

Interim Report 2023



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)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Ms. Zhong Mei

Non-executive Director

Mr. Du Ping

Independent Non-executive Directors

Mr. Cheng Yuk Wo

Mr. Huang Lester Garson

Dr. Lam Lee G.

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)

Mr. Huang Lester Garson

Dr. Lam Lee G.

REMUNERATION COMMITTEE

Mr. Huang Lester Garson (*Chairman*)

Mr. Lee Ching Yiu

Mr. Cheng Yuk Wo

NOMINATION COMMITTEE

Dr. Lam Lee G. (*Chairman*)

Mr. Cheng Yuk Wo

Mr. Huang Lester Garson

COMPANY SECRETARY

Ms. Tung Wing Yee Winnie

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu

Ms. Tung Wing Yee Winnie

INDEPENDENT AUDITOR

Moore Stephens CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

801–806 Silvercord, Tower 1

30 Canton Road, Tsimshatsui

Kowloon, Hong Kong

REGISTERED OFFICE

Third 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

Third Floor, Century Yard

Cricket Square, P.O. Box 902

Grand Cayman, KY1-1103

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

PRINCIPAL BANKERS

Hong Kong

Bank of China (Hong Kong) Limited

OCBC Bank (Hong Kong) 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)

LISTING INFORMATION

Place of Listing

The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

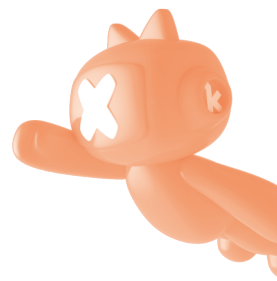
Stock Code

2122

Board Lot

2,000 shares

MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW

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 RMB63.6 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, we continued to optimize our distribution network and diversify our product assortment. We worked tirelessly to focus on our core strengths and adapt our business model to take advantage of the new opportunities emerging in the post-COVID world.

In May 2023, we debuted our 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, we have developed in-depth cooperation with Pokémon Trading Card Game, including conducting in-store competitions in our retail stores and increasing a number of cooperative retail locations of Pokémon Trading Card Game. Partnering with renowned international brands, we are dedicated to bring diversified products and experiences to customers.

Looking ahead, whilst the consumption market is still challenging, we will keep agile in adapting to the rapidly changing market. We remain 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

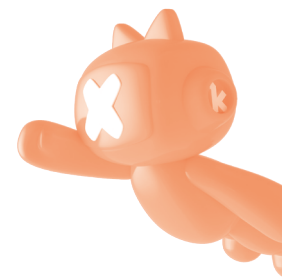
The majority of our consignment counters were located in well-known department stores and a renowned regional toy store chain, most of which operated under the Kidsland brand. During the Reporting Period, we continued to optimise our network of consignment counters.

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

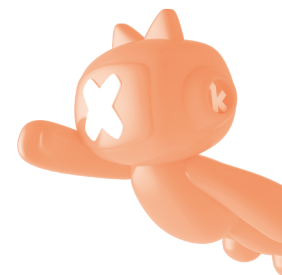
FINANCIAL REVIEW

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 RMB'000	2022 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.



Gearing Ratio

The table below analyses the Group's capital structure as of 30 June 2023:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash and cash equivalents	19,882	18,490
Restricted cash	2,025	2,065
Bank borrowings	(39,050)	(32,333)
Loans from a related company	(77,517)	(51,369)
Lease liabilities	(100,332)	(122,823)
Net debt position	(194,992)	(185,970)
Total equity	245,944	320,580

The Group was in a net debt position of approximately RMB195.0 million as of 30 June 2023 (31 December 2022: approximately RMB186.0 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 2023 was approximately 79.3% (31 December 2022: 58.0%).

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

Significant Investment Held and Material Acquisition and Disposal

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

Capital Structure

As of 30 June 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.

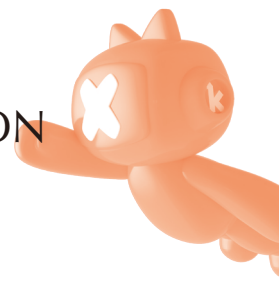
EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 1 to the Unaudited 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 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 (the “Listing Rules” and the “CG Code”, respectively) as its own code on corporate governance. The Company has complied with all of the mandatory disclosure requirements and all applicable code provisions as set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the CG Code for the Reporting Period except for the deviation as stated below:

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 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.

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 2023, 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%
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 2023.



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 2023, 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 2023, 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 ⁽³⁾
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%

(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) The percentages are calculated on the basis of 800,000,000 Shares in issue as of 30 June 2023.

Save as disclosed above, as of 30 June 2023, 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 2022 annual report and up to the date of this interim report are set out below:

On 21 April 2023, Dr. Lam Lee G. has been appointed as an independent non-executive director of New Huo Technology Holdings Limited (stock code: 1611), 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 4 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 2023, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 47,600,000 Shares, which represented 6.0% 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 2023. No share option was outstanding under the Post-IPO Share Option Scheme as of 30 June 2023.

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 4 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 2023	Exercised during the period	Lapsed or cancelled during the period	Granted during the period	Outstanding as of 30 June 2023
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	24,200,000	–	1,300,000	–	22,900,000
Total	33,700,000	–	1,300,000	–	32,400,000

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, options comprising 1,300,000 underlying Shares (Prior Period: 500,000) granted under the Pre-IPO Share Option Scheme lapsed, and the corresponding share option reserves of RMB1,042,000 (Prior Period: RMB375,000) were reclassified as retained earnings. As of 30 June 2023, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 32,400,000 Shares, which represented 4.0% 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 2023.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

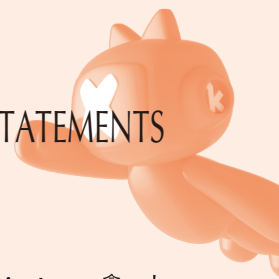
Kidsland International Holdings Limited

Mr. Lee Ching Yiu

Chairman

30 August 2023

REPORT ON REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180

F +852 2375 3828

www.moore.hk

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To the Board of Directors of Kidsland International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Kidsland International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2022 and the relevant explanatory notes included in these condensed consolidated financial statements were extracted from the interim financial information of the Group for six-month period ended 30 June 2022 reviewed by another auditor who expressed an unmodified conclusion on the interim financial information on 31 August 2022.

Moore Stephens CPA Limited
Certified Public Accountants

Hong Kong, 30 August 2023

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

For the Six Months Ended 30 June 2023



	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (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: <i>Item that may be reclassified subsequently to profit or loss:</i> – Exchange differences on translation of foreign operations		8,233	12,106
Total comprehensive expense for the period		(74,636)	(51,517)
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)

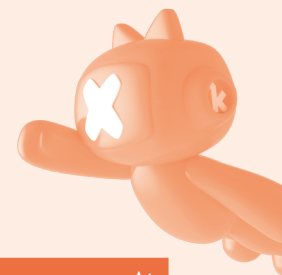
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	34,160	39,347
Right-of-use assets	12	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	13	–	369
Rental deposits	13	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	13	67,853	57,547
Other receivables, deposits and prepayments	13	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	17	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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023



	Notes	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs	14	3,553	4,469
Lease liabilities	12	37,034	46,887
		40,587	51,356
Current liabilities			
Trade payables	14	146,108	95,938
Other payables and accruals	14	79,430	115,471
Bank borrowings	16	39,050	32,333
Loans from a related company	20	77,517	51,369
Lease liabilities	12	63,298	75,936
Contract liabilities	15	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

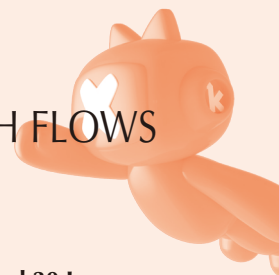
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2022 (audited)	6,931	323,968	(118,988)	4,443	185,068	(18,526)	27,528	61,414	471,838	9,315	481,153
Loss for the period	-	-	-	-	-	-	-	(61,960)	(61,960)	(1,663)	(63,623)
Other comprehensive income/ (expense) for the period	-	-	-	-	-	12,362	-	-	12,362	(256)	12,106
Total comprehensive income/ (expense) for the period	-	-	-	-	-	12,362	-	(61,960)	(49,598)	(1,919)	(51,517)
Share options lapsed	-	-	-	-	-	-	(375)	375	-	-	-
Balance at 30 June 2022 (unaudited)	6,931	323,968	(118,988)	4,443	185,068	(6,164)	27,153	(171)	422,240	7,396	429,636
Balance at 1 January 2023 (audited)	6,931	323,968	(118,988)	4,443	185,068	5,666	27,139	(120,482)	313,745	6,835	320,580
Loss for the period	-	-	-	-	-	-	-	(82,689)	(82,689)	(180)	(82,869)
Other comprehensive income/ (expense) for the period	-	-	-	-	-	8,457	-	-	8,457	(224)	8,233
Total comprehensive income/ (expense) for the period	-	-	-	-	-	8,457	-	(82,689)	(74,232)	(404)	(74,636)
Share options lapsed	-	-	-	-	-	-	(1,042)	1,042	-	-	-
Transfer to statutory reserve	-	-	-	11	-	-	-	(11)	-	-	-
Balance at 30 June 2023 (unaudited)	6,931	323,968	(118,988)	4,454	185,068	14,123	26,097	(202,140)	239,513	6,431	245,944

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2023



	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	32,684	53,728
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,814)	(10,683)
Non-current deposits and prepayments paid	–	(429)
Interest received	73	104
Net proceeds from disposal of financial assets at FVTPL	42	–
	(9,699)	(11,008)
NET CASH USED IN FINANCING ACTIVITIES		
Principal elements of lease payments	(47,444)	(41,281)
Interest elements of lease payments	(3,494)	(4,472)
Payment for early termination of lease agreement	(29)	–
Net refund/(payment) of rental deposits	458	(1,305)
Decrease in restricted cash	40	25
Proceeds from loans from a related party	23,488	–
New bank borrowings raised	6,000	21,380
Interest paid	(906)	–
	(21,887)	(25,653)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,098	17,067
CASH AND CASH EQUIVALENTS AT 1 JANUARY	18,490	19,984
Effect of foreign exchange rate changes	294	(37)
CASH AND CASH EQUIVALENTS AT 30 JUNE	19,882	37,014

NOTES TO THE UNAUDITED 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 Hong Kong dollar (“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 facility 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 (Note 20). On 21 August 2023, the unutilised loan facility from the related party 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.



1. BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

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 has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 financial report 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 sales of toy and related lifestyle products.

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



4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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

Six months ended 30 June 2023 (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	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 RMB'000	Hong Kong and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	507,109	107,217	(10,533)	603,793
Reportable segment results	(48,148)	7,250		(40,898)
Unallocated other income				104
Unallocated corporate expenses				(5,251)
Unallocated other losses, net				(15,411)
Unallocated finance costs				(623)
Loss before income tax				(62,079)
Income tax expense				(1,544)
Loss for the period				(63,623)

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.

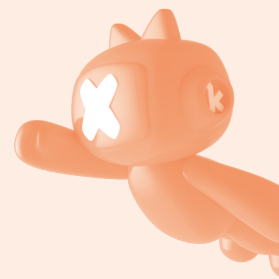
The following table sets forth a breakdown of revenue by the self-operated retail and wholesale channels for the periods indicated:

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (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 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Auditors' remuneration		
– Audit services	809	1,118
Amortisation of intangible assets	660	464
Depreciation of property, plant and equipment (note 11)	14,165	9,657
Depreciation of right-of-use assets (note 12(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 12(ii))	1,866	4,842
– short-term leases (note 12(ii))	13,788	21,788
Rent concessions (note 12(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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, additions to property, plant and equipment amounted to RMB10,179,000 (2022: RMB10,683,000), consisting of leasehold improvements and furniture and equipment. The depreciation charge of the six months ended 30 June 2023 was RMB14,165,000 (2022: RMB9,657,000).

The accumulated impairment loss of the Group's property, plant and equipment asset was RMB12,851,000 as at 30 June 2023 (31 December 2022: RMB12,566,000), representing additional impairment loss of RMB1,713,000 recognised during six months ended 30 June 2023 and derecognise of impairment loss of RMB1,428,000 when those underlying property, plant and equipment was written off.

12. LEASES

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

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

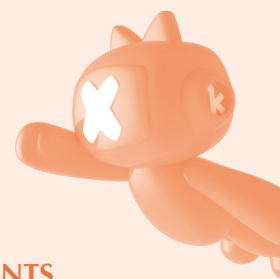
The condensed consolidated statement of financial position shows the following amounts relating to leases:

	At 30 June 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 (<i>note 8</i>)	43,961	43,828
Interest expenses (included in finance costs)	3,494	4,472
Expense relating to short-term leases (<i>note 8</i>)	13,788	21,788
Expense relating to variable lease payments not included in lease liabilities (<i>note 8</i>)	1,866	4,842
Impairment loss on right-of-use assets (<i>note 8</i>)	2,562	4,680
Rent concessions (<i>note 8</i>)	–	(4,325)
Gain on lease modifications (<i>note 6</i>)	(91)	(80)



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

	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
Other receivables, deposits and prepayments		
– Rental deposits	46,550	47,008
– Other deposits	12,767	14,913
– Prepayments for purchase of merchandise stock for resale and expenses	6,333	6,038
– Prepaid royalties	964	2,021
– Rebate receivables from suppliers	6,920	3,266
– Promotion income receivable from brand owners	79	968
– Other taxes recoverable	–	115
– Others	3,917	5,107
	77,530	79,436
	145,383	136,983
Presented as non-current assets	19,033	26,054
Presented as current assets	126,350	110,929
	145,383	136,983

The Group's retail revenue through self-operated retail stores in the PRC are transacted either by cash, credit cards, online payment platforms such as Alipay and WeChat Pay in which the settlement period is normally within 2 days from transaction date. The Group's internet sales are transacted through electronic payment platforms which are settled immediately. The Group's concessionaire revenue through department stores are generally collected by the department stores from the ultimate customers and then pay the balance to the Group after deducting the concessionaire fee. The credit period granted to department stores ranges from 30 days to 180 days.

The Group requires most of its distributors to pay in advance, while offers credit terms of 15 days to 90 days to hypermarket and supermarket chains.

The carrying amounts of trade and other receivables and deposits approximate their fair values. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

(Continued)

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

	At 30 June 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

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Trade payables (Note (a))	146,108	95,938
Other payables and accruals		
– Due to related companies (Note (b))	14,368	11,997
– Accrued expenses	27,390	52,172
– Accrued staff costs	5,919	6,656
– Outsourced personnel service fee payable	7,308	18,812
– Provision for retirement benefit costs	11,644	10,615
– Provision for reinstatement costs (Note (c))	10,973	10,739
– Deferred government grant	83	583
– Other taxes payable	2,669	6,240
– Others	2,629	2,126
	82,983	119,940
Less: Provision for reinstatement costs presented as non-current liability	(3,553)	(4,469)
Other payables and accruals presented as current liabilities	79,430	115,471



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

Notes:

- (a) The credit periods on trade payables offered by suppliers are within 60 days 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

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

Amounts due to related companies	Nature of balance	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Land Smart Development Limited (Note (i))	Non-trade	8,005	7,285
Lovable Products Trading Limited (Note (i))	Non-trade	4,233	2,943
Politor Limited (Note (i))	Non-trade	2,130	1,769
		14,368	11,997

Note:

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

15. CONTRACT LIABILITIES

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

16. BANK BORROWINGS

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Unsecured	39,050	32,333
The carrying amount of the above borrowings that contain a repayment on demand clause but repayable:		
Within one year	16,000	32,333
The carrying amount of the above borrowings that are repayable on demand due to breach of loan covenants	23,050	–
Subtotal	39,050	32,333
Less: Amounts shown under current liabilities	(39,050)	(32,333)
Amounts shown under non-current liabilities	–	–

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Variable-rate borrowings	23,050	22,333
Fixed-rate borrowings	16,000	10,000
	39,050	32,333

As at 30 June 2023, variable-rate bank borrowings with principal amounts of HK\$25,000,000 (equivalent to approximately RMB23,050,000) (31 December 2022: HK\$25,000,000 (equivalent to approximately RMB22,333,000)) carry interest at 1.8% above three month Hong Kong Inter-bank Offered Rate (“HIBOR”) per annum. The amounts are unsecured and guaranteed by the Company. Based on the unaudited condensed consolidated financial statements as at 30 June 2023, the Group may not have complied with a restrictive financial covenant of this revolving loan facility. Such non-compliance of covenant may cause the relevant bank borrowings to become immediately due and payable. 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 facility will be renewed and continue to be available to the Group in the next twelve months from 30 June 2023.

As at 30 June 2023, fixed-rate bank borrowings with an aggregate principal amount of RMB16,000,000 (31 December 2022: RMB10,000,000) carry interest at 2.8% to 5.0% per annum. The amounts are unsecured and partially guaranteed by Ms. Zhong Mei, an executive director of the Company, and by a subsidiary of the Group.



16. BANK BORROWINGS (Continued)

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

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
HK\$	23,050	22,333
RMB	16,000	10,000
	39,050	32,333

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

17. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital RMB'000
Ordinary shares of HK\$0.01 each Authorised: At 1 January 2022, 30 June 2022, 31 December 2022, 1 January 2023 and 30 June 2023	50,000,000,000	433,188
Issued and fully paid: At 1 January 2022, 30 June 2022, 31 December 2022, 1 January 2023 and 30 June 2023	800,000,000	6,931

18. SHARE OPTION SCHEMES

(i) The Pre-IPO Share Option Scheme

On 20 October 2017, a share option scheme was adopted by the shareholders of the Company (the "Pre-IPO Share Option Scheme"). The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the scheme have or may have made to the Group.

The eligible participants include any full-time, key employees, consultants or directors of the Company or any of its subsidiaries who, in the opinion of the directors of the Company, have contributed to the Company and/or any of its subsidiaries.

On the same date, the Company was authorised to grant to 78 eligible participants to subscribe for an aggregate of 47,500,000 shares under the Pre-IPO Share Option Scheme.

The exercise price of a share in respect of any particular share option offered under the Pre-IPO Share Option Scheme shall be HK\$0.8.

18. SHARE OPTION SCHEMES (Continued)

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

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.

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

Options	Outstanding at 1 January 2023 (audited)	Lapsed during the period	Exercised during the period	Outstanding at 30 June 2023 (unaudited)
Directors				
Tranche 1	3,800,000	–	–	3,800,000
Tranche 2	2,850,000	–	–	2,850,000
Tranche 3	2,850,000	–	–	2,850,000
	9,500,000	–	–	9,500,000
Employees				
Tranche 1	9,680,000	(520,000)	–	9,160,000
Tranche 2	7,260,000	(390,000)	–	6,870,000
Tranche 3	7,260,000	(390,000)	–	6,870,000
	24,200,000	(1,300,000)	–	22,900,000
	33,700,000	(1,300,000)	–	32,400,000

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

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



18. SHARE OPTION SCHEMES (Continued)

(ii) The Post-IPO Share Option Scheme

On 20 October 2017, a share option scheme was adopted by the shareholders of the Company (the “Post-IPO Share Option Scheme”).

The Post-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the scheme have or may have made to the Group. The eligible participants include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including independent non-executive directors) of the Company or any of its subsidiaries, advisors, consultants, suppliers, customers, distributors and such other persons who in the opinion of the directors of the Company will contribute or have contributed to the Company or any of its subsidiaries.

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at 30 June 2023, the Post-IPO Share Option Scheme had a remaining life of more than 4 years.

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

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

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

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

18. SHARE OPTION SCHEMES (Continued)

(ii) The Post-IPO Share Option Scheme (Continued)

Unless otherwise terminated by the directors of the Company or the shareholders in general meeting in accordance with the terms of the Post-IPO Share Option Scheme, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption which was 20 October 2017, after which no further options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required.

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

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

19. COMMITMENTS

(a) Capital commitments

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Contracted but not provided for in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	–	3,565

(b) Other commitments

As of 30 June 2023, the Group's commitments related to minimum royalties payables for merchandising rights contracted but not yet reflected in the condensed consolidated financial statements were United States dollar ("US\$") 400,000 (equivalent to RMB2,890,000) which were expected to be paid in the year ending 31 December 2023.



20. RELATED PARTY TRANSACTIONS

(a) Related parties

As at 30 June 2023, Asian Glory Holdings Limited held 53.15% (31 December 2022: 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	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Land Smart Development Limited (<i>Note</i>)	Rental expenses	720	720
Politor Limited (<i>Note</i>)	Rental expenses	292	273
Lovable Products Trading Limited (<i>Note</i>)	Loan interest	1,146	443

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

(c) Balances with related parties

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Amounts due to related companies		
Land Smart Development Limited	8,005	7,285
Lovable Products Trading Limited	4,233	2,943
Politor Limited	2,130	1,769
	14,368	11,997
Loans from a related company		
Lovable Products Trading Limited	77,517	51,369

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

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

Kidsland HK Limited entered into a loan agreement and amendment agreements on 27 August 2019, 1 December 2021 and 26 August 2022, respectively, with Lovable Products Trading Limited, a company controlled by Mr. Lee Ching Yiu, the controlling shareholder and chairman of the Board, which agreed to provide a loan facility of approximately RMB78.4 million (31 December 2022: RMB75.9 million).

As at 30 June 2023, the loans from a related company with principal amounts of US\$9,251,000 (equivalent to approximately RMB66,453,000) (31 December 2022: US\$6,350,000 (equivalent to approximately RMB44,223,000)) and HK\$12,000,000 (equivalent to approximately RMB11,064,000) (31 December 2022: HK\$8,000,000 (equivalent to approximately RMB7,146,000)) were interest bearing at 1.3% (31 December 2022: 1.3%) above one-month London Inter-bank Offered Rate per annum and 1.3% (31 December 2022: 1.3%) above one month HIBOR, respectively, unsecured and repayable in one year. As at 30 June 2023 and 31 December 2022, the carrying amounts of the loans approximate to their fair value.

(d) Compensation of key management personnel

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Directors' fees	500	533
Salaries and allowances	4,768	5,926
Retirement benefit schemes contributions	481	510
	5,749	6,969

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in note 1 of the unaudited condensed consolidated financial statements, there are no material subsequent events undertaken by the Group after 30 June 2023.