱知樂

Kidsland International Holdings Limited
凱知樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2122)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

- During the Reporting Period, the Group's revenue decreased by 3.6% to approximately RMB581.9 million from approximately RMB603.8 million for the Prior Period, due to the uncertainty about the macro-economic and employment situations in Mainland China which adversely affected consumer sentiment.
  - Revenue from self-operated retail channels remained stable at approximately RMB498.8 million for the Reporting Period and approximately RMB502.4 million for the Prior Period, while wholesale channels recorded a decrease of 18.0% to approximately RMB83.1 million.
  - Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 19.2% to approximately RMB115.3 million for the Reporting Period.
- The Group's gross profit decreased from approximately RMB237.4 million for the Prior Period to approximately RMB196.9 million for the Reporting Period. Gross profit margin decreased from 39.3% for the Prior Period to 33.8% for the Reporting Period.
- Total selling, distribution, general and administrative expenses decreased by 5.8% from approximately RMB279.9 million for the Prior Period to approximately RMB263.6 million for the Reporting Period.
- A net loss after tax of approximately RMB82.9 million was recorded for the Reporting Period. As a result of the significant depreciation of the RMB, a net exchange loss of approximately RMB13.0 million was recorded for the Reporting Period. Excluding the net exchange loss, an adjusted loss of approximately RMB69.9 million would have been recorded for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the first half of 2023, uncertainty about the macro-economic and employment situations in Mainland China after the novel coronavirus disease 2019 ("**COVID**" or "**COVID-19**") adversely affected consumer sentiment. Consumption became conservative and downgraded, which hindered consumption recovery.

As a result, Kidsland International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") recorded a net loss after tax of approximately RMB82.9 million for the six months ended 30 June 2023 (the "**Reporting Period**"), compared to a net loss after tax of approximately RMB63.3 million for the six months ended 30 June 2022 (the "**Prior Period**"). Due to the significant depreciation of the Renminbi ("**RMB**"), a net exchange loss of approximately RMB13.0 million was recorded for the Reporting Period. Excluding the net exchange loss, an adjusted loss of approximately RMB69.9 million would have been recorded for the Reporting Period.

In face of the weak market sentiment and changing consumption patterns, the Group continued to optimize its distribution network and diversify its product assortment. The Group worked tirelessly to focus on its core strengths and adapt its business model to take advantage of the new opportunities emerging in the post-COVID world.

In May 2023, the Group debuted its first Gundam Base Satellite, a single-brand authorised store of GUNPLA (Gundam Plastic Models), in Tianjin, the Mainland China. Creating an immersive visual experience for customers, Gundam Base Satellite is a place full of GUNPLA excitement where customers can buy, observe, learn about and build the kits. The new branded store attracted GUNPLA fans from all over the country and reached out to a wide age group audience.

Starting from May 2023, the Group has developed in-depth cooperation with Pokémon Trading Card Game, including conducting in-store competitions in the Group retail stores and increasing a number of cooperative retail locations of Pokémon Trading Card Game. Partnering with renowned international brands, the Group is dedicated to bring diversified products and experiences to customers.

Looking ahead, whilst the consumption market is still challenging, the Group will keep agile in adapting to the rapidly changing market. The Group remains cautiously optimistic about the new opportunities emerging in the post-COVID world, and will continue to partner with international brands to bring diversified and quality products to consumers of all ages, and reach out to a wider audience through various types of retail stores and distribution channels.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 30 June 2023, this network consisted of:

Self-operated Retail Channels

– 571 self-operated retail points of sale including retail shops and consignment counters (30 June 2022: 614)

– 28 online stores (30 June 2022: 21)

Wholesale Channels

– 344 distributors (30 June 2022: 515) which sell our products through third-party retailers or their own retail shops, totaling more than 1,700 (30 June 2022: more than 1,900)

– 12 hypermarket and supermarket chains (30 June 2022: 12) with a sum of 412 retail points (30 June 2022: 682)

– 2 online key accounts (30 June 2022: 5)

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	
	2023	2022
Retail shops		
At the beginning of the period	**172**	185
Addition of new retail shops	**4**	9
Closure of retail shops	**(9)**	(13)
At the end of the period	**167**	181

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	
	2023	2022
Consignment counters		
At the beginning of the period	**415**	442
Addition of new consignment counters	**21**	15
Closure of consignment counters	**(32)**	(24)
At the end of the period	**404**	433

1.3 Online Stores

During the Reporting Period, we opened three flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com, and closed four. As of 30 June 2023, we had 28 online stores in total, compared with 21 as of 30 June 2022.

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 in Mainland China.

2.1 Distributors

As of 30 June 2023, we had 344 distributors (30 June 2022: 515), which sell our products through third-party retailers or their own retail shops, totaling more than 1,700 (30 June 2022: more than 1,900) in Mainland China.

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

	Six months ended 30 June	
	2023	2022
Distributors		
At the beginning of the period	**342**	521
Addition of new distributors	**55**	42
Expiry without renewal of distribution agreements	**(53)**	(48)
At the end of the period	**344**	515

2.2 Hypermarket and Supermarket Chains

As of 30 June 2023, we had wholesale arrangements with 12 hypermarket and supermarket chains (30 June 2022: 12) with a sum of 412 retail points (30 June 2022: 682) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

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

	Six months ended 30 June	
	2023	2022
Hypermarket and supermarket chains		
At the beginning of the period	**12**	12
Addition of new hypermarket and supermarket chains	**1**	–
Termination or expiry of agreements with hypermarket and supermarket chains	**(1)**	–
At the end of the period	**12**	12

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	
	2023	2022
Online key accounts		
At the beginning of the period	**2**	6
Termination or expiry of agreements with online key accounts	**–**	(1)
At the end of the period	**2**	5

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue decreased by 3.6% to approximately RMB581.9 million from approximately RMB603.8 million for the Prior Period, due to the uncertainty about the macro-economic and employment situations in Mainland China which adversely affected consumer sentiment.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Self-operated retail channels		
– Retail shops	**332,677**	317,668
– Consignment counters	**137,939**	150,420
– Online stores	**28,145**	34,320
Sub-total:	**498,761**	502,408
Wholesale channels		
– Distributors	**59,481**	87,668
– Hypermarket and supermarket chains	**18,883**	9,323
– Online key accounts	**4,747**	4,394
Sub-total:	**83,111**	101,385
Total:	**581,872**	603,793

Self-operated Retail Channels

The self-operated retail channels recorded stable revenue at approximately RMB498.8 million for the Reporting Period and approximately RMB502.4 million for the Prior Period. Revenue from retail shops rose by 4.7% to approximately RMB332.7 million, while revenue from consignment counters and online stores dropped by 8.3% to approximately RMB137.9 million and 18.0% to approximately RMB28.1 million, respectively.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels decreased by 18.0% to approximately RMB83.1 million, attributed to the drop in revenue from distributors by 32.2% to approximately RMB59.5 million. Revenue from hypermarket and supermarket chains as well as online key accounts rose by 102.5% to approximately RMB18.9 million and 8.0% to approximately RMB4.7 million, respectively.

Revenue from Hong Kong and overseas (after inter-segment elimination) recorded an increase of 19.2% from approximately RMB96.7 million for the Prior Period to approximately RMB115.3 million during the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by 5.1% from approximately RMB366.4 million for the Prior Period to approximately RMB385.0 million for the Reporting Period. The Group's gross profit margin decreased from 39.3% for the Prior Period to 33.8% for the Reporting Period, mainly attributable to stock clearance activities and keen price competition in Mainland China. Gross profit decreased from approximately RMB237.4 million for the Prior Period to approximately RMB196.9 million for the Reporting Period.

Other Income

Other income, consisting mainly of government grants and promotional service income, rose by approximately RMB1.4 million from approximately RMB1.8 million for the Prior Period to approximately RMB3.2 million for the Reporting Period.

Other Losses, Net

Other losses, net was mainly attributable to net exchange differences. Other losses, net of approximately RMB13.0 million recorded for the Reporting Period (Prior Period: approximately RMB15.3 million), mainly resulting from the depreciation of RMB.

Impairment Loss on Financial Assets

The amount represented provision made for impairment loss on trade and bill receivables. Provision for impairment loss of approximately RMB7,000 was recorded for the Reporting Period (Prior Period: approximately RMB1.0 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 5.0% from approximately RMB250.0 million for the Prior Period to approximately RMB237.4 million for the Reporting Period, which was mainly attributable to intensified expense management, especially on concessionaire fees, rental expenses and outsourced personnel service fees.

General and Administrative Expenses

General and administrative expenses dropped by 12.7% from approximately RMB29.9 million for the Prior Period to approximately RMB26.1 million for the Reporting Period, resulted from control over staff costs and office expenses.

Finance Costs

Finance costs, consisting of interest expenses arising from lease liabilities, loans from a related company and bank borrowings, slightly increased by approximately RMB0.4 million from approximately RMB5.1 million for the Prior Period to approximately RMB5.5 million for the Reporting Period.

Loss for the Period

A loss of approximately RMB82.9 million was recorded for the Reporting Period (Prior Period: loss of approximately RMB63.6 million).

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 225 days for the Prior Period to 189 days for the Reporting Period. Trade receivables turnover days decreased from 25 days for the Prior Period to 19 days for the Reporting Period. Trade payables turnover days decreased from 64 days for the Prior Period to 57 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 186 days for the Prior Period to 151 days for the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB10.2 million in property, plant, and equipment, mainly to renovate shops (Prior Period: approximately RMB10.7 million).

Liquidity and Financial Resources

The Group's cash position as of 30 June 2023 was approximately RMB21.9 million, compared to approximately RMB20.6 million as of 31 December 2022. 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 2023 were 1.3 and 0.4, respectively (31 December 2022: 1.4 and 0.4, respectively).

As of 30 June 2023, the Group had aggregate banking facilities of approximately RMB124.0 million (31 December 2022: approximately RMB115.4 million) for bank loans and trade financing, of which approximately RMB36.4 million (31 December 2022: approximately RMB37.1 million) was unutilised as of the same date. These facilities are secured by corporate guarantees provided by the Company.

As of 30 June 2023, the Group had a loan facility from a related company of approximately RMB78.4 million (31 December 2022: approximately RMB75.9 million), of which approximately RMB77.5 million (31 December 2022: approximately RMB51.4 million) was utilised.

Charge of Assets

As of 30 June 2023, the Group had restricted cash of approximately RMB2.0 million for bank guarantee of a trade finance facility (31 December 2022: approximately RMB2.1 million).

Contingent Liabilities

As of 30 June 2023, the Group did not have significant contingent liabilities (31 December 2022: 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 RMB. The Group currently does not have a foreign currency hedging policy. However, the management personnel of the Group monitor its foreign exchange risks regularly in keeping the net exposure to an acceptable level. Exchange rate fluctuations could affect the Group's margins and profitability.

RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	4	**581,872**	603,793
Cost of sales	8	**(385,021)**	(366,408)
Gross profit		**196,851**	237,385
Other income	5	**3,180**	1,808
Other losses, net	6	**(12,970)**	(15,284)
Impairment loss on financial assets	8	**(7)**	(1,002)
Selling and distribution expenses	8	**(237,415)**	(249,976)
General and administrative expenses	8	**(26,142)**	(29,915)
Operating loss		**(76,503)**	(56,984)
Finance costs		**(5,546)**	(5,095)
Loss before income tax		**(82,049)**	(62,079)
Income tax expense	7	**(820)**	(1,544)
Loss for the period		**(82,869)**	(63,623)
Other comprehensive income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**8,233**	12,106
Total comprehensive expense for the period		**(74,636)**	(51,517)

	Note	Six months ended 30 June 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Loss for the period attributable to:			
– owners of the Company		**(82,689)**	(61,960)
– non-controlling interests		**(180)**	(1,663)
		(82,869)	(63,623)
Total comprehensive expense for the period attributable to:			
– owners of the Company		**(74,232)**	(49,598)
– non-controlling interests		**(404)**	(1,919)
		(74,636)	(51,517)
Loss per share, basic and diluted *(RMB cents)*	10	**(10.34)**	(7.75)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At **30 June 2023** ***RMB'000*** **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**34,160**	39,347
Right-of-use assets	11	**91,237**	112,319
Intangible assets		**11,355**	11,779
Financial asset at fair value through profit or loss ("**FVTPL**")		**290**	290
Deposits paid for acquisition of property, plant and equipment		**–**	369
Rental deposits		**19,033**	25,685
Deferred tax assets		**21,332**	21,810
		177,407	211,599
Current assets			
Inventories		**389,974**	413,135
Trade and bill receivables	12	**67,853**	57,547
Other receivables, deposits and prepayments		**58,497**	53,382
Right-of-return assets		**16**	305
Tax recoverable		**742**	539
Restricted cash		**2,025**	2,065
Cash and cash equivalents		**19,882**	18,490
		538,989	545,463
EQUITY			
Owners of the Company			
Share capital		**6,931**	6,931
Reserves		**232,582**	306,814
		239,513	313,745
Non-controlling interests		**6,431**	6,835
Total equity		**245,944**	320,580

	Notes	At **30 June** **2023** ***RMB'000*** **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs		**3,553**	4,469
Lease liabilities	11	**37,034**	46,887
		40,587	51,356
Current liabilities			
Trade payables	13	**146,108**	95,938
Other payables and accruals		**79,430**	115,471
Bank borrowings		**39,050**	32,333
Loans from a related company		**77,517**	51,369
Lease liabilities	11	**63,298**	75,936
Contract liabilities		**18,748**	8,775
Current tax liabilities		**5,714**	5,304
		429,865	385,126
Net current assets		**109,124**	160,337
Total assets less current liabilities		**286,531**	371,936
Net assets		**245,944**	320,580

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

Going concern basis

During the six months ended 30 June 2023, the Group reported a loss before income tax of RMB82,049,000 and its total bank borrowings, all classified as current liabilities, amounted to RMB39,050,000.

Based on the unaudited condensed consolidated financial statements as at 30 June 2023, the directors of the Company became aware that the Group may not have complied with a restrictive financial covenant of its revolving loan facility agreement. The loan covenant in the loan facility agreement was primarily related to a prescribed total liabilities to tangible net worth ratio requirement of the Group. At 30 June 2023, the carrying amount of the bank borrowings related to this loan facility agreement was HK$25,000,000 (equivalent to approximately RMB23,050,000). Such non-compliance of covenant may cause the relevant bank borrowings to become immediately due and payable.

The Group's business has been negatively impacted by the weak market sentiment amidst the uncertainty about the macro-economic and employment situations in Mainland China after the COVID-19 pandemic during the six months ended 30 June 2023. The poor consumer sentiment caused short-term disruption to the Group's operations in Mainland China. Also, it is uncertain whether the weak market sentiment will continue and impact the Group's operating performance and cash flows.

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

(i) as soon as the directors of the Company were aware of the potential non-compliance, the Group obtained an email confirmation in August 2023 from the relevant bank notifying the Company that the bank will not take any action to demand for repayment of loan with regard to the relevant non-compliance and the existing facility letter and related transaction documents will remain and shall continue in full force and effect. The directors of the Company, based upon their communication with the bank, are confident that the existing bank loans and facilitates will be renewed and continue to be available to the Group in the next twelve months from 30 June 2023;

(ii) as at 30 June 2023, the Group had unutilised loan facility of approximately RMB853,000 from a related company. On 21 August 2023, the unutilised loan facility from the related company was increased to approximately RMB23,903,000. The Group will draw down the loans to finance its operations, if needed;

(iii) the directors of the Company are of the opinion that the sales performance and the operating cash flow of the Group will improve in the next twelve months mainly driven by the gradual recovery of consumption and the strong business structure and strategies of the Group; and

(iv) the Group will continue to seek for other alternative financing and bank borrowings to finance the settlement of the existing financial obligations and future operating and capital expenditure.

The directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/change in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current interim period 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 condensed consolidated financial statements.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("**LSP**") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("**MPF**") scheme (also known as the "**offsetting mechanism**"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time the interim result announcement is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

3. ESTIMATION

The preparation of 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 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 2022.

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 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 2023

(Unaudited)	**The PRC**	**Hong Kong and overseas**	**Inter-segment elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue				
– Revenue recognised at a point in time	**466,609**	**115,533**	**(270)**	**581,872**
Reportable segment results	**(59,647)**	**(4,025)**		**(63,672)**
Unallocated other income				**73**
Unallocated corporate expenses				**(3,422)**
Unallocated other losses, net				**(12,976)**
Unallocated finance costs				**(2,052)**
Loss before income tax				**(82,049)**
Income tax expense				**(820)**
Loss for the period				**(82,869)**

Six months ended 30 June 2022

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

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Self-operated retail channels		
– Retail shops	**332,677**	317,668
– Consignment counters	**137,939**	150,420
– Online stores	**28,145**	34,320
Wholesale channels		
– Distributors	**59,481**	87,668
– Hypermarket and supermarket chains	**18,883**	9,323
– Online key accounts	**4,747**	4,394
	581,872	603,793

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**73**	104
Government grants *(Note)*	**1,831**	1,490
Promotional service income	**707**	–
Sundry income	**569**	214
	3,180	1,808

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

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net exchange loss	**(13,018)**	(15,411)
Gain on disposal of financial assets at FVTPL	**42**	–
Gain on lease modifications	**91**	80
Others	**(85)**	47
	(12,970)	(15,284)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax		
– Hong Kong and overseas profits tax	**241**	1,460
Under/(over)-provision in prior years		
– Hong Kong and overseas profits tax	**–**	(66)
– PRC corporate income tax	**5**	–
Deferred tax	**574**	150
	820	1,544

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

8. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Auditors' remuneration		
– Audit services	**809**	1,118
Amortisation of intangible assets	**660**	464
Depreciation of property, plant and equipment	**14,165**	9,657
Depreciation of right-of-use assets *(note 11(ii))*	**43,961**	43,828
Impairment loss on property, plant and equipment *(Note)*	**1,713**	811
Impairment loss on right-of-use assets *(Note)*	**2,562**	4,680
Cost of inventories	**376,449**	358,819
Rental expenses in respect of:		
– variable leases payments *(note 11(ii))*	**1,866**	4,842
– short-term leases *(note 11(ii))*	**13,788**	21,788
Rent concessions *(note 11(ii))*	**–**	(4,325)
Advertising and promotional expenses	**7,867**	8,657
Concessionaire fees	**42,901**	48,796
Employee benefit expenses (including directors' emoluments)	**51,099**	51,296
Outsourced personnel service fees	**42,247**	48,763
Provision for impairment loss on trade receivables	**7**	1,002
Provision for/(reversal of) impairment loss on inventories, net (included in cost of sales)	**2,405**	(34)
Transportation costs	**7,492**	9,063
Building management fees	**15,894**	15,790

Note: The Group determines each individual retail store as a separately identifiable cash-generating unit (the "**CGU**") and monitors their financial performance. A provision for impairment of the Group's property, plant and equipment and right-of-use assets of RMB1,713,000 and RMB2,562,000, respectively for the six months ended 30 June 2023 (30 June 2022: RMB811,000 and RMB4,680,000, respectively) was made based on impairment assessment carried out for the retail store assets which have an impairment indicator. Such impairment losses were recorded in selling and distribution expenses. The recoverable amounts are based on value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage of individual CGUs based on the Group's annual budget covering an average of 2-year period. A discount rate of 13.00% (30 June 2022: 10.78%) was applied to bring the future cash flows back to their present values.

9. DIVIDENDS

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (2022: 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	
	2023	2022
Loss attributable to the owners of the Company *(in RMB'000)*	**(82,689)**	(61,960)
Weighted average number of ordinary shares for the purpose of calculation of loss per share *(in '000)*	**800,000**	800,000

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic loss per share (2022: same).

11. 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 2023 *RMB'000* **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Right-of-use assets		
– Leased premises	**105,440**	133,600
Less: Provision for impairment	**(14,203)**	(21,281)
	91,237	112,319
Lease liabilities		
Current	**63,298**	75,936
Non-current	**37,034**	46,887
	100,332	122,823

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

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

	Six months ended 30 June	
	2023 *RMB'000* **(unaudited)**	2022 *RMB'000* (unaudited)
Depreciation of right-of-use assets *(note 8)*	**43,961**	43,828
Impairment loss on right-of-use assets *(note 8)*	**2,562**	4,680
Interest expenses (included in finance costs)	**3,494**	4,472
Expense relating to short-term leases *(note 8)*	**13,788**	21,788
Expense relating to variable lease payments not included in lease liabilities *(note 8)*	**1,866**	4,842
Gain on lease modifications *(note 6)*	**(91)**	(80)
Rent concessions *(note 8)*	**–**	(4,325)

12. TRADE AND BILL RECEIVABLES

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Trade receivables from contracts with customers	**77,821**	67,515
Less: Provision for impairment	**(10,934)**	(10,934)
	66,887	56,581
Bill receivables	**3,866**	3,866
Less: Provision for impairment	**(2,900)**	(2,900)
	966	966
	67,853	57,547

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

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 30 days	**35,960**	33,690
31 to 60 days	**20,854**	11,422
61 to 90 days	**4,323**	2,930
91 to 180 days	**2,214**	4,136
Over 180 days	**14,470**	15,337
	77,821	67,515
Less: Provision for impairment	**(10,934)**	(10,934)
	66,887	56,581

13. TRADE PAYABLES

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

	At 30 June 2023 *RMB'000* **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Within 30 days	**127,178**	89,276
31 to 60 days	**14,893**	2,716
61 to 90 days	**819**	183
Over 90 days	**3,218**	3,763
	146,108	95,938

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.

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 2023, 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 2023, the Group had approximately 1,400 employees (including both in-house and outsourced employees) (30 June 2022: approximately 1,600 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB51.1 million and RMB42.2 million, respectively (Prior Period: approximately RMB51.3 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; 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

Save as disclosed in Note 1 to the Condensed Consolidated Financial Statements, there were no material subsequent events undertaken by the Group after 30 June 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code on corporate governance. The Company has complied with all of the mandatory disclosure requirements and all applicable code provisions as set out in the section headed "Part 2 – Principles of good corporate governance, code provisions and recommended best practices" of the CG Code for the Reporting Period except for the deviation as stated below:

Code provision C.2.1 stipulates that the roles of chairman (the "**Chairman**") and chief executive officer (the "**CEO**") should be separate and should not be performed by the same individual. Both positions are currently held by Mr. Lee Ching Yiu. As the founder of the Group, Mr. Lee Ching Yiu has substantial experience in the toy industry. All the other Directors consider that the present structure provides the Group with strong and consistent leadership which facilitates the development of the Group's business strategies and execution of its business plans in the most efficient and effective manner. The Directors believe that it is in the best interest of the Company and its shareholders (the "**Shareholders**") as a whole that Mr. Lee Ching Yiu continues to assume the roles of the Chairman and the CEO.

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE AND REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The condensed consolidated financial statements has been reviewed by Moore Stephens CPA Limited, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

GRATITUDE

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

By order of the Board
Kidsland International Holdings Limited
Lee Ching Yiu
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 August 2023

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