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 REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Directors
Mr. Du Ping
Ms. Duan Lanchun

Independent Non-executive Directors
Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Dr. Lam Lee G.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Chun Yeung Darren

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu
Mr. Chan Chun Yeung Darren

INDEPENDENT AUDITOR

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

Level 9 One Indigo
20 Jiuxianqiao Road
Chaoyang District
Beijing

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

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

LEGAL ADVISER AS TO HONG KONG LAW

Sidley Austin

COMPANY'S WEBSITE

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

STOCK CODE

2122

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's business stabilised substantially for the six months ended 30 June 2019 (the "**Period**"), with losses compressing by approximately 96.1% when compared with that of the same period in 2018. EBITDA (earnings before interest income, finance costs, income taxes, depreciation, and amortisation) for the Period, prepared under a comparable basis as the prior period, is approximately RMB19.9 million, improving from an EBITDA loss of approximately RMB28.7 million in the first half of 2018.

A combination of increased revenues and gross profit margins and decreased expenses significantly enhanced the Group's results for the period under review. When compared with that of the first half of 2018, the Group's revenues and gross profit grew by approximately 4.8% and 7.8%, respectively. Notably, the Group also managed to compress selling and distribution and general and administrative expenses by approximately 4.7% over the same time period to approximately RMB368.2 million.

BUSINESS AND MARKETING

Our extensive sales network comprises self-operated retail channels and wholesale channels. The following is a breakdown as of 30 June 2019:

Self-Operated Retail Channels

– 750 self-operated retail points of sale, consisting of retail shops and consignment counters (30 June 2018: 781);

– 20 online stores (30 June 2018: 17)

Wholesale Channels

– 849 distributors (30 June 2018: 973), who onsell the Group's products through third-party retailers or at their own retail shops

– 16 hypermarket and supermarket chains (30 June 2018: 15)

– 7 online key accounts (30 June 2018: 11)

1. Self Operated Retail Channels

1.1 Retail shops

The Group operates two types of retail shops in Mainland China and Hong Kong: (i) shops that sell only products of one brand (i.e. LEGO Certified Stores) and (ii) multi-brand shops that specialise in selling toys and products for children of different age groups (i.e. Kidsland stores) or toys and products for new-borns and toddlers (i.e. Babyland stores).

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

	Six months ended 30 June	
	2019	2018
Retail shops		
At the beginning of the period	**257**	245
Opening of new retail shops	**10**	15
Closing of retail shops	**(21)**	(8)
Net (decrease)/increase in the number of retail shops	**(11)**	7
At the end of the period	**246**	252

1.2 Consignment counters

Most of the Group's consignment counters are located at well-established department stores and a renowned global toy store chain. Most of these counters operated under the brand name of Kidsland.

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

	Six months ended 30 June	
	2019	2018
Consignment counters		
At the beginning of the period	**519**	535
Opening of new consignment counters	**17**	25
Closing of consignment counters	**(32)**	(31)
Net decrease in the number of consignment counters	**(15)**	(6)
At the end of the period	**504**	529

1.3 Online stores

As of 30 June 2019, the Group had 20 online stores in total, as opposed to 17 as of 30 June 2018 on platforms such as Tmall, JD.com, Xiaohongshu, and Kaola.

2. Wholesale Channels

The Group's wholesale business comprises (i) distributors, (ii) hypermarket and supermarket chains, and (iii) online key accounts in Mainland China.

2.1 Distributors

Selling to distributors reduces logistics and warehousing costs, improves working capital position, and expands the Group's network into promising markets that may have been untapped by the Group's retail points.

As of 30 June 2019, the Group had 849 distributors, who onsell the Group's products at retail shops, which totalled to 3,422 in Mainland China, or through third-party retailers. By leveraging on the distributors' geographical base, retail point locations, distribution network, business strategies, financial resources, and expertise, the Group has built one of the deepest and widest distribution networks for toys and infant products in Mainland China.

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

	Six months ended 30 June	
	2019	2018
Distributors		
At the beginning of the period	**931**	962
Addition of new distributors	**88**	152
Expiry without renewal of agreements with distributors	**(170)**	(141)
Net (decrease)/increase in the number of distributors	**(82)**	11
At the end of the period	**849**	973

2.2 Hypermarket and supermarket chains

Hypermarkets and supermarkets are generally divided into upscale supermarkets, community supermarkets, convenience stores, and shopping clubs with membership schemes. Partnerships with such store chains drive sales by enabling the Group's products to reach wider audiences across Mainland China.

The Group selected hypermarket and supermarket chains based on market position, retail network, logistics capability, financial health, and compatibility with the Group's business strategies and prefer these chains to have electronic reporting systems that allow the Group to reconcile real-time sales records. As of 30 June 2019, the Group had wholesale arrangements with 16 hypermarket and supermarket chains with a total of 689 retails points in Tier 1, Tier 2, and Tier 3 cities (based on information provided by the hypermarket and supermarket chains).

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

	Six months ended 30 June	
	2019	2018
Hypermarket and supermarket chains		
At the beginning of the period	**16**	14
Addition of new hypermarket and supermarket chains	–	1
Termination or expiry of agreements with hypermarket and supermarket chains	–	–
Net increase in the number of hypermarket and supermarket chains	–	1
At the end of the period	**16**	15

2.3 *Online key accounts*

The internet has become one of the main sales channels in Mainland China. To take advantage of access to this sales channel, we have been selling through such platforms as JD.com and Netease Kaola, whom we selected based on reputation, financial condition, and market share.

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

	Six months ended 30 June	
	2019	2018
Online key accounts		
At the beginning of the period	**7**	13
Addition of new online key accounts	–	1
Termination or expiry of agreements with online key accounts	–	(3)
Net decrease in the number of online key accounts	–	(2)
At the end of the period	**7**	11

FINANCIAL REVIEW

Revenue

During the Period, the revenue of the Group increased by approximately 4.8% from approximately RMB811.1 million in the prior period to approximately RMB850.0 million.

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Self-operated retail channels		
– Retail shops	**331,045**	305,826
– Consignment counters	**245,999**	270,949
– Online stores	**46,453**	37,318
Sub-total:	**623,497**	614,093
Wholesale channels		
– Distributors	**179,581**	147,979
– Hypermarket and supermarket chains	**12,673**	19,859
– Online key accounts	**34,213**	29,148
Sub-total:	**226,467**	196,986
Total:	**849,964**	811,079

For the six months ended 30 June 2019, sales of toy products accounted for approximately 95.5% (six months ended 30 June 2018: 92.0%) of the Group's revenue and sales of infant products accounted for approximately 4.5% (the six months ended 30 June 2018: 8.0%) of the Group's revenue.

For the Period, wholesale revenue increased by approximately 14.9% from RMB197.0 million for the first half of the year 2018 to RMB226.5 million. Revenue from wholesale distribution, the main driver of this growth, increased approximately 21.4% to approximately RMB179.6 million in the first half of 2019.

Furthermore, the Group's total revenue through direct e-commerce (online stores and online key accounts) grew by approximately 21.4% to reach approximately RMB80.7 million, and as of 30 June 2019, represented approximately 9.5% of the Group's total revenue (1H2018: approximately 8.2%).

Self-operated retail channels

For the Period, revenue contributed by self-operated retail channels increased by approximately 1.5% from approximately RMB614.1 million from to approximately RMB623.5 million. This is mainly attributable to an approximately 4.1% increase in revenue from Kidsland and Babyland stores and an approximately 17.6% increase in revenue from LEGO Certified Stores.

Retail Shops

	Six months ended 30 June	
	2019 RMB millions	2018 RMB millions
Single-brand retail shops		
– LEGO Certified Stores	**110.5**	94.0
– Others	**–**	0.8
Sub-total:	**110.5**	94.8
Multi-brand retail shops		
– Kidsland stores/Babyland stores	**211.1**	202.8
– Others	**9.4**	8.2
Sub-total:	**220.5**	211.0
Total:	**331.0**	305.8

Revenue from retail shops rose by approximately 8.2% to approximately RMB331.0 million. Focusing on profitable growth, the Group has been optimising its shop count, size of shops and product mix. This translates to higher productivity and profitability per shop.

Wholesale channels

For the Period, wholesale revenue increased by approximately 15.0% from approximately RMB197.0 million for the first half of the year 2018 to approximately RMB226.5 million.

Revenue earned from distributors increased by approximately 21.4% to approximately RMB179.6 million. This is attributable to improvements in client mix, product mix and hence, increased productivity. The Group's online key accounts recorded a sales growth of approximately RMB5.1 million, or an approximately 17.4% increase from the previous period.

Direct e-commerce

Combining revenue from online key accounts and online stores, the Group's total revenue through direct e-commerce summed up to approximately RMB80.7 million, contributing to approximately 9.5% of the Group's total revenue in the Period (1H2018: approximately 8.2%).

Cost of Goods Sold, Gross Profit and Gross Profit Margin

Cost of goods sold increased by approximately 2.7% from approximately RMB475.8 million for the six months ended 30 June 2018 to approximately RMB488.5 million for the Period. As a result, the Group's gross profit margin increased from approximately 41.3% for the six months ended 30 June 2018 to approximately 42.5% for the Period. This is attributable to continued efforts to improve product mix. As for the Group's gross profit, it increased from approximately RMB335.3 million for the six months ended 30 June 2018 to approximately RMB361.5 million for the Period.

Other Income

Other income increased by approximately RMB3.4 million from approximately RMB10.4 million for the six months ended 30 June 2018 to approximately RMB13.8 million for the Period. Other income mainly consists of promotion income from brand owners and government grants and commission income for themed hotel rooms that opened in the Period. The increase is mainly attributable to higher service fees charged to brand owners for marketing activities.

Other Losses, net

Other losses, net decreased by approximately RMB2.9 million from approximately RMB4.2 million for the six months ended 30 June 2018 to approximately RMB1.4 million for the Period. Other losses mainly consist of net exchange losses and losses incurred from the disposal of property, plant and equipment.

Selling and Distribution Expenses

Selling and distribution expenses decreased slightly from approximately RMB329.6 million for the six months ended 30 June 2018 to approximately RMB328.2 million for the Period.

General and Administrative Expenses

General and administrative expenses decreased by approximately 29.6% from approximately RMB56.8 million for the six months ended 30 June 2018 to approximately RMB40.0 million for the Period. The decrease is mainly attributable to decrease in rental expenses, lower wages, staff costs, and share option expenses.

Profit/Loss Before Tax

The Group's profit before tax is approximately RMB0.3 million for the Period, improving from a loss before tax of approximately RMB46.8 million in the first half of 2018.

Income Taxes

The Group's income tax expenses decreased from approximately RMB2.53 million for the six months ended 30 June 2018 to approximately RMB2.27 million for the Period.

EBITDA*

EBITDA* for the six months ended 30 June 2019, prepared under a comparable basis as the prior period, is approximately RMB19.9 million, improving from an EBITDA loss of approximately RMB28.7 million for the six months ended 30 June 2018.

Accounts Receivables and Payables

For the Period, turnover days of accounts receivables decreased by approximately 5 days to approximately 32 days (the first half of 2018: approximately 37 days). Turnover days of accounts payables increased by approximately 6 days from approximately 88 days to approximately 94 days.

* Earnings before interest income, finance costs, income taxes, depreciation, and amortisation

Inventory

The Group's inventory turnover days increased from approximately 200 days for the six months ended 30 June 2018 to approximately 211 days for the Period. The increase is mainly due to the introduction of new brands and product lines.

Cash Conversion Cycle

The cash conversion cycle metric shows the amount of time that a company uses to convert its investment in inventory to cash. This is calculated by adding inventory turnover (days) and accounts receivable turnover (days) and subtracting accounts payable turnover (days).

The Group's cash conversion cycle remained stable at approximately 149 days for the first half of 2018 and 2019.

Capital Expenditure

During the Period, the Group invested approximately RMB28.9 million (the six months ended 30 June 2018: approximately RMB21.8 million) in property, plant, and equipment, mainly to renovate stores including the recently-opened FAO Schwarz flagship store in Beijing.

Liquidity and Financial Resources

The Group's cash and bank balances as of 30 June 2019 were approximately RMB85.4 million (31 December 2018: approximately RMB112.2 million). As of 30 June 2019, the current ratio was approximately 2.2 (31 December 2018: approximately 2.9), and the quick ratio was approximately 1.0 (31 December 2018: 1.2).

As of 30 June 2019, the Group had aggregate banking facilities of approximately RMB116.0 million (31 December 2018: approximately RMB110.1 million) for bank loans and trade financing, of which approximately RMB73.8 million was unutilised (31 December 2018: approximately RMB86.6 million). These facilities are secured by corporate guarantees provided by the Company.

Gearing Ratio

Excluding lease liabilities, the Group was in a net cash position as at 30 June 2019 and hence no gearing ratio is presented (31 December 2018: nil).

Charge of Assets

As of 30 June 2019, no charges were made on the Group's assets (31 December 2018: nil).

Contingent Liabilities

As of 30 June 2019, the Group did not have significant contingent liabilities (31 December 2018: nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from exposure in the Euro, Japanese Yen and Hong Kong Dollar against the Chinese Renminbi. Although the Group's management personnel monitors the Group's foreign exchange risks regularly, exchange rate fluctuations could affect the Group's margins and profitability. Commencing 1 January 2019, the Group has adopted the Renminbi as its presentation currency, which is expected to reduce the impact of fluctuations of the exchange rate between the Renminbi and the Hong Kong Dollar on the presentation of the Group's consolidated financial statements.

Significant Investments held, Material Acquisition and Disposal

The Group did not hold any significant investments nor did the Group carry out any material acquisitions and disposals of its subsidiaries during the period ended 30 June 2019.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2019, the Group had approximately 2,250 employees (including both in-house and outsourced employees) (30 June 2018: approximately 2,300 employees) in the Mainland and Hong Kong. Total remuneration for in-house and outsourced employees for the six month ended 30 June 2019 amounted to approximately RMB122.2 million in total (the six months ended 30 June 2018: approximately RMB125.1 million in total). The Group's remuneration packages comply with legislation in relevant jurisdictions and were decided based on market conditions and employees' levels of experience and qualifications; bonuses were awarded based on employee performance and the Group's financials. As in the past, the Group has ensured adequate training and professional development opportunities to employees.

PROSPECTS

In the first half of 2019, we took a big step forward by opening the FAO Schwarz flagship store in Beijing. This store set new heights in Mainland China's toy industry by providing high-quality experiential shopping and hence has been making a positive impact on the Group's reputation and further cementing our leadership in the marketplace.

The Group expects economic adjustments in Mainland China and the trade war between the USA and China to continue and add uncertainty to the retail market's outlook. Nevertheless, we remain focused on improving product mix, mix of sales channels, and operational efficiency, all of which, unlike the aforementioned macroeconomic factors, are well within grasp. We believe that we are well-positioned to make performance leaps in the near future.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To adhere to section 336 of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**"), the Company has kept a register of share interests and short positions. As of 30 June 2019, the following persons (excluding the Company's Directors) (i) held direct or indirect share interests in at least 5% of the Company's issued share capital; or (ii) had, deemed to, or taken to own long or short positions, or both, in shares or underlying shares to an extent that there is a disclosure obligation under the provisions of Division 2 and 3 of Part XV of the SFO.

Long positions

Name of shareholders	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Ms. Tang Hoi Lun	Interest of spouse[(1)]	439,224,523	54.90%
Asian Glory Holdings Limited ("**Asian Glory**")	Held by controlled corporation[(2)]	425,224,523	53.15%
FCPR Cathay Capital II	Held by controlled corporation[(3)]	78,777,637	9.85%
Eurojoy Limited	Beneficial owner	78,777,637	9.85%

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 of the Company which Mr. Lee Ching Yiu is interested in.

2. Asian Glory owns approximately 74.87% of Lovable International Holdings Limited. By virtue of the SFO, Asian Glory is deemed to be interested in the Company's shares that it holds directly and in those held by Lovable International Holdings Limited.

3. FCPR Cathay Capital II is the sole shareholder of Eurojoy Limited. By virtue of the SFO, FCPR Cathay Capital II is deemed to be interested in shares held by Eurojoy Limited.

Short positions

Name of shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding
Ms. Tang Hoi Lun	Interest of spouse[(1)]	12,000,000	1.5%
Asian Glory	Held by controlled corporation[(2)]	12,000,000	1.5%

(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 of the Company which Mr. Lee Ching Yiu is interested in. 12,000,000 shares which Mr. Lee Ching Yiu was interested in were agreed to be transferred to Mr. Hung Shing Ming at a total consideration of HK$1, subject to the condition that Mr. Hung Shing Ming remains employed by the Group on 27 December 2019.

(2) 12,000,000 shares were agreed to be transferred to Mr. Hung Shing Ming at a total consideration of HK$1, subject to Mr. Hung Shing Ming remaining employed by the listed corporation or its subsidiaries until 27 December 2019.

Save as disclosed above, as at 30 June 2019, our Directors are not aware that any other persons/entities (other than any directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company, its members of the Group or associated corporations 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities between 1 January 2019 and 30 June 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the provisions in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and has complied with all the code provisions as set out in the CG Code during the first half of 2019 except for the deviation as stated below:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Both positions are currently held by the founder of the Group, Mr. Lee Ching Yiu ("Mr. Lee"). Mr. Lee has substantial experience in the toy industry. The Board considers that the present structure provides the Group with strong and consistent leadership which facilitates the development and execution of the Group's business strategies and execution of its business plans in the most efficient and effective manner. The Board believes that it is in the best interest of the Company and its shareholders for Mr. Lee to continue to assume the roles of Chairman and CEO.

MODEL CODE SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. We have made specific enquiries with each of the Directors, and they have confirmed that during the six months ended 30 June 2019, they have complied with the required standards set out in the Model Code.

BOARD COMMITTEES

Three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, are established for them to oversee particular aspects of the Group under defined terms of reference. The terms of reference align with the CG Code and have been uploaded onto the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A list of the 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, namely Mr. Cheng Yuk Wo (committee chairman), Mr. Huang Lester Garson, and Dr. Lam Lee G.

The terms of reference of the Audit Committee adopted by the Board align with the CG Code, and have been uploaded onto the websites of the Stock Exchange and the Company.

The Audit Committee is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment, or removal of external auditors; (ii) reviewing interim report and, annual report drafts, 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 Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2019. 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 six months ended 30 June 2019.

CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Period and up to the date of this report are set out below:

Mr. Lee Ching Yiu, Executive Director, Chairman and Chief Executive Officer of the Company was appointed as a director of Tung Wah Group of Hospitals on 1 April 2019.

Mr. Huang Lester Garson, Independent Non-executive Director of the Company, was appointed as a director of Faithful Servant Charitable Foundation Limited on 21 August 2019.

Mr. Lam Lee G. ("Mr. Lam"), Independent Non-executive Director of the Company, was appointed as a non-executive director of Green Leader Holdings Group Limited (HKEx stock code: 61) on 1 June 2019 and subsequently resigned on 22 July 2019. Mr. Lam also ceased to be the vice chairman of China Shandong Hi-Speed Financial Group Limited (HKEx stock code: 412) on 3 June 2019 and remain as a non-executive director.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive directors, namely Dr. Lam Lee G. (committee chairman), Mr. Huang Lester Garson, and Mr. Cheng Yuk Wo.

The terms of reference of the Nomination Committee adopted by the Board are aligned with the code provisions set out in the CG Code and have been uploaded onto the websites of the Stock Exchange and the Company.

The Nomination Committee is mainly responsible for (i) reviewing the Board's composition, structure, size, and diversity of the Board; (ii) assessing the independence of the Independent Non-executive Directors; making recommendations to the Board on the nomination, appointment or re-appointment of Directors; and (iv) succession-planning for especially the Chairman and the CEO.

REMUNERATION COMMITTEE

The Remuneration Committee consists of two independent non-executive directors, namely Mr. Huang Lester Garson (committee chairman) and Mr. Cheng Yuk Wo as well as an executive director, Mr. Lee Ching Yiu.

The terms of reference of the Remuneration Committee adopted by the Board are aligned with the code provisions set out in the CG Code, and have been uploaded onto the websites of the Stock Exchange and the Company.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure on the remuneration packages for all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee has adopted the approach under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on remuneration packages of the directors and the senior management.

DIRECTORS' SHAREHOLDINGS

As at 30 June 2019, the interests and short positions of the directors and their associates in the Shares, underlying Shares and debentures of the Company or 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 will be required 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 which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange are as follows:

Long positions

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

(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 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 of the Company which Asian Glory owns approximately 74.87% of Lovable International Holdings Limited. By virtue of the SFO, Asian Glory is deemed to be interested in the Shares of the Company it holds directly and the Shares held by Lovable International Holdings Limited. Further, Mr. Lee Ching Yiu is the beneficial owner of 10,000,000 Shares.

(3) 12,000,000 shares were agreed to be transferred from Asian Glory at a consideration of HK$1, subject to the condition that Mr. Hung Shing Ming remains employed by the Group on 27 December 2019.

(4) Ms. Zhong Mei 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 of the Company directly held by Stars Links Venture Limited.

(5) Mr. Du Ping 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 of the Company directly held by Merits Forest Global Limited.

Short positions

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Lee Ching Yiu	Held by controlled corporation(1)	12,000,000	1.5%

(1) Mr. Lee Ching Yiu is the sole shareholder of Asian Glory. By virtue of the SFO, Mr. Lee Ching Yiu is deemed to be interested in the shares of the Company which Asian Glory owns. 12,000,000 shares held by Asian Glory were agreed to be transferred to Mr. Hung Shing Ming at a total consideration of HK$1, subject to the condition that Mr. Hung Shing Ming remains employed by the Group on 27 December 2019.

Save as disclosed above and to the knowledge of the directors, as of 30 June 2019, according to the Company's register of interests and short positions (maintained to comply with the SFO's section 352), other records and the records of the Stock Exchange, no director had or was deemed to have any interests or short positions in the Company's shares, underlying shares, or debentures or in those of the Company's associated corporations (as defined in Part XV of the SFO).

Apart from the share option schemes described below, at no time during the Period was the Company or its subsidiaries a party to any arrangement that enabled the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

The Post-IPO Share Option Scheme

On 20 October 2017, we adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") through a written resolution passed by the Company's 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 independent non-executive directors) of the Company and its subsidiaries; and (iii) advisors, consultants, suppliers, customers, and distributors ((i), (ii), and (iii) collectively referred to as the "Post-IPO Eligible Participants"), who in the sole opinion of the Board will contribute or have contributed to the Group.

Options granted under the Post-IPO Share Option Scheme will expire within 10 years after issuance. As of the publication date of this interim report, the Post-IPO Share Option Scheme had a remaining duration of about 8 years.

Options that are proposed to be granted to directors, substantial shareholders of the Company, or any associate of directors, substantial shareholders need to be approved by independent non-executive directors that are not among the proposed grantees of the options. A proposed share option grant requires prior approval through a polled shareholder resolution sans the Company's connected persons (as defined under the Listing Rules) in the following circumstances: (i) the proposed grantee is a substantial shareholder, independent non-executive director, or associate of either one; and (ii) the share option granted introduces the theoretical possibility of options-exercising at some point which leads to a substantial increase during any twelve-month span to the grantee's shareholding; an increase is substantial if it exceeds either (i) 0.1% of the total number of issued Company shares calculated on the day of the grant; or (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, non-executive director, nor associate of either one, prior approval through a polled shareholder resolution sans the Company's connected persons (as defined under the Listing Rules) is needed if the share option grant introduces the theoretical possibility of options-exercising by the grantee at some point which leads to an increase that exceeds 1% of the total of issued Company shares.

The aggregate total of underlying Company 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 Company shares unless Company shareholders approve otherwise.

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 its relevant number of shares, has a HK$1 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 remain valid unless they are 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 2019. No share option granted under the Post-IPO Share Option Scheme was outstanding as at 30 June 2019.

The Pre-IPO Share Option Scheme

On 20 October 2017, the Pre-IPO Share Option Scheme was adopted by a resolution in writing passed by the then shareholders of the Company to incentivise or reward eligible full-time, key employees, consultants or directors of the Company or any of its subsidiaries (the "Pre-IPO Eligible Participants") for their contribution to the Group.

Movements of the share options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2019 are as follows:

	Outstanding as at 1 January 2019	Exercised during the period	Lapsed or cancelled during the period	Outstanding as at 30 June 2019
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	31,900,000	–	1,300,000	30,600,000
Total	41,400,000	–	1,300,000	40,100,000

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 company directors and employees. For the six months ended 30 June 2019, options comprising 1,100,000 underlying shares (2018: 6,300,000) granted under the Pre-IPO Share Option Scheme lapsed during the Period, and the corresponding share option reserves of HK$567,000 were reclassified as retained earnings. We 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%
Maturity	24 October 2027
Risk-free rate	1.88%
Expected dividend yield	0.00%

Save as disclosed above, except for the options which have been granted under the Pre-IPO Share Option Scheme, no share options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme since its adoption and up to 30 June 2019.

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 period
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 at a general meeting by the Board or the shareholders in accordance with the terms of scheme, no additional share options will be offered under the Pre-IPO Share Option Scheme. The terms of the scheme, however, shall remain in force to the extent necessary to give effect to the exercising 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.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

As stated in the Company's prospectus dated 31 October 2017, the Company intended to use the proceeds to (i) expand the Group's retail network in Mainland China and Hong Kong; (ii) strengthen the Group's product development capabilities for the Group's brands; (iii) develop experience centres and associated products; (iv) bolster its working capital; and (v) pay for other general corporate expenses.

An analysis of the utilisation of the net proceeds from the Listing Date up to 30 June 2019 is set out below:

	Use of proceeds as stated in the Prospectus (amount adjusted per final offer price) *HK$ millions*	Actual use of proceeds as at 30 June 2019 *HK$ millions*	Unused proceeds as at 30 June 2019 *HK$ millions*	Further information on unused proceeds (if any)
To expand the Group's retail network in Mainland China and Hong Kong				
– Opening flagship toy stores in Mainland China	60.5	60.5	–	A new flagship store in Beijing was under development and renovation since August 2018 and opened in May 2019. The full amount has been utilised as intended.
– Opening Kidsland and Babyland stores in Mainland China	46.1	33.0	13.1	10 new stores were opened for the Period. The balance will be utilised in second half 2019 and afterwards for opening new stores in Mainland China.
– Opening LEGO Certified Stores in the Mainland China and Hong Kong	34.6	34.1	0.5	3 LCS stores opened in Mainland China for the period. The balance will be utilised in second half of 2019 for opening new LCS stores in Mainland China.
– Upgrading the information technology system, developing e-commerce business, upgrading store image, visual display, and paying for other marketing expenses at the retail points	34.6	34.6	–	The full amount has been utilised as intended.
To strengthen the Group's product development capabilities	51.9	51.9	–	The Group expanded its brand portfolio.
To develop experience centres and associated products	31.7	17.6	14.1	The first experience centre was opened in 2018. As at the reporting date, the Group was looking to continue to invest in associated products.
	259.4	231.7	27.7	

As of the date of this report, the amount of proceeds not yet utilised is approximately HK$27.7 million. The Company has used and/or intends to use unused proceeds in the same manner as disclosed in the Company's prospectus dated 31 October 2017.

Interim Dividends

The Board has resolved not to recommend any interim dividends in respect of the six months ended 30 June 2019.

Kidsland International Holdings Limited
Mr. Lee Ching Yiu
Chairman
27 August 2019

羅兵咸永道

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 44, which comprises the interim condensed consolidated statement of financial position of Kidsland International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2019

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (unaudited)	 2018 RMB'000 (unaudited) (restated) (note 1.1)
Revenue	4	**849,964**	811,079
Cost of goods sold		**(488,450)**	(475,805)
Gross profit		**361,514**	335,274
Other income	5	**13,789**	10,395
Other losses, net	6	**(1,352)**	(4,244)
Reversal of impairment loss/(impairment loss) on financial assets		**2,052**	(1,731)
Selling and distribution expenses		**(328,226)**	(329,646)
General and administrative expenses		**(39,985)**	(56,820)
Operating profit/(loss)		**7,792**	(46,772)
Finance costs		**(7,458)**	–
Profit/(loss) before tax		**334**	(46,772)
Income tax expense	7	**(2,271)**	(2,531)
Loss for the period	8	**(1,937)**	(49,303)
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(3,186)**	(2,567)
Other comprehensive loss for the period, net of tax		**(3,186)**	(2,567)
Total comprehensive loss for the period		**(5,123)**	(51,870)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(4,504)**	(52,193)
Non-controlling interest		**2,567**	2,890
		(1,937)	(49,303)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(7,665)**	(54,672)
Non-controlling interest		**2,542**	2,802
		(5,123)	(51,870)
Loss per share, basic and diluted	10	**(RMB0.56 cents)**	(RMB6.52 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	66,013	61,670
Deposit paid for acquisition of property, plant and equipment		114	201
Rental deposits		28,214	27,377
Right-of-use assets	*13*	188,529	–
Deferred tax assets		9,403	8,743
Intangible assets		10,215	10,174
		302,488	108,165
Current assets			
Inventories		586,853	538,697
Trade receivables	*14*	132,659	149,621
Other receivables, deposits and prepayments	*14*	127,309	105,808
Contract assets		1,793	–
Tax recoverable		–	827
Financial asset at fair value through profit or loss ("FVTPL")	*12*	16,534	16,468
Bank balances and cash		85,429	112,246
		950,577	923,667
LIABILITIES			
Current liabilities			
Trade payables	*15*	277,939	233,265
Other payables and accruals	*15*	61,512	67,715
Lease liabilities	*13*	58,170	–
Contract liabilities	*16*	20,479	16,212
Current tax liabilities		5,627	5,936
		423,727	323,128

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Non-current liabilities			
Provision for reinstatement costs	*15*	7,627	8,161
Lease liabilities	*13*	125,953	–
		133,580	8,161
Net current assets		526,850	600,539
Total assets less current liabilities		829,338	708,704
Net assets		695,758	700,543
EQUITY			
Owners of the Company			
Share capital	*17*	6,931	6,931
Reserves		677,837	685,164
		684,768	692,095
Non-controlling interest		10,990	8,448
Total equity		695,758	700,543

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2018, restated (note 1.1)	6,931	323,968	(118,988)	4,180	178,240	(19,024)	3,208	370,081	748,596	10,909	759,505
(Loss)/profit for the period	–	–	–	–	–	–	–	(52,193)	(52,193)	2,890	(49,303)
Other comprehensive expense for the period	–	–	–	–	–	(2,479)	–	–	(2,479)	(88)	(2,567)
Total comprehensive (loss)/ income for the period	–	–	–	–	–	(2,479)	–	(52,193)	(54,672)	2,802	(51,870)
Recognition of share-based payment expense (note 18)	–	–	–	–	–	–	12,846	–	12,846	–	12,846
Dividend paid (note 9)	–	–	–	–	–	–	–	(14,500)	(14,500)	–	(14,500)
Balance at 30 June 2018 (unaudited)	6,931	323,968	(118,988)	4,180	178,240	(21,503)	16,054	303,388	692,270	13,711	705,981
Balance at 31 December 2018, restated (note 1.1)	6,931	323,968	(118,988)	4,180	181,629	1,106	22,461	270,808	692,095	8,448	700,543
Change in accounting policy (note 2.1)	–	–	–	–	–	–	–	(4,625)	(4,625)	–	(4,625)
Balance at 1 January 2019, restated	6,931	323,968	(118,988)	4,180	181,629	1,106	22,461	266,183	687,470	8,448	695,918
(Loss)/profit for the period	–	–	–	–	–	–	–	(4,504)	(4,504)	2,567	(1,937)
Other comprehensive loss for the period	–	–	–	–	–	(3,161)	–	–	(3,161)	(25)	(3,186)
Total comprehensive (loss)/ income for the period	–	–	–	–	–	(3,161)	–	(4,504)	(7,665)	2,542	(5,123)
Deemed contribution from a shareholder	–	–	–	–	1,698	–	–	–	1,698	–	1,698
Recognition of share-based payment expense (note 18)	–	–	–	–	–	–	3,265	–	3,265	–	3,265
Share options lapsed	–	–	–	–	–	–	(567)	567	–	–	–
Balance at 30 June 2019 (unaudited)	6,931	323,968	(118,988)	4,180	183,327	(2,055)	25,159	262,246	684,768	10,990	695,758

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2019

	Six months ended 30 June	
	2019 **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited) (restated) (note 1.1)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**66,413**	(65,035)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(27,707)**	(20,573)
Purchase of financial asset at FVTPL	**–**	(15,277)
Deposit paid for acquisition of intangible assets	**–**	(9,438)
Deposit paid for acquisition of property, plant and equipment	**–**	(1,011)
Interest received	**172**	114
	(27,535)	(46,185)
NET CASH USED IN FINANCING ACTIVITIES		
Dividend paid	**–**	(14,500)
Payment of lease liabilities	**(65,619)**	–
Advances from related parties	**–**	704
	(65,619)	(13,796)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(26,741)**	(125,016)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**112,246**	260,527
Effect of foreign exchange rate changes	**(76)**	(2,762)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**85,429**	132,749

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Certain comparative figures have been reclassified to conform with current year's presentation of the financial statements.

1.1 Change in presentation currency

During the year, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to Renminbi ("RMB") for the preparation of its condensed consolidated interim financial information. Having considered the principal activities of the Group are mainly conducted in the People's Republic of China ("PRC") where the functional currency of those subsidiaries in the PRC are denominated in RMB, the directors of the Company considered that the change would result in a more appropriate presentation of the Group's transactions in these consolidated financial information.

The change in presentation currency have been applied retrospectively. The comparative figures in these condensed consolidated interim financial information were translated from HK$ to RMB using the applicable closing rates for items in the consolidated statement of financial position and applicable average rates that approximated to actual rates for items in the consolidated statement of profit or loss and other comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated interim financial information:

HKFRS 16	Leases
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK(IFRIC) 23	Uncertainty over income tax treatments

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases"

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 *Impacts and changes in accounting policies on application of HKFRS 16 "Leases"* (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has adopted HKFRS 16 "Leases" from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard on a modified retrospective basis. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 6.5%.

Set out below is a reconciliation of the operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised on 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018 (restated) (Note 1.1)	219,500
Less: Short-term leases to be recognised on a straight-line basis as expense	(20,361)
	199,139
Effect of discounting at incremental borrowing rate at the date of initial adoption	(34,740)
Lease liabilities recognised upon initial adoption of HKFRS 16	164,399
Representing:	
Current lease liabilities	45,164
Non-current lease liabilities	119,235
	164,399

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	At 30 June 2019 RMB'000 (unaudited)	At 1 January 2019 RMB'000 (unaudited)
Leased premises and warehouse	**188,529**	163,244
Total	**188,529**	163,244

The change in accounting policy affected the following items in the condensed consolidated statement of financial position on 1 January 2019:

Condensed consolidated statements of financial position (extract)	At 31 December 2018 as originally presented (Restated) (Note 1.1) RMB'000	Effects of the adoption of HKFRS 16 RMB'000	At 1 January 2019 restated RMB'000
Non-current assets			
Property, plant and equipment	61,670	(5,664)	56,006
Right-of-use assets	–	163,244	163,244
Deferred income tax assets	8,743	2,002	10,745
Current assets			
Other receivables, deposits and prepayments	105,808	(1,188)	104,620
Non-current liabilities			
Lease liabilities	–	119,235	119,235
Current liabilities			
Other payables and accruals	67,715	(1,380)	66,335
Lease liabilities	–	45,164	45,164
Equity			
Retained earnings	270,808	(4,625)	266,183

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

2.1.1 Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 "Lease" and HKFRIC 4 "Determining whether an Arrangement contains a Lease".

New and amended standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

3. ESTIMATION

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in trading and sales of toy and infant products.

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM"), that are used to make strategic decisions. The Group's operating segments are classified as (i) sales of toy products; and (ii) sales of infant products, which are based on the nature of the operations carried out by the Group. No operating segments have been aggregated in arriving at the reporting segments of the Group.

Segment revenues and results

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

Six months ended 30 June 2019 (unaudited)

	Sales of toy products RMB'000	**Sales of infant products RMB'000**	**Total RMB'000**
Revenue			
– Revenue recognised at a point in time	**811,490**	**38,474**	**849,964**
Segment profit	**323,689**	**15,303**	**338,992**
Unallocated income			**7,455**
Unallocated expenses			**(346,813)**
Unallocated reversal of impairment loss on financial asset			**2,052**
Unallocated other losses, net			**(1,352)**
Profit before tax			**334**

Six months ended 30 June 2018 (unaudited) (restated) (note 1.1)

	Sales of toy products RMB'000	Sales of infant products RMB'000	Total RMB'000
Revenue			
– Revenue recognised at a point in time	746,218	64,861	811,079
Segment profit	292,971	30,877	323,848
Unallocated income			4,798
Unallocated expenses			(369,443)
Unallocated impairment loss on financial assets			(1,731)
Unallocated other losses, net			(4,244)
Loss before tax			(46,772)

4. REVENUE AND SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies.

Sales and distribution channels

The Group has a diverse retail network and an extensive distribution network. The Group sells toy and infant 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	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited) (restated) (note 1.1)
Self-operated retail channels		
– Retail shops	**331,045**	305,826
– Consignment counters	**245,999**	270,949
– Online stores	**46,453**	37,318
Wholesale channels		
– Distributors	**179,581**	147,979
– Hypermarket and supermarket chains	**12,673**	19,859
– Online key accounts	**34,213**	29,148
	849,964	811,079

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The following table provides an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods.

	Six months ended 30 June	
	2019 **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited) (restated) (note 1.1)
PRC	**784,459**	752,812
Hong Kong	**65,505**	58,267
	849,964	811,079

5. OTHER INCOME

	Six months ended 30 June	
	2019 **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited) (restated) (note 1.1)
Interest income	**172**	114
Promotion income from brand owners	**6,334**	5,597
Government grants (note)	**3,457**	3,900
Sundry income	**3,826**	784
	13,789	10,395

Note: The Group received grants from a PRC local government for business development.

6. OTHER LOSSES, NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated) (note 1.1)
Net exchange loss	**(672)**	(3,567)
Loss on fair value changes of financial asset at FVTPL	**–**	(113)
Loss on disposal of property, plant and equipment	**(227)**	–
Others	**(453)**	(564)
	(1,352)	(4,244)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated) (note 1.1)
Current tax:		
Hong Kong Profits Tax	**863**	688
PRC withholding taxes	**–**	1,697
PRC Enterprise Income Tax	**67**	2,206
	930	4,591
Deferred tax:		
Current year	**1,341**	(2,060)
	2,271	2,531

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods.

The standard PRC corporate income tax rate is 25%. Certain subsidiaries are entitled to preferential tax concession.

As approved by various competent tax bureaus, the PRC withholding taxes relating to intra-group distributorship development and maintenance service fee are subject to statutory tax rate of 25% on their respective deemed taxable income or the tax rate of 10% on taxable revenue in accordance with the prescribed tax calculation method pursuant to the applicable PRC tax regulations. No such services fee are charged during the period ended 30 June 2019 and therefore no withholding tax is incurred.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited) (restated) (note 1.1)
Loss for the period is arrived after charging/(crediting):		
Employee's benefits expense (including directors' emoluments)	**122,182**	125,057
(Reversal of)/allowance for inventories, net (included in cost of goods sold)	**(5,559)**	3,656
Auditor's remuneration – audit service	**1,109**	1,330
Depreciation of property, plant and equipment	**17,583**	18,034
Depreciation of right-of-use assets	**53,682**	–
Rental expense in respect of		
– variable leases payments	**5,674**	6,395
– short term leases	**26,162**	20,361
– other rental expenses	**–**	52,089

9. DIVIDENDS

No dividend was proposed by the directors of the Company during 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

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	
	2019	2018
Loss attributable to the owners of the Company (in RMB'000)	**(4,504)**	(52,193)
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 2019 does not assume the exercising of the Company's outstanding share options since their exercising would result in a decrease in loss per share for the six months ended 30 June 2019.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, additions to property, plant and equipment amounted to RMB28,877,000 (six months ended 30 June 2018: RMB21,890,000), consisting of leasehold improvements, furniture and equipment and motor vehicles.

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represented an investment in 1.5% interest in equity of an unlisted company incorporated in the PRC. In December 2018, instead of the original plan of holding the investment for capital appreciation and dividend, the management has changed the intention to sell it for cash to invest in other projects, and therefore the Group has signed a share transfer agreement to dispose of the entire equity investment back to the original shareholder of the investee company at a consideration of HK$18,795,000. The transaction is not completed at the end of current period.

13. LEASES

(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 2019 RMB'000 (unaudited)	At 1 January 2019 RMB'000 (restated) (note 2.1)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Right-of-use assets	188,529	163,244	–
Lease liabilities			
– Current	58,170	45,164	–
– Non-current	125,953	119,235	–
	184,123	164,399	–

13. LEASES (Continued)

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

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

	30 June 2019 RMB'000 (unaudited)	30 June 2018 RMB'000 (unaudited) (restated) (note 1.1)
Depreciation charge of right-of-use assets	53,682	–
Interest expense (included in finance cost)	7,458	–

14. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Trade receivables, net	132,659	149,621
Other receivables, deposits and prepayments		
– Deposits	36,221	34,604
– Prepayments for purchase of merchandise stock for resale and expenses	31,714	24,689
– Rebate receivables from suppliers	26,447	19,719
– Promotion income receivables from brand owners	2,742	3,179
– Other taxes recoverable	23,475	17,188
– Others	6,710	6,429
	127,309	105,808

The Group's retail sales are mainly made through the Group's self-operated retail network comprising stand-alone retail shops and consignment counters in department stores. The Group also sells directly to retailers in the PRC. Sales at self-operated retail shops in the PRC are transacted either by cash, credit cards, Alipay or WeChat Pay and whose settlement periods are normally within 2 days from the transaction dates. For sales made at consignment counters, department stores collect payments from ultimate customers, then pay the Group a balance after deducting consignment expenses. The credit period granted to department stores ranges from 30 days to 180 days.

14. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The Group's distribution business is operated through sales to online key accounts, offline distributors and hypermarket and supermarket chains in the PRC. The Group's trading terms with distributors and hypermarket and supermarket chains are mostly on credit and in cash in general for offline distributors. Credit periods granted to a few offline distributors, online key accounts and hypermarket and supermarket chains range from 15 days to 60 days.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the revenue recognition:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Within 30 days	**103,077**	119,456
31 to 60 days	**10,205**	19,410
61 to 90 days	**2,533**	3,857
91 to 180 days	**10,184**	6,898
181 to 365 days	**6,660**	–
	132,659	149,621

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Trade payables (Note (a))	**277,939**	233,265
Other payables and accruals		
– Due to related companies (Note (b))	**2,245**	1,780
– Accrued expenses	**17,820**	24,752
– Provision for retirement benefit costs	**11,468**	11,429
– Provision for reinstatement costs	**17,883**	18,719
– Other taxes payable	**13,474**	14,479
– Others	**6,249**	4,717
	69,139	75,876
Less: Provision for reinstatement costs presented as non-current liability	**(7,627)**	(8,161)
Other payables and accruals presented as current liabilities	**61,512**	67,715

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

Note (a)

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

The following is an analysis of trade payables by age, presented based on the invoice date.

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Within 30 days	169,354	127,709
31 to 60 days	73,056	77,553
61 to 90 days	23,258	23,776
Over 90 days	12,271	4,227
	277,939	233,265

Note (b)

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

Amount due to related companies	Nature of balance	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Land Smart Development Limited (Note i)	Trade	2,245	1,525
Captcha Media Limited (Note ii)	Trade	–	255
		2,245	1,780

Notes:

(i) Land Smart Development Limited is controlled by Mr. Lee Ching Yu, Chairman of the Group. The amounts are unsecured, interest-free and repayable on demand.

(ii) Captcha Media Limited is controlled by Dr. Lo Wing Yan William, a former executive director of the Group. The amounts are repayable in one month.

16. 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.

17. SHARE CAPITAL

	Number of shares	Value RMB'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2018, 1 January 2019 and 30 June 2019	50,000,000,000	433,188
Issued and fully paid:		
At 31 December 2018, 1 January 2019 and 30 June 2019	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 that was established to recognise and acknowledge the contributions that eligible participants under the scheme have or may have made to the Group.

Eligible participants include full-time employees, 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 authorised to grant to 78 eligible participants rights 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 is HK$0.8.

The share options granted to each grantee under the Pre-IPO Share Option Scheme shall be vested in three tranches representing 40%, 30% and 30% of the total number of options granted, respectively, commencing on 25 October 2018, the first anniversary of the grant date and on each of the second and third anniversary of the grant date. No consideration is payable on the grant of an option. Those to whom share options were granted under the Pre-IPO Share Option Scheme are entitled to exercise share options any time after the options have been vested but in any event on or before the expiry of ten years from the respective grant dates.

18. SHARE OPTION SCHEMES (Continued)

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

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

Options	Vesting period	Outstanding at 1 January 2019	Lapsed during the period	Exercised during the period	Outstanding at and 30 June 2019
Directors					
Tranche 1	25 October 2017 to 24 October 2018	3,800,000	–	–	3,800,000
Tranche 2	25 October 2017 to 24 October 2019	2,850,000	–	–	2,850,000
Tranche 3	25 October 2017 to 24 October 2020	2,850,000	–	–	2,850,000
		9,500,000	–	–	9,500,000
Employees					
Tranche 1	25 October 2017 to 24 October 2018	12,760,000	520,000	–	12,240,000
Tranche 2	25 October 2017 to 24 October 2019	9,570,000	390,000	–	9,180,000
Tranche 3	25 October 2017 to 24 October 2020	9,570,000	390,000	–	9,180,000
		31,900,000	1,300,000	–	30,600,000
		41,400,000	1,300,000	–	40,100,000

18. SHARE OPTION SCHEMES (Continued)

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

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	

The Group recognised a total expense of RMB3,265,000 during the six months ended 30 June 2019 (six month ended 30 June 2018: RMB12,846,000) in relation to the Pre-IPO share options granted by the Company.

19. CAPITAL COMMITMENTS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Contracted but not provided for in the condensed consolidated interim financial information in respect of acquisition of property, plant and equipment	460	809

20. RELATED PARTY DISCLOSURES

(a) Transactions

		Six months ended 30 June	
Name of related parties	Nature of transactions	**2019 RMB'000 (unaudited)**	2018 RMB'000 (unaudited) (restated) (note 1.1)
Captcha Media Limited (Note i)	Marketing service fee	**–**	634
Land Smart Development Limited (Note ii)	Rental expenses	**720**	762
Politor Limited (Note ii)	Rental expenses	**285**	268

Notes:

(i) The related company is controlled by Dr. Lo Wing Yan William, a former executive director of the Group.

(ii) The related companies are controlled by Mr. Lee Ching Yiu, Chairman of the Group.

(b) Compensation of key management personnel

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited) (restated) (note 1.1)
Director's fee	**86**	121
Salaries and allowances	**4,228**	3,093
Discretionary bonus	**–**	998
Share-based payments	**2,595**	4,454
Retirement benefit schemes contributions	**333**	360
	7,242	9,026

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable: Set out below is the information about how the fair values of the Group's financial assets that are measured at fair value are determined, including the valuation technique and inputs used:

Financial assets	Fair value hierarchy	Valuation technique and key inputs	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited) (restated) (note 1.1)
Financial asset at FVTPL				
– Unlisted equity securities	Level 2	Transaction price with minor adjustments	16,534	16,468