



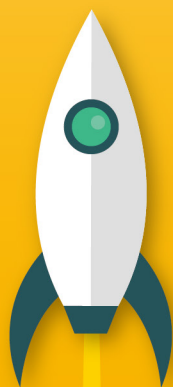
凱和樂

kidsland international holdings limited

凱和樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2122)



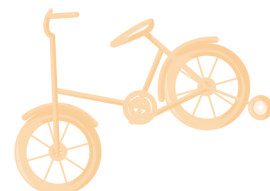
2020

Interim Report

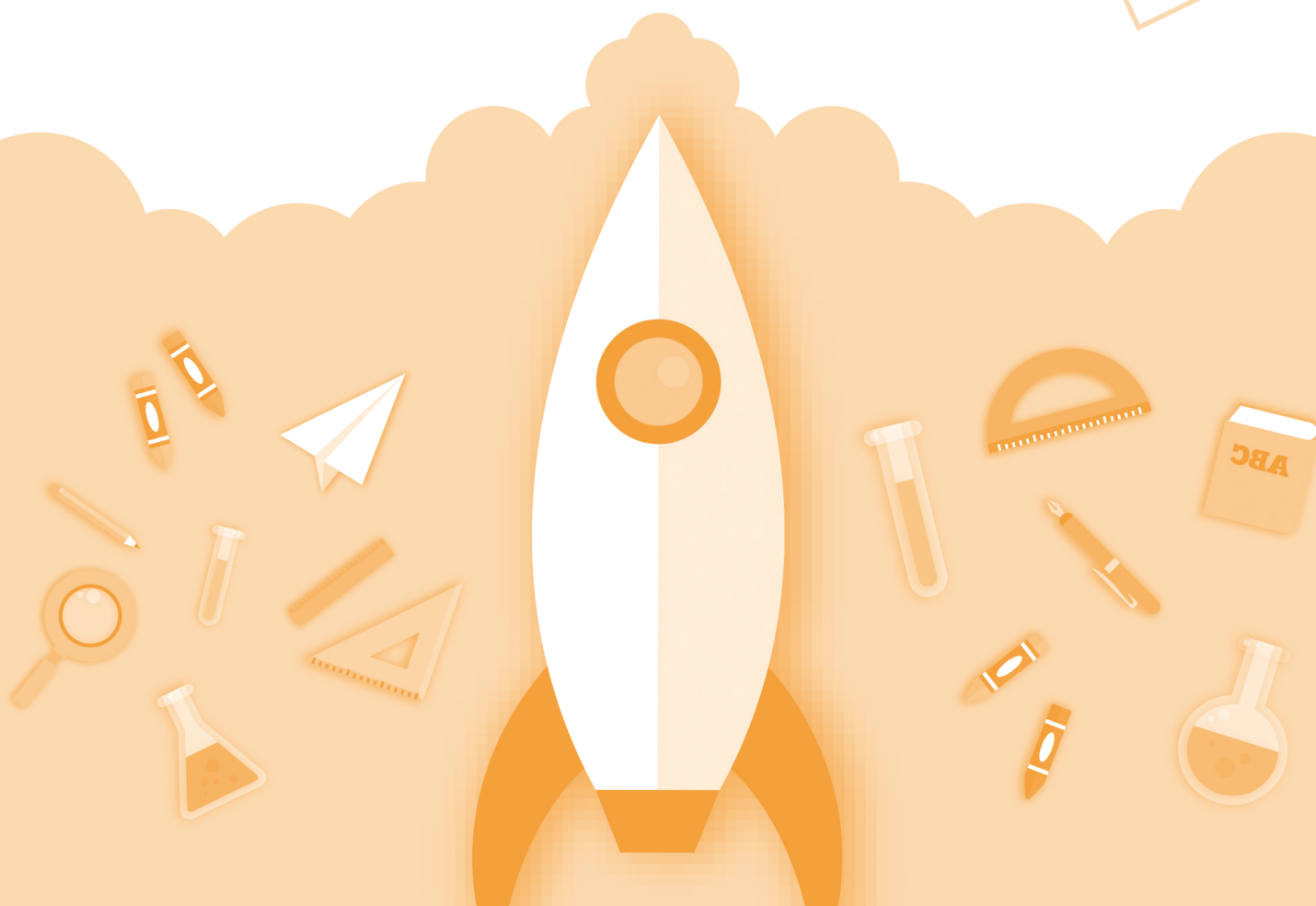
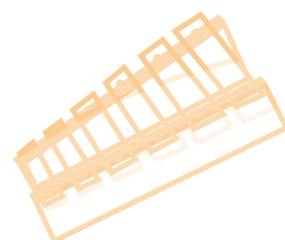
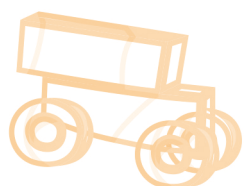




CONTENTS



Corporate Information	2
Management Discussion and Analysis	3–9
Corporate Governance and Other Information	10–17
Report on Review of Interim Financial Information	18
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	20–21
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	23
Notes to the Condensed Consolidated Interim Financial Information	24–38





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Du Ping
Ms. Duan Lanchun

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Chun Yeung Darren (resigned on 1 June 2020)
Sir Kwok Siu Man KR (appointed on 1 June 2020)

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu
Mr. Chan Chun Yeung Darren (ceased to act on 1 June 2020)
Sir Kwok Siu Man KR (appointed on 1 June 2020)

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

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

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Hong Kong

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

The PRC

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

COMPANY'S WEBSITE

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

STOCK CODE

2122

BOARD LOT

2,000 shares

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The outbreak of the novel coronavirus disease 2019 (the “COVID-19”) has taken its toll on our operations and hence financial results of Kidsland International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) for the six months ended 30 June 2020 (the “Reporting Period”). We have taken immediate and emphatic measures to strengthen our cash management by intensifying our expense and product procurement measurements. We have also continuously optimised our retail network in Mainland China and renegotiating and exiting loss-making retail locations. However, the benefits from such measures were not quick and sufficient enough to offset the full strength of adverse impact caused by the decline in sales and gross profit margin brought by the COVID-19. As a result, a loss of approximately RMB135.6 million was recorded in the Reporting Period.

However, despite the considerable decline in the Group’s revenue and profitability, we managed to increase our cash position from RMB36.2 million as of 31 December 2019 to RMB117.8 million as of 30 June 2020 and reduced our inventory from RMB576.4 million as of 31 December 2019 to RMB473.9 million as of 30 June 2020.

Meanwhile, we stay focused on executing our turnaround plan and many workstreams under the digitalization and customer-centric strategic blueprint as set out in our 2019 annual report. For example, our first flagship Kidsland store under the new image and brand platform was launched in Beijing on 28 August 2020. On 29 April 2020, we opened our fifth LEGO Certified Store in Hong Kong and saw satisfactory results. On 3 August 2020, we launched LEGO Certified Online Store (<https://LEGO.kidslandgroup.com>) in Hong Kong, offering the most diversified and comprehensive LEGO product range in Asia Pacific. This signified another important milestone of our efforts in online and offline integration of the customer journey.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 30 June 2020, this network comprised:

Self-operated Retail Channels

- 717 self-operated retail points of sale consisting of retail shops and consignment counters (30 June 2019: 750)
- 22 online stores (30 June 2019: 20)

Wholesale Channels

- 638 distributors (30 June 2019: 849) who onsell our products through third party retailers or at their own retail shops, the number of which amounted to over 2,600 (30 June 2019: over 3,400)
- 16 hypermarket and supermarket chains (30 June 2019: 16)
- 5 online key accounts (30 June 2019: 7)

Detailed breakdowns of our distribution network are set out below:

1. Self-operated Retail Channels

1.1 Retail Shops

During the Reporting Period, we continued to optimise our store network.

Changes in the number of retail shops for the periods indicated are shown below:

	Six months ended 30 June	
	2020	2019
Retail shops		
At the beginning of the period	239	257
Addition of new retail shops	3	10
Closure of retail shops	(24)	(21)
At the end of the period	218	246

1.2 Consignment Counters

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

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

	Six months ended 30 June	
	2020	2019
Consignment counters		
At the beginning of the period	505	519
Addition of new consignment counters	17	17
Closure of consignment counters	(23)	(32)
At the end of the period	499	504

1.3 Online Stores

During the Reporting Period, we launched 3 and closed 1 flagship stores of brands that we represented on third-party-operated online platforms such as Tmall, JD.com and Kaola. As of 30 June 2020, we had 22 online stores in total, compared with 20 as of 30 June 2019.

2. Wholesale Channels

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

2.1 Distributors

As of 30 June 2020, we had 638 distributors (30 June 2019: 849), who onsell our products through third party retailers or at their own retail shops, which totaled to more than 2,600 (30 June 2019: more than 3,400) in Mainland China.

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

	Six months ended 30 June	
	2020	2019
Distributors		
At the beginning of the period	697	931
Addition of new distributors	38	88
Expiry without renewal of distribution agreements	(97)	(170)
At the end of the period	638	849

2.2 Hypermarket and Supermarket Chains

As of 30 June 2020, we had wholesale arrangements with 16 hypermarket and supermarket chains (30 June 2019: 16) with a sum of 689 retail points (30 June 2019: 689) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

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

	Six months ended 30 June	
	2020	2019
Hypermarket and supermarket chains		
At the beginning of the period	16	16
Addition/termination of hypermarket and supermarket chains	—	—
At the end of the period	16	16

2.3 Online Key Accounts

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

	Six months ended 30 June	
	2020	2019
Online key accounts		
At the beginning of the period	5	7
Addition/termination of online key accounts	—	—
At the end of the period	5	7

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group decreased by 24.6% from approximately RMB850.0 million in the six months ended 30 June 2019 (the "Prior Period") to approximately RMB641.2 million.

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Self-operated retail channels		
– Retail shops	267,994	331,045
– Consignment counters	185,055	245,999
– Online stores	49,211	46,453
Sub-total:	502,260	623,497
Wholesale channels		
– Distributors	109,449	179,581
– Hypermarket and supermarket chains	9,587	12,673
– Online key accounts	19,893	34,213
Sub-total:	138,929	226,467
Total:	641,189	849,964

Self-operated Retail Channels

The self-operated retail channels recorded a decrease in revenue of 19.4% to approximately RMB502.3 million during the Reporting Period. Despite the drop in retail shops revenue by 19.0% to approximately RMB268.0 million and the drop in consignment counters revenue by 24.8% to approximately RMB185.1 million, revenue from our online stores rose by 5.9% to approximately RMB49.2 million.

Wholesale channels

For the Reporting Period, revenue contributed by wholesale channels declined by 38.7% to approximately RMB138.9 million, as the recovery of sales from the impact of COVID-19 from the wholesale channels take a longer time than the recovery in self-operated retail channels.

Revenue from distributors, hypermarket and supermarket chains, and online key accounts dropped by 39.1% to approximately RMB109.4 million, 24.4% to approximately RMB9.6 million and 41.9% to approximately RMB19.9 million, respectively.

Combining revenue from online stores and online key accounts, our total revenue through e-commerce totaled approximately RMB69.1 million, or 10.8% of our total revenue during the Reporting Period (9.5% in the Prior Period).

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 12.6% from approximately RMB488.5 million in the Prior Period to approximately RMB426.8 million in the Reporting Period. The drop was consistent with the decrease in revenue volume, partially offset by non-cash inventory provision of approximately RMB31.1 million. The Group's gross profit margin decreased from 42.5% in the Prior Period to 33.4% for the Reporting Period. Excluding non-cash inventory provision, the Group's adjusted gross profit margin for the Reporting Period would have been 38.3%. Gross profit declined from approximately RMB361.5 million in the Prior Period to approximately RMB214.4 million in the Reporting Period.

**Other Income**

Other income, consisting mainly of promotion income from brand owners and government grants, dropped by approximately RMB9.8 million from approximately RMB13.8 million in the Prior Period to approximately RMB4.0 million in the Reporting Period.

Other Losses, Net

Other losses, net rose by approximately RMB5.7 million from approximately RMB1.4 million in the Prior Period to approximately RMB7.1 million in the Reporting Period. Other losses, net was mainly attributable to net exchange loss.

Impairment Loss/Reversal of Impairment Loss on Financial Assets

The amount represented provision made for or reversal of impairment loss on trade receivables. Provision for impairment loss on trade receivables was made for approximately RMB1.5 million in the Reporting Period, compared to reversal of impairment loss of RMB2.1 million in the Prior Period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 5.3% from approximately RMB328.2 million in the Prior Period to approximately RMB310.7 million in the Reporting Period. The Group intensified its expense management and hence attributed to the decline in selling and distribution expenses, although such decline was partially offset by non-cash impairment provision of property, plant and equipment, and right-of-use assets amounting to RMB20.3 million. Excluding the non-cash impairment provision of property, plant and equipment, and right-of-use assets, selling and distribution expenses would have decreased by 11.5% in the Reporting Period.

General and Administrative Expenses

General and administrative expenses decreased by 24.8% from approximately RMB40.0 million in the Prior Period to approximately RMB30.1 million in the Reporting Period. The drop was mainly attributable to reduction in share-based payments and staff costs, and better cost control on other sundry expenses.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, dropped by approximately RMB1.5 million from approximately RMB7.5 million in the Prior Period to approximately RMB6.0 million in the Reporting Period.

Loss for the Period

A loss of approximately RMB135.6 million was recorded in the Reporting Period (Prior Period: loss of approximately RMB1.9 million).

If non-cash impairment provision of inventory, property, plant and equipment, and right-of-use assets amounting to approximately RMB51.4 million were excluded, loss of the Group would have been approximately RMB84.2 million in the Reporting Period.

Inventory as well as Trade Receivables and Payables Turnover Days

Inventory turnover days increased from 211 days in the Prior Period to 224 days in the Reporting Period. Trade receivables turnover days increased from 32 days in the Prior Period to 35 days in the Reporting Period. Trade payables turnover days decreased from 94 days in the Prior Period to 86 days in the Reporting Period.

Cash Conversion Cycle

The 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 increased from 149 days in the Prior Period to 173 days in the Reporting Period.

With intensified product procurement management over the Reporting Period, we managed to substantially reduced our inventory from RMB576.4 million as of 31 December 2019 to RMB473.9 million as of 30 June 2020.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB24.7 million in property, plant, and equipment, mainly to renovate existing shops (Prior Period: approximately RMB28.9 million).

Liquidity and Financial Resources

The Group's primary source of funds were cash inflows from operating activities, bank borrowings and a loan facility from a related company.

The Group's cash position as of 30 June 2020 was approximately RMB117.8 million compared to approximately RMB36.2 million as of 31 December 2019. The current ratio and quick ratio as of 30 June 2020 were 1.7 and 0.9, respectively (31 December 2019: 1.9 and 0.9, respectively).

As of 30 June 2020, the Group had aggregate banking facilities of approximately RMB113.8 million (31 December 2019: approximately RMB118.0 million) for bank loans and trade financing, of which approximately RMB75.4 million (31 December 2019: approximately RMB81.5 million) was unutilised as of the same date. These facilities are secured by corporate guarantees provided by the Company.

As of 30 June 2020, the Group had a loan facility from a related company of approximately RMB36.5 million (31 December 2019: approximately RMB35.8 million), of which approximately RMB36.3 million was utilised (31 December 2019: approximately RMB13.7 million).

Gearing Ratio

The table below analyses the Group's capital structure as of 30 June 2020:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bank balances and cash	112,335	30,685
Restricted cash	5,500	5,500
Less: Loan from a related company	(36,264)	(13,695)
Less: Lease liabilities	(164,280)	(192,647)
Net debt	(82,709)	(170,157)
Total equity	503,533	632,277
Total capital	420,824	462,120

The Group was in a net debt position of RMB82,709,000 as of 30 June 2020 (31 December 2019: RMB170,157,000). The Group's gearing ratio, as calculated by dividing the Group's net debt by the Group's total equity, as of 30 June 2020 was approximately 16% (31 December 2019: 27%).

Charge of Assets

As of 30 June 2020, the Group had restricted cash of approximately RMB5.5 million for bank guarantee of a trade finance facility (31 December 2019: approximately RMB5.5 million).

Contingent Liabilities

As of 30 June 2020, the Group did not have significant contingent liabilities (31 December 2019: Nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from exposure in the United States Dollar, Euro and Hong Kong Dollar against Renminbi. The Group currently does not have a foreign currency hedging policy. 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.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2020, the Group had approximately 1,900 employees (including both in-house and outsourced employees) (30 June 2019: approximately 2,300 employees) in Mainland China and Hong Kong. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB39.9 million and RMB48.8 million, respectively (Prior Period: approximately RMB57.5 million and RMB64.6 million, respectively). The Group’s remuneration packages comply with legislation in relevant jurisdictions and are decided based on market conditions and employees’ levels of experience and qualifications; bonuses are awarded based on employee performance and the Group’s financials. The Group has been ensuring adequate training and professional development opportunities to employees. The Group has adopted a post-IPO share option scheme and a pre-IPO share option scheme on 20 October 2017. Details of such schemes are set out in the section headed “Share Option Schemes” below.

EVENTS AFTER THE REPORTING PERIOD

No significant events affecting the Group have taken place after 30 June 2020 until 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 recommend any interim dividends in respect of 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 Listing Rules (the “CG Code”) as its own code on corporate governance and, to the best knowledge of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the Reporting Period except for the deviation as stated below:

Code provision A.2.1 stipulates that the roles of chairman (the “Chairman”) and chief executive officer (the “CEO”) should be separate and should not be performed by the same individual. Both positions are currently held by Mr. Lee Ching Yiu (“Mr. Lee”). As the founder of the Group, Mr. Lee 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 continues to assume the roles of the Chairman and the CEO.

MODEL CODE SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”) as the guidelines for the Director’s dealings in the securities of the Company. Following specific enquiries made by the Company 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 of Hong Kong Limited (the “Stock Exchange”) and the Company. A list of the chairman and members of each of the Board Committees 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 (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 interim financial information for the Reporting Period. 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.

NOMINATION COMMITTEE

The Nomination Committee comprises three Independent Non-executive Directors, namely Dr. Lam Lee G. (as committee chairman), Mr. Huang Lester Garson and Mr. Cheng Yuk Wo. It is mainly responsible for (i) reviewing the Board's composition, structure, size and diversity; (ii) assessing the independence of the Independent Non-executive Directors; (iii) making recommendations to the Board on the nomination, appointment or re-appointment of Directors; and (iv) succession-planning, regarding in particular, the Chairman and CEO.

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 are currently made available on the websites of the Stock Exchange and the Company.

REMUNERATION COMMITTEE

The Remuneration Committee consists of two Independent Non-executive Directors, namely Mr. Huang Lester Garson (as committee chairman) and Mr. Cheng Yuk Wo, as well as an Executive Director, Mr. Lee Ching Yiu. It 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 terms of reference of the Remuneration 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 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 June 2020, 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 are as follows:

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

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

(L) denotes long position

(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 chief executive officer of the Company, 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 same number of 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 same number of 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 same number of Shares held by Stars Links Venture Limited.

(4) Mr. Du Ping, an 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 same number of Shares held by Merits Forest Global Limited.

(5) As of 30 June 2020, the Company had 800,000,000 Shares in issue.

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

Name of Directors	Nature of interest	Number of issued ordinary shares	Approximate percentage
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 2020, 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 had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 30 June 2020, so far as are known to the Board, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Division 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, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Long positions

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

(L) denotes long position

- (1) Ms. Tang is the spouse of Mr. Lee Ching Yiu. By virtue of the SFO, Ms. Tang is deemed to be interested in the same number of 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 same number of Shares held by Lovable.
- (3) FCPR Cathay Capital II is the sole shareholder of Eurojoy Limited. By virtue of the SFO, FCPR Cathay Capital II is deemed to be interested in the same number of Shares owned by Eurojoy Limited.

Save as disclosed above, as of 30 June 2020, the 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, which fell 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 2019 annual report are set out below:

- On 11 April 2020, Mr. Huang Lester Garson was appointed as a steward of the Hong Kong Jockey Club, and a director of each of The Hong Kong Jockey Club (Charities) Limited, The Hong Kong Jockey Club Membership Services Limited and The Jockey Club Kau Sai Chau Public Golf Course Limited.
- On 21 April 2020, Mr. Huang Lester Garson was appointed as a director of The Hong Kong Jockey Club Equine Welfare Research Foundation Limited.
- On 29 May 2020, Mr. Cheng Yuk Wo retired as an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (stock code: 620), 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 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 (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 7 years.

Options that are granted to Directors, chief executives, substantial shareholders of the Company, or any of the foregoing parties’ associates need to be approved by Independent Non-executive Directors who 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, Independent Non-executive Director, 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 either (i) 0.1% of the total number of issued 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, Independent Non-executive Director, 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 Company’s 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 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 2020. No share option was outstanding under the Post-IPO Share Option Scheme as of 30 June 2020.

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 Company's 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 7 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 2020	Exercised during the period	Lapsed or cancelled during the period	Granted during the period	Outstanding as of 30 June 2020
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	28,700,000	–	2,400,000	–	26,300,000
Total	38,200,000	–	2,400,000	–	35,800,000

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 2,400,000 underlying Shares (Prior Period: 1,300,000 underlying Shares) granted under the Pre-IPO Share Option Scheme lapsed, and the corresponding share option reserves of RMB1,346,000 (Prior Period: RMB567,000) were reclassified as retained earnings. As of 30 June 2020, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 35,800,000 shares, which represented 4.48% 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.

	2017
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, 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 2020.

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 by a resolution of each of a meeting by the Board and a general meeting by Shareholders in accordance with the terms of the scheme, no additional share options will be offered under the Pre-IPO 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 listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities during the Reporting Period.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

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

An analysis of the utilisation of the Net Proceeds from the Listing Date up to 30 June 2020 is set out below:

	Use of the Net Proceeds as stated in the Prospectus (amount adjusted per final offer price) HK\$ million	Actual use of the Net Proceeds as of 30 June 2020 HK\$ million	Actual use of the Net Proceeds during the Reporting Period HK\$ million	Unused Net Proceeds as of 30 June 2020 HK\$ million	Further information
Expand the Group's retail network in Mainland China and Hong Kong					
– Opening flagship toy stores in Mainland China	60.5	60.5	–	–	The full amount has been utilised as intended.
– Opening Kidsland and Babyland stores in Mainland China	46.1	46.1	–	–	The full amount has been utilised as intended.
– Opening LEGO Certified Stores in Mainland China and Hong Kong	34.6	34.6	–	–	The full amount has been utilised as intended.
– Upgrading the information technology system, developing e-commerce business, upgrading store image and visual display, and paying for other marketing expenses at the retail points	34.6	34.6	–	–	The full amount has been utilised as intended.
Strengthen the Group's product development capabilities	51.9	51.9	–	–	The full amount has been utilised as intended.
Develop experience centres and associated products	31.7	21.0	2.8	10.7	The remaining amount is planned to be utilised by 31 December 2021 as originally intended. However, given the unfavourable factors as a result of the COVID-19, the progress of the development of experience centres and associated products may be affected. Accordingly, the Management will re-assess and, where necessary, revise the timeline of the said development by the fourth quarter of 2020.
Working capital and other general corporate purposes	28.9	28.9	–	–	The full amount has been utilised as intended.
	288.3	277.6	2.8	10.7	

As of the date of this interim report, the amount of Net Proceeds not yet utilised is approximately HK\$10.7 million. The Company has used and/or intends to use the unused Net Proceeds in the same manner as disclosed in the Prospectus.

Kidsland International Holdings Limited

Mr. Lee Ching Yiu

Chairman

31 August 2020

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 38, 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 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2020

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	4	641,189	849,964
Cost of sales		(426,782)	(488,450)
Gross profit		214,407	361,514
Other income	5	3,952	13,789
Other losses, net	6	(7,065)	(1,352)
(Impairment loss)/reversal of impairment loss on financial assets		(1,502)	2,052
Selling and distribution expenses		(310,744)	(328,226)
General and administrative expenses		(30,145)	(39,985)
Operating (loss)/profit		(131,097)	7,792
Finance costs		(6,028)	(7,458)
(Loss)/profit before tax		(137,125)	334
Income tax credit/(expense)	7	1,512	(2,271)
Loss for the period		(135,613)	(1,937)
Other comprehensive income/(loss)			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		5,735	(3,186)
Other comprehensive income/(loss) for the period, net of tax		5,735	(3,186)
Total comprehensive loss for the period		(129,878)	(5,123)
(Loss)/profit for the period attributable to:			
Owners of the company		(131,696)	(4,504)
Non-controlling interest		(3,917)	2,567
		(135,613)	(1,937)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the company		(125,833)	(7,665)
Non-controlling interest		(4,045)	2,542
		(129,878)	(5,123)
Loss per share, basic and diluted	10	(RMB16.5 cents)	(RMB0.56 cent)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	51,811	58,377
Right-of-use assets	12	140,311	183,835
Intangible assets		9,810	9,882
Deposit paid for acquisition of property, plant and equipment		165	–
Rental deposits	13	18,853	24,734
Deferred tax assets		24,838	24,838
		245,788	301,666
Current assets			
Inventories		473,909	576,375
Trade receivables	13	111,424	134,190
Other receivables, deposits and prepayments	13	97,455	132,981
Right of return assets		894	3,271
Tax recoverable		842	190
Restricted cash		5,500	5,500
Bank balances and cash		112,335	30,685
		802,359	883,192
LIABILITIES			
Current liabilities			
Trade payables	14	189,729	214,444
Other payables and accruals	14	122,306	81,386
Loan from a related company	19	36,264	13,695
Lease liabilities	12	88,964	101,458
Contract liabilities	15	18,365	35,752
Current tax liabilities		7,047	7,970
		462,675	454,705

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Non-current liabilities			
Provision for reinstatement costs	14	6,623	6,687
Lease liabilities	12	75,316	91,189
		81,939	97,876
Net current assets		339,684	428,487
Total assets less current liabilities		585,472	730,153
Net assets		503,533	632,277
EQUITY			
Owners of the Company			
Share capital	16	6,931	6,931
Reserves		489,606	614,305
		496,537	621,236
Non-controlling interest		6,996	11,041
Total equity		503,533	632,277

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2020

(Unaudited)	Attributable to owners of the Company								Non-controlling interest		Total
	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	RMB'000	RMB'000
Balance at 1 January 2019	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	-	-	-	-	-	-	-	(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 17)	-	-	-	-	-	-	3,265	-	3,265	-	3,265
Share options lapsed	-	-	-	-	-	-	(567)	567	-	-	-
Balance at 30 June 2019	6,931	323,968	(118,988)	4,180	183,327	(2,055)	25,159	262,246	684,768	10,990	695,758
Balance at 1 January 2020	6,931	323,968	(118,988)	4,443	185,068	7,210	28,011	184,593	621,236	11,041	632,277
Loss for the period	-	-	-	-	-	-	-	(131,696)	(131,696)	(3,917)	(135,613)
Other comprehensive income/(loss) for the period	-	-	-	-	-	5,863	-	-	5,863	(128)	5,735
Total comprehensive (loss)/income for the period	-	-	-	-	-	5,863	-	(131,696)	(125,833)	(4,045)	(129,878)
Recognition of share-based payment expense (note 17)	-	-	-	-	-	-	1,134	-	1,134	-	1,134
Share options lapsed	-	-	-	-	-	-	(1,346)	1,346	-	-	-
Balance at 30 June 2020	6,931	323,968	(118,988)	4,443	185,068	13,073	27,799	54,243	496,537	6,996	503,533

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2020


	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	134,378	66,413
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment (<i>note 11</i>)	(24,709)	(27,707)
Net proceeds from purchase and disposal of financial assets at fair value through profit or loss	269	–
Deposit paid for acquisition of property, plant and equipment	(165)	–
Interest received	181	172
	(24,424)	(27,535)
NET CASH USED IN FINANCING ACTIVITIES		
Principal elements of lease payments	(45,271)	(58,161)
Interest elements of lease payments	(5,733)	(7,458)
Proceeds from loan from a related company	23,815	–
Repayment of loan from a related company	(1,696)	–
	(28,885)	(65,619)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	81,069	(26,741)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30,685	112,246
Effect of foreign exchange rate changes	581	(76)
CASH AND CASH EQUIVALENTS AT 30 JUNE	112,335	85,429



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2020

1. BASIS OF PREPARATION



This unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). Certain comparative figures have been reclassified to conform with current period’s presentation of the financial information.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis.

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 2019 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated interim financial information:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Amendment to HKFRS 9 and HKFRS 7	Interest rate benchmark reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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. Also, the Group has early adopted Amendments to HKFRS 16 “COVID-19 Related Rent Concession” from 1 January 2020 in order to apply practical expedient on rent concession related to COVID-19 that is effective on or after 1 June 2020, and the impact of the adoption is disclosed in Note 12. Other than Amendments to HKFRS 16, most of the other amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. The adoption of other new and amended standards did not have any material impact on the current period or any prior periods.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**New and amended standards and interpretations not yet adopted**

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 1, HKFRS 9, HKAS 41 and HKFRS 16	2018–2020 annual improvement cycle	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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

2.1. Change in presentation of segment information

During previous years, the directors have presented the Group's operating segment information based on the nature of operations of the Group and classified into two operating segments of sales of toys and sales of infant products. During the period ended 30 June 2020, the directors have changed the presentation of segment results based on the geographic area in which the Group operates.

Comparative financial information for the period ended 30 June 2019 has been restated following this change in presentation of segment information.

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, as well as income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2019.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in trading and sales of toys 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, that are used to make strategic decisions. The Group's operating segments are classified as the geographic areas (i) the People's Republic of China (the "PRC"); and (ii) Hong Kong and overseas, which are based on the geographic areas of the operations carried out by the Group. No operating segments have been aggregated in arriving at the reporting segments of the Group.

Segment revenue and results

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

Six months ended 30 June 2020 (Unaudited)

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

Six months ended 30 June 2019 (restated) (note 2.1) (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	784,459	142,658	(77,153)	849,964
Segment results	3,524	8,567	–	12,091
Unallocated other income				172
Unallocated corporate expenses				(11,257)
Unallocated other losses, net				(672)
Profit before tax				334

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 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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Self-operated retail channels		
– Retail shops	267,994	331,045
– Consignment counters	185,055	245,999
– Online stores	49,211	46,453
Wholesale channels		
– Distributors	109,449	179,581
– Hypermarket and supermarket chains	9,587	12,673
– Online key accounts	19,893	34,213
	641,189	849,964

5. OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest income	181	172
Promotion income from brand owners	–	6,334
Government grants (note)	2,620	3,457
Sundry income	1,151	3,826
	3,952	13,789

Note: The Group recognises government grants from certain municipal governments and authorities of economic development zones. These grants are mainly innovation funding for the use of operation. The Group also recognises subsidies from Hong Kong government relating to "Retail Sector Subsidy Scheme" under the Anti-epidemic Fund.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2020

6. OTHER LOSSES, NET

Six months ended 30 June

	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Net exchange loss	(7,154)	(672)
Gain on fair value changes of financial asset at fair value through profit or loss	269	—
Loss on disposal of property, plant and equipment	(3)	(227)
Others	(177)	(453)
	(7,065)	(1,352)

7. INCOME TAX (CREDIT)/EXPENSE

Six months ended 30 June

	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	468	863
PRC Enterprise Income Tax	(1,980)	67
	(1,512)	930
Deferred tax:		
Current year	—	1,341
	(1,512)	2,271

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

8. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Auditors' remuneration		
– Audit services	1,155	1,109
Amortisation of intangible asset	263	256
Depreciation of property, plant and equipment	21,926	17,583
Depreciation of right-of-use assets (note 12(ii))	57,604	53,682
Impairment loss on property, plant and equipment (note)	9,530	–
Impairment loss on right-of-use assets (note)	10,765	–
Cost of inventories	379,061	485,209
Rental expenses in respect of		
– variable leases payments (note 12(ii))	6,977	5,674
– short term leases (note 12(ii))	8,211	26,162
Rent concession (note 12(ii))	(7,700)	–
Advertising and promotional expenses	27,708	17,424
Concessionaire fees	63,944	84,278
Employee benefit expenses (including directors' emoluments)	39,922	57,533
Outsourced personnel service fee	48,790	64,649
Provision for/(reversal of) impairment loss on trade receivables	1,502	(2,051)
Provision for/(reversal of) impairment loss on inventories, net (included in cost of sales)	31,131	(5,559)
Transportation	22,056	16,401
Building management fee	15,344	15,827

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 RMB9,530,000 and RMB10,765,000 respectively for the period ended 30 June 2020 (2019: nil and nil, respectively) was made based on an impairment assessment carried out for the retail store assets which have an impairment indicator. Such impairment losses were recorded in selling and distribution expense. The recoverable amounts are based on value-in-use calculations which involved projected cash flows and key assumptions such as future revenue growth rate and gross profit margin percentage of individual CGUs based on the Group's annual budget.

9. DIVIDENDS

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (2019: 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	
	2020	2019
Loss attributable to the owners of the Company (in RMB'000)	(131,696)	(4,504)
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 2020 does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share for the six months ended 30 June 2020 (2019: Same).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, additions to property, plant and equipment amounted to RMB24,709,000 (six months ended 30 June 2019: RMB28,877,000), consisting of leasehold improvements, furniture and equipment and motor vehicles.

12. 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 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Right-of-use assets	154,279	187,038
– Less: Impairment provision	(13,968)	(3,203)
	140,311	183,835
Lease liabilities		
– Current	88,964	101,458
– Non-current	75,316	91,189
	164,280	192,647

12. 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:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Depreciation of right-of-use assets (note 8)	57,604	53,682
Interest expense (included in finance costs)	5,733	7,458
Expense relating to short-term leases (note 8)	8,211	26,162
Expense relating to variable lease payments not included in lease liabilities (note 8)	6,977	5,674
Rent concession	(7,700)	–

COVID-19-related rent concessions

The Group has applied practical expedient to all rent concessions occurring as a direct consequence of the COVID-19 pandemic with adoption precondition met under the “COVID-19-related rent concessions amendment to HKFRS 16 Leases”. Rent concession amounting to RMB7,700,000 which represents the change in lease payment arising from COVID-19-related rent concession has been recognised in selling and distribution expense for the six months ended 30 June 2020.

13. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Trade receivables, net	111,424	134,190
Other receivables, deposits and prepayments		
– Rental deposits	54,111	56,135
– Other deposits	6,220	10,794
– Prepayments for purchase of merchandise stock	17,127	25,184
– Rebate receivables from suppliers	8,795	20,865
– Promotion income receivable from brand owners	6,986	9,868
– Other taxes recoverable	16,297	25,813
– Others	6,772	9,056
	116,308	157,715

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

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

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

The following is an ageing analysis of trade receivables, net of provision of impairment, presented based on the date of revenue recognition.

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Within 30 days	87,074	108,098
31 to 60 days	14,274	8,373
61 to 90 days	2,753	3,108
91 to 180 days	2,432	12,250
Over 180 days	4,891	2,361
	111,424	134,190

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Trade payables (<i>Note (a)</i>)	189,729	214,444
Other payables and accruals		
– Due to related companies (<i>Note (b)</i>)	4,683	3,504
– Accrued expenses	65,624	35,909
– Provision for retirement benefit costs	19,341	12,426
– Provision for reinstatement costs (<i>Note (c)</i>)	15,626	17,344
– Other taxes payable	14,398	10,405
– Others	9,257	8,485
	128,929	88,073
Less: Provision for reinstatement costs presented as non-current liability	(6,623)	(6,687)
Other payables and accruals presented as current liabilities	122,306	81,386

Note (a)

The credit periods granted by suppliers are generally ranged from 60 days to 90 days.

The ageing analysis of the trade payables at the end of reporting period based on invoice date is as follows:

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Within 30 days	124,213	125,747
31 to 60 days	46,474	54,997
61 to 90 days	4,230	13,933
Over 90 days	14,812	19,767
	189,729	214,444

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2020

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

Note (b)

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

Amount due to related companies	Nature of balance	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Land Smart Development Limited (Note (i))	Non-trade	3,685	2,965
Lovable Products Trading Limited (Note (i))	Non-trade	697	392
Politor Limited (Note (i))	Non-trade	301	147
		4,683	3,504

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.

Note (c)

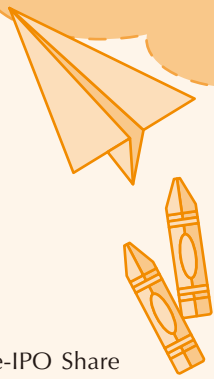
Provision for reinstatement cost represents the present value of the estimated cost for the restoration work of the Group's leased premises agreed to be carried out upon the expiry of the relevant leases.

15. CONTRACT LIABILITIES

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

16. SHARE CAPITAL

	Number of shares	RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2019, 1 January 2020 and 30 June 2020	50,000,000,000	433,188
Issued and fully paid:		
At 31 December 2019, 1 January 2020 and 30 June 2020	800,000,000	6,931



17. SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme

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

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

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

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

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

17. SHARE OPTION SCHEME (Continued)

The Pre-IPO Share Option Scheme (Continued)

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

Options	Vesting period	Outstanding at 31 December 2019 (audited)	Lapsed during the period	Forfeited during the period	Outstanding at 30 June 2020 (unaudited)
Directors					
Tranche 1	25 October 2017 to 24 October 2018	3,800,000	–	–	3,800,000
Tranche 2	25 October 2017 to 24 October 2019	2,850,000	–	–	2,850,000
Tranche 3	25 October 2017 to 24 October 2020	2,850,000	–	–	2,850,000
		9,500,000	–	–	9,500,000
Employees					
Tranche 1	25 October 2017 to 24 October 2018	11,480,000	960,000	–	10,520,000
Tranche 2	25 October 2017 to 24 October 2019	8,610,000	720,000	–	7,890,000
Tranche 3	25 October 2017 to 24 October 2020	8,610,000	–	720,000	7,890,000
		28,700,000	1,680,000	720,000	26,300,000
		38,200,000	1,680,000	720,000	35,800,000

17. SHARE OPTION SCHEME (Continued)**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	

18. CAPITAL COMMITMENTS

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Contracted but not provided for in the condensed consolidated interim financial information in respect of acquisition of property, plant and equipment	251	—

19. RELATED PARTY TRANSACTIONS

(a) Related parties

As at 30 June 2020, Asian Glory Holdings Limited held 53.15% (31 December 2019: 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	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Land Smart Development Limited	Rental expenses	720	720
Politor Limited	Rental expenses	299	285
Lovable Products Trading Limited	Loan interest	295	–

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

(c) Compensation of key management personnel

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Director's fees	90	86
Salaries and allowances	4,373	4,228
Discretionary bonuses	–	–
Share-based payments	355	2,595
Retirement benefit schemes contributions	205	333
	5,023	7,242

(d) Loan from a related company

On 27 August 2019, Kidsland HK Limited entered into a loan agreement (the "Loan Agreement") with Lovable Products Trading Limited, which provided a loan facility of approximately RMB36.5 million (31 December 2019: RMB35.8 million) of which approximately RMB36.3 million was utilised as at 30 June 2020 (31 December 2019: RMB13.7 million) and carry interest at one-month LIBOR + 1.3% per annum. Lovable Products Trading Limited is controlled by Mr. Lee Ching Yiu, the controlling shareholder and chairman of the Group.