

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 2025



凱知樂



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Du Ping

Independent Non-executive Directors

Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Mr. Albert Thomas da Rosa, Junior

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Chairman*)
Mr. Huang Lester Garson
Mr. Albert Thomas da Rosa, Junior

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lee Ching Yiu (*Chairman*)
Mr. Cheng Yuk Wo
Mr. Huang Lester Garson
Ms. Zhong Mei (appointed on 13 June 2025)
Mr. Albert Thomas da Rosa, Junior
(appointed on 27 August 2025)

COMPANY SECRETARY

Ms. Tung Wing Yee Winnie

AUTHORISED REPRESENTATIVES

Mr. Lee Ching Yiu
Ms. Tung Wing Yee Winnie

INDEPENDENT AUDITOR

Moore CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors
1001-1010, North Tower
World Finance Centre, Harbour City
19 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

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

Building A8, Yansha No. 50
Anjialou Road
Chaoyang District
Beijing, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Hong Kong

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

The PRC

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

COMPANY'S WEBSITE

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

LISTING INFORMATION

Place of Listing

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

Stock Code

2122

Board Lot

2,000 shares

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the first half year of 2025, against a backdrop of evolving market dynamics and shifting consumer sentiments and behaviours, Kidsland International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) has responded tirelessly and embarked on a comprehensive transformation journey, not only to restore resilience and efficiency in operations, but also to secure sustainable long-term growth.

Beginning with decisive cost reduction measures and retail business right-sizing, we have concurrently laid the foundation for future opportunities through new business development initiatives. We have implemented a robust cost reduction program across our operations, including people, supply chain, office and administration, and retail operations. During the six months ended 30 June 2025 (the “Reporting Period”), the Group’s selling, distribution, general and administrative expenses decreased by 17.1%, while employee benefit expenses reduced by 21.7%, compared to the six months ended 30 June 2024 (the “Prior Period”). These measures have already begun to deliver tangible results, though the full impact will be incarnated in the second half of 2025 and the year after. All these measures will help to create a leaner and more responsive organisation.

In parallel, we are committed to investing in the future. A new business division dedicated to exploring and developing the kidult market has been established, targeting teenagers and young adults to capitalise on emerging market trends. We have also collaborated closely with intellectual property (“IP”) owners to test IP pop-up stores, reinforcing our commitment to diversifying our business and expanding our customer base.

During the Reporting Period, we have opened the first Tomica flagship store in Beijing F.A.O. Schwarz, a leading toy experiential retail store operated by us as its exclusive franchise partner in China. It attracted thousands of fans of Tomica brand and sales achieved record high. We have also liaised with Kayou, a leading trading card company in China, for pop-up events, and with Mattel for its Hot Wheels City Tour in multiple cities across China. These demonstrate our commitments to broadening the target age groups and strategic collaboration with more leading brands and IPs, both international ones and local ones.

Building on this progress, we have continued to enhance our product portfolio to bring more fresh offerings and improve gross profit margin. Apart from strengthening the collaborations with leading brands, we have started to launch our own products taking the advantage of China supply chain and consumer insights we have gained over the years. With all these efforts, we managed to increase our gross profit margin from 29.3% for the year ended 31 December 2024 to 29.9% for the Reporting Period, despite of the continued stock clearance activities. We believe with the stock clearance completing periodically in the second half of 2025, our gross profit margin should be improved more significantly.

Internally, to accelerate decision making and execution, we have launched initiative to simplify processes and adopt advanced technologies such as artificial intelligence tools to improve efficiency, driving a “Fewer, Better, Quicker” approach. We will focus on streamlining organisation structure, supported by performance-linked remuneration system, cultivating a culture that emphasises accountability, agility and the shared values.

Looking forward, we are repositioning ourselves from a traditional business model of toy retailer and distributor to an integrated business model encompassing IP incubation, product research and development, and a portfolio of self-owned retail outlets. This represents an important step forward in upgrading our position along the industrial value chain, enabling us to capture greater value and deliver sustainable returns to our stakeholders.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 30 June 2025, this network consisted of:

Self-operated Retail Channels

- 470 self-operated retail points of sale including retail shops and consignment counters (30 June 2024: 535)
- 39 online stores (30 June 2024: 34)

Wholesale Channels

- 253 distributors (30 June 2024: 304) which sell our products through third-party retailers or their own retail shops, totaling more than 800 (30 June 2024: more than 1,300)
- 9 hypermarket and supermarket chains (30 June 2024: 9) with a sum of 420 retail points (30 June 2024: 412)
- 2 online key accounts (30 June 2024: 2)

Detailed breakdowns of our distribution network are as follows:

1. Self-operated Retail Channels

1.1 Retail Shops

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

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

	Six months ended 30 June	
	2025	2024
Retail shops		
At the beginning of the period	140	155
Addition of new retail shops	2	7
Closure of retail shops	(25)	(17)
At the end of the period	117	145

1.2 Consignment Counters

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

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

	Six months ended 30 June	
	2025	2024
Consignment counters		
At the beginning of the period	378	404
Addition of new consignment counters	9	18
Closure of consignment counters	(34)	(32)
At the end of the period	353	390

1.3 Online Stores

During the Reporting Period, we opened three flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com. As of 30 June 2025, we had 39 online stores in total, compared with 34 as of 30 June 2024.

2. Wholesale Channels

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

2.1 Distributors

As of 30 June 2025, we had 253 distributors (30 June 2024: 304), which sell our products through third-party retailers or their own retail shops, totaling more than 800 (30 June 2024: more than 1,300).

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

	Six months ended 30 June	
	2025	2024
Distributors		
At the beginning of the period	270	306
Addition of new distributors	38	47
Expiry without renewal of distribution agreements	(55)	(49)
At the end of the period	253	304

2.2 Hypermarket and Supermarket Chains

As of 30 June 2025, we had wholesale arrangements with 9 hypermarket and supermarket chains (30 June 2024: 9) with a sum of 420 retail points (30 June 2024: 412) in Tier 1, 2 and 3 cities in Mainland China (based on information provided by the hypermarket and supermarket chains).

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

	Six months ended 30 June	
	2025	2024
Hypermarket and supermarket chains		
At the beginning of the period	12	12
Termination or expiry of agreements with hypermarket and supermarket chains	(3)	(3)
At the end of the period	9	9

2.3 Online Key Accounts

The table below shows the changes in the number of online key accounts for the periods indicated:

	Six months ended 30 June	
	2025	2024
Online key accounts		
At the beginning of the period and at the end of the period	2	2

FINANCIAL REVIEW

Revenue

Optimising the distribution network by right-sizing of retail stores, during the Reporting Period, the Group's revenue decreased by 14.4% to approximately RMB422.5 million from approximately RMB493.7 million for the Prior Period. Despite the weak market sentiment and consumption downgrading, the Group managed to increase revenue from wholesale channels by strengthening and expanding its collaboration with both leading and potential brands.

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

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Self-operated retail channels		
– Retail shops	220,578	265,747
– Consignment counters	86,923	109,060
– Online stores	25,258	29,574
Sub-total	332,759	404,381
Wholesale channels		
– Distributors	80,651	82,824
– Hypermarket and supermarket chains	6,658	2,838
– Online key accounts	2,410	3,609
Sub-total	89,719	89,271
Total	422,478	493,652

Self-operated Retail Channels

The self-operated retail channels recorded a decrease in revenue of 17.7% to approximately RMB332.8 million for the Reporting Period compared to the Prior Period, attributed to the drop in revenue from retail shops, consignment counters and online stores by 17.0% to approximately RMB220.6 million, 20.3% to approximately RMB86.9 million and 14.6% to approximately RMB25.3 million, respectively.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels increased by 0.5% to approximately RMB89.7 million. With the strengthened collaboration with the Sam's Club, revenue from hypermarket and supermarket chains rose by 134.6% to approximately RMB6.7 million, while revenue from distributors as well as online key accounts dropped by 2.6% to approximately RMB80.7 million and 33.2% to approximately RMB2.4 million, respectively.

Revenue from Hong Kong, Macau and overseas (after inter-segment elimination) recorded a decrease of 13.0% from approximately RMB92.2 million for the Prior Period to approximately RMB80.3 million for the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 9.1% from approximately RMB325.7 million for the Prior Period to approximately RMB296.0 million for the Reporting Period. The Group's gross profit margin decreased from 34.0% for the Prior Period to 29.9% for the Reporting Period, while increased as compared to 29.3% for the year ended 31 December 2024. Stock clearance activities depressed gross profit margin in the short term, however, through exploring innovative products including developing own products and strategic collaboration with all the leading brands, and optimising product assortment, gross profit margin improved gradually. Stock clearance activities continuously reduced inventory backlog by 24.5% during the Reporting Period. Gross profit decreased from approximately RMB167.9 million for the Prior Period to approximately RMB126.5 million for the Reporting Period.

Other Income

Other income, consisting mainly of government grants, promotional service income and rebates from platform service providers of online stores, decreased by approximately RMB0.9 million from approximately RMB2.2 million for the Prior Period to approximately RMB1.3 million for the Reporting Period, mainly resulting from the drop in government grants.

Other Gains/Losses, Net

Other gains/losses, net was mainly attributable to net exchange differences and lease modifications. Other gains, net of approximately RMB9.4 million was recorded for the Reporting Period (Prior Period: losses, net of approximately RMB3.8 million), mainly resulting from the appreciation of Renminbi ("RMB") against Hong Kong dollar ("HK\$") and gains on lease modifications.

Impairment Loss/Reversal of Impairment Loss on Financial Assets, Net

The amount represented provision made for impairment loss on trade and bill receivables. Provision for impairment loss of approximately RMB478,000 was recorded for the Reporting Period (Prior Period: reversal of impairment loss of approximately RMB98,000).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 15.7% from approximately RMB216.5 million for the Prior Period to approximately RMB182.5 million for the Reporting Period, which was mainly attributable to intensified expense management, especially on concessionaire fees, staff costs and lease-related expenses.

General and Administrative Expenses

General and administrative expenses dropped by 30.2% from approximately RMB22.5 million for the Prior Period to approximately RMB15.7 million for the Reporting Period, resulting from control over staff costs and office rental expenses.

Finance Costs

Finance costs, consisting mainly of interest expenses arising from lease liabilities, borrowings and loans from a related company, slightly decreased by approximately RMB0.7 million from approximately RMB5.7 million for the Prior Period to approximately RMB5.0 million for the Reporting Period.

Loss for the Period

A loss of approximately RMB67.6 million was recorded for the Reporting Period (Prior Period: approximately RMB80.2 million). The loss narrowed by 15.7% resulting from the optimisation of distribution network and product assortment, as well as intensified expense management.

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 159 days for the Prior Period to 123 days for the Reporting Period. Trade receivables turnover days decreased from 20 days for the Prior Period to 17 days for the Reporting Period. Trade payables turnover days increased from 62 days for the Prior Period to 70 days for the Reporting Period.

Cash Conversion Cycle

Cash conversion cycle is a metric that shows the amount of time it takes a company to convert its investment in inventory to cash, which equals to inventory turnover days plus trade receivables turnover days minus trade payables turnover days. The cash conversion cycle of the Group decreased from 117 days for the Prior Period to 70 days for the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB2.8 million in property, plant, and equipment, mainly to renovate shops (Prior Period: approximately RMB5.6 million).

Liquidity and Financial Resources

The Group's cash position as of 30 June 2025 was approximately RMB22.8 million, compared to approximately RMB19.4 million as of 31 December 2024. The current ratio calculated by dividing total current assets by total current liabilities and quick ratio calculated by dividing total current assets excluding inventories and right of return assets by total current liabilities excluding lease liabilities as of 30 June 2025 were 0.9 and 0.4, respectively (31 December 2024: 1.0 and 0.4, respectively).

As of 30 June 2025, the Group had aggregate banking facilities of approximately RMB146.6 million (31 December 2024: approximately RMB141.0 million) for bank loans and trade financing, of which approximately RMB7.1 million (31 December 2024: approximately RMB0.7 million) was unutilised as of the same date.

As of 30 June 2025, the Group had a loan facility from a related company of approximately RMB136.8 million (31 December 2024: approximately RMB231.5 million), of which approximately RMB73.3 million (31 December 2024: approximately RMB139.8 million) was utilized as of the same date.

Gearing Ratio

The table below analyses the Group's capital structure as of 30 June 2025:

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Cash and cash equivalents	19,890	16,636
Borrowings	(106,800)	(107,220)
Loans from related companies	(76,265)	(139,792)
Interest payable of loans from a related company	(8,114)	(7,671)
Loan from a director of the Company	(15,000)	(15,000)
Lease liabilities	(42,088)	(73,506)
Net debt position	(228,377)	(326,553)
Total deficit	(69,210)	(83,900)

The Group was in a net debt position of approximately RMB228.4 million as of 30 June 2025 (31 December 2024: approximately RMB326.6 million). As the Group was of net deficit position, the management of the Group considered as irrelevant to further analyse its gearing ratio as of 30 June 2025, as calculated by dividing the Group's net debit by the Group's total deficit (31 December 2024: same).

Charge of Assets

As of 30 June 2025, the Group had restricted cash of approximately RMB2.9 million mainly for bank guarantee of a trade finance facility (31 December 2024: approximately RMB2.7 million).

Contingent Liabilities

As of 30 June 2025, the Group did not have significant contingent liabilities (31 December 2024: Nil).

Foreign Exchange

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

Significant Investment Held and Material Acquisition and Disposal

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

Capital Structure

As of 30 June 2025, the Company’s share capital comprised 1,105,914,286 issued ordinary shares (the “Share(s)”) with nominal value of HK\$0.01 each.

On 19 February 2025, the Company has completed a loan capitalisation, by which the unsecured loan of HK\$100,000,000 was capitalised and settled through the issuance of 305,914,286 ordinary Shares and 1,122,657,143 convertible preference shares of the Company. For details, please refer to the Company’s announcements dated 27 December 2024 and 24 January 2025, and the Company’s circular dated 9 January 2025.

Save as disclosed above, there was no change in the share capital of the Company during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2025, the Group had approximately 900 employees (including both in-house and outsourced employees) (30 June 2024: approximately 1,200 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB37.6 million and RMB32.8 million, respectively (Prior Period: approximately RMB48.0 million and RMB37.4 million, respectively). The Group’s remuneration packages comply with legislation in relevant jurisdictions and are decided based on market conditions and employees’ levels of experience and qualifications; and bonuses are awarded based on employee performance and the Group’s financials. The Company has adopted two share option schemes on 20 October 2017. The Group has been ensuring adequate training and professional development opportunities to employees.

EVENTS AFTER THE REPORTING PERIOD

On 25 July 2025 (the “Grant Date”), an aggregate of 76,500,000 share options (the “Options”) have been granted to a director of the Company (the “Director”) and 15 employees of the Group (the “Grantees”) under the post-IPO share option scheme adopted by the Company on 20 October 2017. The Options gave the Grantees the right to subscribe, in aggregate, up to 76,500,000 Shares. The exercise price of the Options and the closing price of the Shares on the Grant Date were both HK\$0.063 per Share. For details, please refer to the Company’s announcement dated 25 July 2025.

Save as disclosed herein, there were no material subsequent events undertaken by the Group after 30 June 2025 and up to the date of this interim report.

INTERIM DIVIDENDS

The board of Directors (the “Board”) has resolved not to declare the payment of any interim dividend for the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules” and the “CG Code”, respectively) as its own code on corporate governance. The Company has complied with all of the mandatory disclosure requirements and all applicable code provisions as set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the CG Code for the Reporting Period except for the deviation as stated below:

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “Model Code”) as guidelines for the Director’s dealings in the securities of the Company. Following specific enquiries made to each of the Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the Reporting Period.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

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

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

As of 30 June 2025, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares

Name of Directors	Capacity/Nature of interests	Number of Shares held/interested	Approximate percentage of shareholding ⁽¹⁾
Mr. Lee Ching Yiu	Beneficial owner	14,000,000 (L) ⁽⁵⁾	1.27%
	Held by controlled corporation ⁽²⁾	1,853,795,952 (L) ⁽⁶⁾	167.62%
Ms. Zhong Mei	Beneficial owner	4,000,000 (L) ⁽⁵⁾	0.36%
	Held by controlled corporation ⁽³⁾	29,999,100 (L)	2.71%
Mr. Du Ping	Beneficial owner	1,500,000 (L) ⁽⁵⁾	0.14%
	Held by controlled corporation ⁽⁴⁾	2,999,910 (L)	0.27%

(L) denotes long position

Notes:

- (1) The percentages are calculated on the basis of 1,105,914,286 Shares in issue as of 30 June 2025.
- (2) Mr. Lee Ching Yiu, the chairman of the Board, an executive Director and the CEO, is the sole shareholder of Asian Glory Holdings Ltd. ("Asian Glory"). By virtue of the SFO, Mr. Lee Ching Yiu is deemed to be interested in the Shares held by Asian Glory. Asian Glory owns approximately 92% of Lovable International Holdings Limited ("Lovable"). By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.
- (3) Ms. Zhong Mei, an executive Director, is the sole shareholder of Stars Link Ventures Limited. By virtue of the SFO, Ms. Zhong Mei is deemed to be interested in the Shares held by Stars Links Venture Limited.
- (4) Mr. Du Ping, a non-executive Director, is the sole shareholder of Merits Forest Global Limited. By virtue of the SFO, Mr. Du Ping is deemed to be interested in the Shares held by Merits Forest Global Limited.
- (5) These include the maximum number of Shares which may be allotted and issued to such Directors (Mr. Lee Ching Yiu: 4,000,000 Shares; Ms. Zhong Mei: 4,000,000 Shares; and Mr. Du Ping: 1,500,000 Shares) 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.
- (6) This includes the maximum number of Shares which may be allotted and issued to Asian Glory upon the conversion of its holding of the 1,122,657,143 convertible preference shares of the Company.

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

Name of Director	Nature of interest	Number of issued ordinary shares held	Percentage of shareholding
Mr. Lee Ching Yiu	Beneficial owner	50,000	100%

Save as disclosed above and to the best knowledge of the Directors, as of 30 June 2025, none of the Directors or chief executives of the Company had or was deemed to have any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As of 30 June 2025, so far as known to the Board, the following persons (other than the Directors and chief executives of the Company) or entities had an interest and/or short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO:

Interests in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/ interested	Approximate percentage of shareholding ⁽¹⁾
Ms. Tang Hoi Lun	Interest of spouse ⁽²⁾	1,867,795,952 (L)	168.89%
Asian Glory	Beneficial owner	1,853,777,953 (L) ⁽⁴⁾	167.62%
	Held by controlled corporation ⁽³⁾	17,999 (L)	0.00%

(L) denotes long position

Notes:

- (1) The percentages are calculated on the basis of 1,105,914,286 Shares in issue as of 30 June 2025.
- (2) Ms. Tang Hoi Lun is the spouse of Mr. Lee Ching Yiu. By virtue of the SFO, Ms. Tang Hoi Lun is deemed to be interested in the Shares which Mr. Lee Ching Yiu is interested or is deemed to be interested in.
- (3) Lovable holds 17,999 Shares. Asian Glory owns approximately 92% of Lovable. By virtue of the SFO, Asian Glory is deemed to be interested in the Shares held by Lovable.
- (4) This includes the maximum number of Shares which may be allotted and issued to Asian Glory upon the conversion of its holding of the 1,122,657,143 convertible preference shares of the Company.

Save as disclosed above, as of 30 June 2025, the Directors are not aware that any other persons (other than any Directors or chief executives of the Company) or entities had an interest or short position in the Shares or underlying Shares, which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors since the date of the 2024 annual report and up to the date of this interim report are set out below:

1. On 22 April 2025, Mr. Cheng Yuk Wo resigned as an independent non-executive director of CPMC Holdings Limited (stock code: 906), a company listed on the Main Board of the Stock Exchange and privatised on 22 April 2025.
2. On 13 June 2025, Ms. Zhong Mei, an executive Director, has been appointed as a member of the nomination committee of the Board (the "Nomination Committee").
3. On 27 August 2025, Mr. Albert Thomas da Rosa, Junior, an INED, has been appointed as a member of the Nomination Committee.

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 then Shareholders. The aim was to motivate and reward eligible participants, including (i) full-time or part-time employees, executives, or officers of the Company and its subsidiaries; (ii) Directors (including INEDs) of the Company and its subsidiaries; and (iii) advisors, consultants, suppliers, customers, and distributors (collectively, the "Post-IPO Eligible Participants"), who in the sole opinion of the Board will contribute or have contributed to the Group.

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As of the date of this interim report, the Post-IPO Share Option Scheme had a remaining life of more than 2 years.

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

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

The aggregate number of underlying Shares of options granted, whether through the Post-IPO Share Option Scheme or other means, must never exceed 10% of the total number of issued Shares upon listing unless Shareholders approve otherwise. As of 30 June 2025, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 80,000,000 Shares, which represented 7.2% of the Shares in issue (excluding treasury Shares, if any) as of the same date.

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 2025. No share option was outstanding under the Post-IPO Share Option Scheme as of 30 June 2025.

After the Reporting Period, the Company has granted an aggregate of 76,500,000 Options to 16 Grantees on 25 July 2025. Please refer to the section headed “Events After the Reporting Period” of this report and the Company’s announcement dated 25 July 2025 for details.

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 then 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 2 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 2025	Exercised during the period	Lapsed or cancelled during the period	Granted during the period	Outstanding as of 30 June 2025
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	17,900,000	–	1,400,000	–	16,500,000
Total	27,400,000	–	1,400,000	–	26,000,000

On this scheme’s inception date, 47,500,000 share options, each with an exercise price of HK\$0.8 per Share, were granted to eligible directors and employees of the Company. For the Reporting Period, options comprising 1,400,000 underlying Shares (Prior Period: 3,100,000) granted under the Pre-IPO Share Option Scheme lapsed, and the corresponding share option reserves of RMB1,170,000 (Prior Period: RMB2,554,000) were reclassified as retained earnings. As of 30 June 2025, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 26,000,000 Shares, which represented 2.4% of the Shares in issue (excluding treasury Shares, if any) as of the same date.

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

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

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme since its adoption and up to 30 June 2025.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its securities listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such securities (including sale of treasury shares, if any) during the Reporting Period.

As of 30 June 2025, the Company did not hold any treasury shares.

Kidsland International Holdings Limited

Mr. Lee Ching Yiu

Chairman

27 August 2025

REPORT ON REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Moore CPA Limited

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To the Board of Directors of Kidsland International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Kidsland International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 18 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2025 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Moore CPA Limited

Certified Public Accountants

Hong Kong, 27 August 2025

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

For the Six Months Ended 30 June 2025

	Notes	Six months ended 30 June	
		2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Revenue	4	422,478	493,652
Cost of sales	8	(295,951)	(325,742)
Gross profit		126,527	167,910
Other income	5	1,300	2,193
Other gains/(losses), net	6	9,365	(3,819)
(Impairment loss)/reversal of impairment loss on financial assets, net	8	(478)	98
Selling and distribution expenses	8	(182,497)	(216,466)
General and administrative expenses	8	(15,692)	(22,496)
Operating loss		(61,475)	(72,580)
Finance costs		(5,031)	(5,690)
Loss before income tax		(66,506)	(78,270)
Income tax expense	7	(1,083)	(1,950)
Loss for the period		(67,589)	(80,220)
Other comprehensive (expense)/income:			
Item that will not be reclassified to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		49	764
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		(4,751)	1,060
Other comprehensive (expense)/income for the period, net of tax		(4,702)	1,824
Total comprehensive expense for the period		(72,291)	(78,396)
Loss for the period attributable to:			
– owners of the Company		(67,298)	(80,154)
– non-controlling interests		(291)	(66)
		(67,589)	(80,220)
Total comprehensive expense for the period attributable to:			
– owners of the Company		(72,060)	(78,290)
– non-controlling interests		(231)	(106)
		(72,291)	(78,396)
Loss per share, basic and diluted (RMB cents)	10	(6.58)	(10.02)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

	Notes	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	14,667	20,387
Right-of-use assets	12	36,411	63,561
Intangible assets		1,886	2,373
Financial assets at fair value through profit or loss ("FVTPL")		—	—
Rental deposits	13	11,638	15,561
Deferred tax assets		12,021	13,153
		76,623	115,035
Current assets			
Inventories		172,736	228,906
Trade and bill receivables	13	39,375	40,742
Other receivables, deposits and prepayments	13	52,299	49,897
Right-of-return assets		102	254
Restricted cash		2,908	2,747
Cash and cash equivalents		19,890	16,636
		287,310	339,182
DEFICIT			
Attributable to owners of the Company			
Share capital	18	9,752	6,931
Deficit		(84,621)	(96,721)
		(74,869)	(89,790)
Non-controlling interests		5,659	5,890
Total deficit		(69,210)	(83,900)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

	Notes	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Loans from a related company	20	73,265	139,792
Loan from a director of the Company	20	15,000	15,000
Convertible preference shares	17	4,909	–
Other payables	14	1,996	2,903
Lease liabilities	12	16,131	27,717
		111,301	185,412
Current liabilities			
Trade payables	14	113,008	116,960
Other payables and accruals	14	65,513	74,435
Loan from a related company	20	3,000	–
Borrowings	16	106,800	107,220
Lease liabilities	12	25,957	45,789
Contract liabilities	15	7,147	7,883
Current tax liabilities		417	418
		321,842	352,705
Net current liabilities		(34,532)	(13,523)
Total assets less current liabilities		42,091	101,512
Net liabilities		(69,210)	(83,900)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2025

	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	Convertible preference share equity reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2024 (audited)	6,931	323,968	(118,988)	4,454	185,068	–	9,422	25,425	(329,274)	107,006	6,279	113,285
Loss for the period	–	–	–	–	–	–	–	–	(80,154)	(80,154)	(66)	(80,220)
Other comprehensive income/ (expense) for the period	–	–	–	–	–	–	1,864	–	–	1,864	(40)	1,824
Total comprehensive income/ (expense) for the period	–	–	–	–	–	–	1,864	–	(80,154)	(78,290)	(106)	(78,396)
Share options lapsed	–	–	–	–	–	–	–	(2,554)	2,554	–	–	–
Balance at 30 June 2024 (unaudited)	6,931	323,968	(118,988)	4,454	185,068	–	11,286	22,871	(406,874)	28,716	6,173	34,889
Balance at 1 January 2025 (audited)	6,931	323,968	(118,988)	4,454	185,068	–	14,777	21,949	(527,949)	(89,790)	5,890	(83,900)
Loss for the period	–	–	–	–	–	–	–	–	(67,298)	(67,298)	(291)	(67,589)
Other comprehensive (expense)/ income for the period	–	–	–	–	–	–	(4,762)	–	–	(4,762)	60	(4,702)
Total comprehensive expense for the period	–	–	–	–	–	–	(4,762)	–	(67,298)	(72,060)	(231)	(72,291)
Issue of shares (note 18)	2,821	8,462	–	–	8,463	–	–	–	–	19,746	–	19,746
Issue of convertible preference shares (note 17)	–	–	–	–	–	67,819	–	–	–	67,819	–	67,819
Transaction costs attributable to issue of shares	–	(132)	–	–	–	–	–	–	–	(132)	–	(132)
Transaction costs attributable to issue of convertible preference shares	–	–	–	–	–	(452)	–	–	–	(452)	–	(452)
Share options lapsed	–	–	–	–	–	–	–	(1,170)	1,170	–	–	–
Balance at 30 June 2025 (unaudited)	9,752	332,298	(118,988)	4,454	193,531	67,367	10,015	20,779	(594,077)	(74,869)	5,659	(69,210)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2025

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	14,156	(6,759)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,841)	(5,646)
Proceeds on disposal of property, plant and equipment	141	294
Interest received	7	25
Net proceeds from disposal of financial assets at FVTPL	–	2
NET CASH USED IN INVESTING ACTIVITIES	(2,693)	(5,325)
Cash flows from financing activities		
Principal elements of lease payments	(33,273)	(42,568)
Interest elements of lease payments	(2,063)	(2,904)
Proceeds from loans from related companies	30,077	26,372
Repayment of loans from related companies	–	(2,726)
Proceeds from loan from a director of the Company	–	15,000
New borrowings raised	12,440	18,000
Repayment of borrowings	(12,510)	–
Interest paid	(2,053)	(1,814)
Transaction costs attributable to issue of shares	(132)	–
Transaction costs attributable to issue of convertible preference shares	(483)	–
Guarantee fees paid	(75)	–
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(8,072)	9,360
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,391	(2,724)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	16,636	21,937
Effect of foreign exchange rate changes	(137)	58
CASH AND CASH EQUIVALENTS AT 30 JUNE	19,890	19,271

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2025

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2025 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2024, which have been prepared in accordance with HKFRS Accounting Standards.

Certain comparative figures have been re-presented to conform with current period’s presentation. These reclassifications have no effect on financial position, results for the period or cash flows of the Group.

Going concern basis

During the six months ended 30 June 2025, the Group reported a loss before income tax of approximately RMB66,506,000 and had a net cash inflow of approximately RMB14,156,000 generated from the operating activities. As at 30 June 2025, the Group’s net current liabilities were approximately RMB34,532,000, and the Group’s net liabilities were approximately RMB69,210,000, of which the Group’s cash and cash equivalents amounted to approximately RMB19,890,000 as compared to the Group’s bank borrowings and loan from a related company of approximately RMB106,800,000 and RMB3,000,000 respectively, which are repayable within the next twelve months from the end of the reporting period; loans from a related company and loan from a director of the Company of approximately RMB73,265,000 and RMB15,000,000 respectively, which are repayable after the next twelve months from the end of the reporting period.

The Group’s business has been negatively impacted by the weak market sentiment amidst the uncertainty about the macro-economic environment in Mainland China during the six months ended 30 June 2025. The poor consumer sentiment caused short-term disruption to the Group’s operations in Mainland China. Also, it is uncertain whether the weak market sentiment will continue and impact the Group’s operating performance and cash flows.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group would have sufficient financial resources to continue as a going concern. Management have prepared a cash flow forecast of the Group which covers a period of not less than twelve months from the date of the end of reporting period based on the existing situation, future events and commitments of the Group. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- (i) as at 30 June 2025, a loan facility is provided to the Group from its related company, with a facility limit of HK\$150,000,000 (equivalent to approximately RMB136,800,000), of which there was unutilised facility of approximately RMB63,535,000. Besides, the Group has available unutilised loan facilities of approximately RMB7,000,000 from financial institutions. The total unutilised facilities are RMB70,535,000, and the Group will draw down the loans to finance its operations, when needed;
- (ii) for the borrowings which will be maturing within 12 months after the end of this reporting period, the Group is actively negotiating with the banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group’s working capital and financial requirements in the future will continue to be met. The Directors do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities and there is no indication that these bank lenders will not renew the existing bank borrowings upon the Group’s request. The Directors have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturity. Besides, for the loan from a director of the Company amounting to RMB15,000,000, such amount has been renewed in June 2025 and the maturity will be in February 2027;
- (iii) the Group is implementing active cost-saving measures to control selling and distribution and administrative costs through various ways to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group. Under the effect of the measures applied, the selling and distribution expenses and general and administrative expenses dropped from RMB216,466,000 and RMB22,496,000 during the six months ended 30 June 2024 to RMB182,497,000 and RMB15,692,000 during the six months ended 30 June 2025, respectively;

1. BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

- (iv) the Group will actively consider to launch marketing events in order to facilitate the sales of the inventories to strengthen further the working capital in the second half of 2025; and
- (v) the Group will continue to seek for other alternative source of finance and borrowings to strengthen working capital requirements and to finance the settlement of the existing financial obligations and future operating and capital expenditure.

The directors of the Company have reviewed the Group's cash flow projections prepared by management. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2025. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the unaudited condensed consolidated financial statements on a going concern basis.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

Other than application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2024.

Application of amendments to a HKFRS Accounting Standard

In the current interim period, the Group has applied the following amendments to a HKFRS Accounting Standard issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

The application of the amendments to a HKFRS Accounting Standard in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

2. ACCOUNTING POLICIES (Continued)

Accounting policies newly applied by the Group (Continued)

Convertible preference shares

The component parts of the convertible preference shares are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible preference shares, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible preference shares using the effective interest method.

3. ESTIMATION

The preparation of unaudited condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the unaudited condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2024.

4. REVENUE AND SEGMENT INFORMATION

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

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

4. REVENUE AND SEGMENT INFORMATION (Continued)**Segment revenue and results**

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

Six months ended 30 June 2025 (unaudited)

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	342,222	83,787	(3,531)	422,478
Reportable segment (loss)/profit excluding depreciation and amortisation	(32,352)	3,047	–	(29,305)
Depreciation and amortisation	(27,593)	(9,397)	–	(36,990)
Reportable segment results	(59,945)	(6,350)	–	(66,295)
Unallocated other income				7
Unallocated corporate expenses				(3,284)
Unallocated other gains, net				6,034
Unallocated finance costs				(2,968)
Loss before income tax				(66,506)
Income tax expense				(1,083)
Loss for the period				(67,589)

4. REVENUE AND SEGMENT INFORMATION (Continued)**Segment revenue and results** (Continued)

Six months ended 30 June 2024 (unaudited)

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
– Revenue recognised at a point in time	401,406	95,701	(3,455)	493,652
Reportable segment (loss)/profit excluding depreciation and amortisation	(22,689)	5,101	–	(17,588)
Depreciation and amortisation	(36,782)	(13,856)	–	(50,638)
Reportable segment results	(59,471)	(8,755)	–	(68,226)
Unallocated other income				25
Unallocated corporate expenses				(3,320)
Unallocated other losses, net				(3,963)
Unallocated finance costs				(2,786)
Loss before income tax				(78,270)
Income tax expense				(1,950)
Loss for the period				(80,220)

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4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities as at 30 June 2025 by reportable segment (unaudited):

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Segment assets	289,921	39,192	329,113
Deferred tax assets			12,021
Unallocated assets			22,799
Total assets per condensed consolidated statement of financial position			363,933
Segment liabilities	171,361	56,570	227,931
Current tax liabilities			417
Borrowings			106,800
Loans from related companies			76,265
Loan from a director of the Company			15,000
Convertible preference shares			4,909
Unallocated liabilities			1,821
Total liabilities per condensed consolidated statement of financial position			433,143

The following is an analysis of the Group's assets and liabilities as at 31 December 2024 by reportable segment (audited):

	The PRC RMB'000	Hong Kong, Macau and overseas RMB'000	Total RMB'000
Segment assets	375,175	46,506	421,681
Deferred tax assets			13,153
Unallocated assets			19,383
Total assets per condensed consolidated statement of financial position			454,217
Segment liabilities	207,841	65,975	273,816
Current tax liabilities			418
Borrowings			107,220
Loans from a related company			139,792
Loan from a director of the Company			15,000
Unallocated liabilities			1,871
Total liabilities per condensed consolidated statement of financial position			538,117

4. REVENUE AND SEGMENT INFORMATION (Continued)**Sales and distribution channels**

The Group has a diverse retail network and an extensive distribution network. The Group sells toys and related lifestyle products through (i) self-operated retail channels; and (ii) wholesale channels.

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

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Self-operated retail channels		
– Retail shops	220,578	265,747
– Consignment counters	86,923	109,060
– Online stores	25,258	29,574
Wholesale channels		
– Distributors	80,651	82,824
– Hypermarket and supermarket chains	6,658	2,838
– Online key accounts	2,410	3,609
	422,478	493,652

5. OTHER INCOME

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Interest income	7	25
Government grants (Note)	270	815
Promotional service income	237	42
Rebates from platform service providers of online stores	525	880
Sundry income	261	431
	1,300	2,193

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

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6. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Net exchange gain/(loss)	6,034	(3,965)
Gain/(loss) on disposal of property, plant and equipment	86	(527)
Gain on lease modifications (<i>note 12(ii)</i>)	3,253	700
Gain on disposal of financial assets at FVTPL	—	2
Others	(8)	(29)
	9,365	(3,819)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Current income tax:		
Hong Kong, Macau and overseas profits tax	—	199
Deferred tax	1,083	1,751
	1,083	1,950

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	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Auditors' remuneration		
– Audit services	879	826
Amortisation of intangible assets	455	672
Depreciation of property, plant and equipment (<i>note 11</i>)	7,014	10,330
Depreciation of right-of-use assets (<i>note 12(ii)</i>)	29,521	39,636
Impairment loss on property, plant and equipment (<i>Note</i>)	1,451	1,308
Impairment loss on right-of-use assets (<i>Note</i>)	2,765	2,898
Cost of inventories	286,754	318,003
Write-down of inventories, net (included in cost of sales)	3,252	2,717
Rental expenses in respect of:		
– variable leases payments (<i>note 12(ii)</i>)	1,269	1,730
– short-term leases (<i>note 12(ii)</i>)	19,816	20,554
Advertising and promotional expenses	6,691	5,093
Concessionaire fees	29,481	35,590
Employee benefit expenses (including directors' emoluments)	37,588	48,028
Outsourced personnel service fees	32,816	37,430
Provision for/(reversal of) impairment loss on trade receivables	478	(98)
Transportation costs	7,492	7,948
Building management fees	14,626	15,783

Note: The Group determines each individual retail store as a separately identifiable cash-generating unit (the "CGU") and monitors their financial performance. A provision for impairment of the Group's property, plant and equipment and right-of-use assets of RMB1,451,000 and RMB2,765,000, respectively for the six months ended 30 June 2025 (30 June 2024: RMB1,308,000 and RMB2,898,000 respectively) was made based on impairment assessment carried out for the retail store assets which have an impairment indicator. Such impairment losses were recorded in selling and distribution expenses. The recoverable amounts are based on value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage of individual CGUs based on the Group's annual budget covering an average of 2-year period. A discount rate of 12.0% (30 June 2024: 13.5%) was applied to bring the future cash flows back to their present values.

9. DIVIDENDS

No dividends were paid during the six months ended 30 June 2025. The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2025 (2024: 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	
	2025 (unaudited)	2024 (unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share (in RMB'000)	(67,298)	(80,154)
Weighted average number of ordinary shares for the purpose of calculation of basic and diluted loss per share (in '000)	1,023,098	800,000

The computation of diluted loss per share for the six months ended 30 June 2025 does not assume the exercise of the Company's outstanding share options and the conversion of the Company's outstanding convertible preference shares (30 June 2024: exercise of the Company's outstanding share options) since they would have an anti-dilutive impact to the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, additions to property, plant and equipment amounted to RMB2,841,000 (2024: RMB5,646,000), consisting of leasehold improvements and furniture and equipment. The net book value of property, plant and equipment disposed during the six months ended 30 June 2025 amounted to RMB55,000 (2024: RMB821,000), while the depreciation charge of the six months ended 30 June 2025 was RMB7,014,000 (2024: RMB10,330,000).

The accumulated impairment loss of the Group's property, plant and equipment asset was RMB11,795,000 as at 30 June 2025 (31 December 2024: RMB14,543,000), representing additional impairment loss of RMB1,451,000 (for the year ended 31 December 2024: RMB1,859,000) recognised during six months ended 30 June 2025 and derecognition of impairment loss of RMB4,199,000 (for the year ended 31 December 2024: Nil) when those underlying property, plant and equipment was written off.

12. LEASES

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

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

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

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Right-of-use assets		
– Leased premises	44,096	76,761
Less: provision for impairment	(7,685)	(13,200)
	36,411	63,561
Lease liabilities payable:		
Within one year	25,957	45,789
Within a period of more than one year but not exceeding two years	12,417	12,565
Within a period of more than two years but not exceeding five years	2,166	11,164
Within a period of more than five years	1,548	3,988
	42,088	73,506
Less: amount due for settlement within 12 months shown under current liabilities	(25,957)	(45,789)
Amount due for settlement after 12 months shown under non-current liabilities	16,131	27,717

During the six months ended 30 June 2025, additions to right-of use assets amounted to RMB10,482,000 (30 June 2024: RMB43,209,000).

12. LEASES (Continued)**(ii) Amounts recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income**

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

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Depreciation of right-of-use assets (<i>note 8</i>)	29,521	39,636
Interest expenses (included in finance costs)	2,063	2,904
Expense relating to short-term leases (<i>note 8</i>)	19,816	20,554
Expense relating to variable lease payments not included in lease liabilities (<i>note 8</i>)	1,269	1,730
Impairment loss on right-of-use assets (<i>note 8</i>)	2,765	2,898
Gain on lease modifications (<i>note 6</i>)	(3,253)	(700)

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

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Trade receivables from contracts with customers	50,144	51,033
Less: provision for impairment	(10,769)	(10,291)
	39,375	40,742
Bill receivables	3,866	3,866
Less: provision for impairment	(3,866)	(3,866)
	–	–
Other receivables, deposits and prepayments		
– Rental deposits	37,826	41,260
– Other deposits	9,332	10,011
– Prepayments	7,972	4,627
– Prepaid royalties	73	284
– Rebate receivables from suppliers	5,673	6,617
– Promotion income receivables from brand owners	917	431
– Others	2,144	2,228
	63,937	65,458
	103,312	106,200
Trade and bill receivables		
– presented as current assets	39,375	40,742
Other receivables, deposits and prepayments		
– presented as non-current assets	11,638	15,561
– presented as current assets	52,299	49,897
	63,937	65,458
	103,312	106,200

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

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

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

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

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Within 30 days	22,067	26,515
31 to 60 days	9,869	6,368
61 to 90 days	3,083	2,089
91 to 180 days	3,108	4,873
Over 180 days	12,017	11,188
	50,144	51,033
Less: provision for impairment	(10,769)	(10,291)
	39,375	40,742

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For the Six Months Ended 30 June 2025

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Trade payables (<i>Note (a)</i>)	113,008	116,960
Other payables and accruals		
– Due to related companies (<i>Note (b)</i>)	20,617	19,764
– Accrued expenses	20,982	24,171
– Accrued staff costs	3,965	9,620
– Outsourced personnel service fee payable	4,405	5,012
– Provision for retirement benefit costs	353	250
– Long service payment provision	821	834
– Provision for reinstatement costs (<i>Note (c)</i>)	7,146	9,393
– Other taxes payable	6,957	5,847
– Others	2,263	2,447
	67,509	77,338
Less: Provision for reinstatement costs presented as non-current liability	(1,175)	(2,069)
Long service payment provision presented as non-current liability	(821)	(834)
	(1,996)	(2,903)
Other payables and accruals presented as current liabilities	65,513	74,435

Notes:

- (a) The credit periods granted by suppliers are generally ranged from 60 days to 90 days.

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

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Within 30 days	77,612	84,309
31 to 60 days	26,286	25,452
61 to 90 days	4,636	3,040
Over 90 days	4,474	4,159
	113,008	116,960

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

Notes: (Continued)

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

Amounts due to related companies	Nature of balance	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Land Smart Development Limited (Note (i))	Non-trade	9,193	9,037
Lovable Products Trading Limited (Note (i))	Non-trade	8,114	7,671
Politor Limited (Note (i))	Non-trade	3,310	3,056
		20,617	19,764

Note:

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

15. CONTRACT LIABILITIES

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

16. BORROWINGS

	Notes	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Secured and guaranteed			
– Bank borrowings	(a), (b)	32,800	33,150
Unsecured and guaranteed			
– Bank borrowings	(c)	74,000	68,000
– Other borrowings		–	6,070
Total		106,800	107,220

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16. BORROWINGS (Continued)

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Fixed-rate borrowings	84,000	84,070
Variable-rate borrowings	22,800	23,150
	106,800	107,220
	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
The carrying amount of the borrowings are repayable:		
Within one year	84,000	78,000
The carrying amount of the borrowings that contain a repayment on demand clause but repayable:		
Within one year	22,800	29,220
Sub-total	106,800	107,220
Less: amounts due within one year shown under current liabilities	(106,800)	(107,220)
Amounts shown under non-current liabilities	—	—

Notes:

- As at 30 June 2025, the fixed-rate revolving bank borrowing facility amounting to RMB10,000,000 (31 December 2024: RMB10,000,000), is secured by a property held by Mr. Lee Ching Yiu and guaranteed by Mr. Lee Ching Yiu and his spouse (31 December 2024: same). The facility was fully utilised as at 30 June 2025 and 31 December 2024. As at 30 June 2025, the interest rate of the borrowing is 2.80% (31 December 2024: 2.80%) per annum. The maturity date of the facility is in September 2033.
- As at 30 June 2025, the variable-rate bank borrowings with principal amount of HK\$25,000,000 (equivalent to approximately RMB23,150,000) carry interest at 1.80% (31 December 2024: 1.80%) above three month Hong Kong Inter-bank Offered Rate ("HIBOR") per annum. The amounts are secured by a deposit made by Lovable Products Trading Limited and guaranteed by the Company and Lovable Products Trading Limited (31 December 2024: same). As of the same date, although the Group has not fully met a specific financial covenant tied to this revolving loan facility, the Company is actively working with the bank to remediate and obtain a waiver from this. The directors of the Company are of the view that the Company is able to fulfill this obligation from its internal resources when required.
- As at 30 June 2025, the fixed-rate bank borrowing facilities amounting to RMB74,000,000 (31 December 2024: RMB68,000,000) are unsecured and guaranteed by Ms. Zhong Mei, an executive director of the Company, and/or by subsidiaries of the Group and/or by several independent third parties (31 December 2024: same). The facilities were fully utilised as at 30 June 2025 and 31 December 2024. As at 30 June 2025, the interest rates of the borrowings ranged from 2.50% to 4.75% (31 December 2024: 2.60% to 5.10%) per annum. The maturity date of the borrowing is one year after the date of drawdown.

16. BORROWINGS (Continued)

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

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
RMB	84,000	84,070
HK\$	22,800	23,150
	106,800	107,220

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

17. CONVERTIBLE PREFERENCE SHARES

On 19 February 2025, the Company issued 1,122,657,143 convertible preference shares (with a par value of HK\$0.01 each) at an issue price of HK\$0.07 per convertible preference share, representing an aggregate issue price of HK\$78,586,000 (the "Issue Price"), to Asian Glory Holdings Limited ("Asian Glory"), the parent of the Company and a limited company incorporated in the British Virgin Islands. The convertible preference shares carry fixed cumulative preferential cash dividends at a rate of 2% per annum on the Issue Price. The convertible preference shares are denominated in Hong Kong dollars and are unsecured.

The convertible preference shares entitle the holders to convert them into ordinary shares of the Company at any time within ten years after the first issuance and allotment of the convertible preference shares (i.e. 19 February 2025), provided that (i) any conversion of the convertible preference shares does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the convertible preference shares holder(s) and their concert parties who exercised the conversion rights, unless a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code or a general offer is made in accordance with the requirement of the Takeovers Code; and (ii) the public float of the issued ordinary shares of the Company shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued ordinary shares of the Company at any one time in compliance with the Listing Rules.

One convertible preference share is convertible into one ordinary share of the Company. For the avoidance of doubt, Asian Glory is not required to pay any additional money upon conversion of the convertible preference share(s) to ordinary share(s) of the Company, other than taxes and stamp, issue and registration duties (if any) arising on conversion.

The convertible preference shares shall be redeemable at the sole discretion of the Company. For the avoidance of doubt, the holder(s) of the convertible preference shares do not have the right and are not entitled to request for any redemption of the convertible preference shares.

17. CONVERTIBLE PREFERENCE SHARES (Continued)

As long as the convertible preference shares have not been redeemed, during the conversion period, holders of the convertible preference shares shall have the right to receive for each convertible preference share held by it, *pari passu* with the other holders of the convertible preference shares, fixed cumulative preferential cash dividends (the “Preferred Dividends”) at the rate of 2.0% per annum on the Issue Price, payable annually in arrears out of the profits of the Company available for distribution, prior and in preference to, and satisfied before, any dividend or other distribution on any other class or series of equity securities of the Company. If the profits of the Company available for distribution is insufficient to permit the payment of all the Preferred Dividends in full, then the amount legally available for distribution shall be distributed ratably among all holder(s) of the convertible preference shares in proportion to the aggregate Preferred Dividends that each holder of the convertible preference shares would otherwise be entitled to receive pursuant to the preceding sentence. No dividend or distribution may be declared, paid, set aside or made with respect to any equity securities of the Company other than the convertible preference shares at any time unless all accrued but unpaid dividends on the convertible preference shares have been paid in full.

The Group has engaged Norton Appraisals Holdings Limited, an independent qualified professional valuer not connected to the Group, to perform a valuation of the fair value of the convertible preference shares on the initial recognition, using binomial model. The fair values of the liability component and equity component of the convertible preference shares are HK\$5,037,000 and HK\$73,549,000 (equivalent to approximately RMB4,645,000 and RMB67,819,000), respectively. At initial recognition, the equity component of the convertible preference shares was separated from the liability component. The equity element is presented in equity heading “convertible preference share equity reserve”. The effective interest rate of the liability component is 22.35%.

The movement of the liability component of the convertible preference shares for the period is set out below:

	RMB'000 (unaudited)
Issue on 19 February 2025	4,614
Imputed interest expenses (included in finance costs)	350
Exchange realignment	(55)
Carrying amount at 30 June 2025	4,909

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18. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2024 (audited), 30 June 2024 (unaudited), 31 December 2024 (audited) and 1 January 2025 (audited)	50,000,000,000	433,188
Decrease on 24 January 2025 (<i>note (a)</i>)	(1,200,000,000)	(11,065)
At 30 June 2025 (unaudited)	48,800,000,000	422,123
Issued and fully paid:		
At 1 January 2024 (audited), 30 June 2024 (unaudited), 31 December 2024 (audited) and 1 January 2025 (audited)	800,000,000	6,931
Issue of shares on 19 February 2025 (<i>note (b)</i>)	305,914,286	2,821
At 30 June 2025 (unaudited)	1,105,914,286	9,752
	Number of shares	Face value RMB'000
Convertible preference shares of HK\$0.01 each		
Authorised:		
At 1 January 2024 (audited), 30 June 2024 (unaudited), 31 December 2024 (audited) and 1 January 2025 (audited)	–	–
Increase on 24 January 2025 (<i>note (a)</i>)	1,200,000,000	11,065
At 30 June 2025 (unaudited)	1,200,000,000	11,065
Issued and fully paid:		
At 1 January 2024 (audited), 30 June 2024 (unaudited), 31 December 2024 (audited) and 1 January 2025 (audited)	–	–
Issue on 19 February 2025 (<i>notes (b) and (c)</i>)	1,122,657,143	10,352
At 30 June 2025 (unaudited)	1,122,657,143	10,352

Notes:

- (a) On 24 January 2025, a special resolution was passed at the Company's extraordinary general meeting that the authorised share capital of the Company was re-classified and re-designated such that the authorised share capital of the Company shall become HK\$500,000,000 divided into (a) 48,800,000,000 ordinary shares of a nominal or par value of HK\$0.01 each; and (b) 1,200,000,000 convertible preference shares of a nominal value or par value of HK\$0.01 each.

18. SHARE CAPITAL OF THE COMPANY (Continued)*Notes: (Continued)*

- (b) On 27 December 2024, the Company, Asian Glory and Lovable Products Trading Limited entered into a loan capitalisation agreement. Among the unsecured loan with the principal amount of HK\$100,000,000 (equivalent to approximately RMB92,600,000) (note 20) due to Lovable Products Trading Limited (included in loans from a related company), of which:

- (a) HK\$21,414,000 would be settled through the issuance of 305,914,286 of new shares of the Company to Asian Glory (see details below); and
- (b) HK\$78,586,000 would be settled through the issuance of 1,122,657,143 new convertible preference shares, with fixed cumulative preferential cash dividends at a rate of 2% per annum on the issue price, to Asian Glory (details are disclosed in note 17),

both at the issue price of HK\$0.07 per ordinary share and convertible preference share (the "Loan Capitalisation"). The transaction costs attributable to issue of shares and convertible preference shares amounted to RMB132,000 and RMB483,000 respectively.

The Loan Capitalisation was approved by the shareholders of the Company at the Company's extraordinary general meeting held on 24 January 2025. The Loan Capitalisation was completed on 19 February 2025.

Details can be referred to (i) the announcement dated 27 December 2024; (ii) the circular dated 9 January 2025; and (iii) the announcement dated 24 January 2025 published by the Company.

On 19 February 2025, the fair value of the 305,914,286 ordinary shares issued was approximately HK\$12,237,000, which was calculated with reference to the closing price of the Company's shares of HK\$0.04 per share on that date. The difference between the carrying amount of the loans from a related company of HK\$21,414,000 and the fair value of the shares issued of HK\$12,237,000, amounting to HK\$9,177,000 (equivalent to approximately RMB8,463,000), is recognised in the capital reserve.

- (c) The convertible preference shares shall be redeemable at the sole discretion of the Company. At initial recognition, the equity component of the convertible preference shares was separated from the liability component. The equity element is presented in equity heading "convertible preference share equity reserve". Further details of convertible preference shares are set out in note 17.

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

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

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

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

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

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

19. 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	Outstanding at 1 January 2025 (audited)	Lapsed during the period (unaudited)	Exercised during the period (unaudited)	Outstanding at 30 June 2025 (unaudited)
Directors				
Tranche 1	3,800,000	–	–	3,800,000
Tranche 2	2,850,000	–	–	2,850,000
Tranche 3	2,850,000	–	–	2,850,000
	9,500,000	–	–	9,500,000
Employees				
Tranche 1	7,160,000	(560,000)	–	6,600,000
Tranche 2	5,370,000	(420,000)	–	4,950,000
Tranche 3	5,370,000	(420,000)	–	4,950,000
	17,900,000	(1,400,000)	–	16,500,000
	27,400,000	(1,400,000)	–	26,000,000

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

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

19. SHARE OPTION SCHEMES (Continued)**(ii) The Post-IPO Share Option Scheme**

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

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

The options granted pursuant to the Post-IPO Share Option Scheme will expire no later than 10 years from the date of grant of the option. As at 30 June 2025, the Post-IPO Share Option Scheme had a remaining life of more than 2 years.

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

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

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

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

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

19. SHARE OPTION SCHEMES (Continued)**(ii) The Post-IPO Share Option Scheme** (Continued)

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

No share option under the Post-IPO Share Option Scheme has been granted since its adoption up to 30 June 2025.

20. RELATED PARTY TRANSACTIONS**(a) Related parties**

As at 30 June 2025, Asian Glory held 66.11% (31 December 2024: 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:

		Six months ended 30 June	
		2025	2024
		RMB'000	RMB'000
Name of related companies	Nature of transactions	(unaudited)	(unaudited)
Land Smart Development Limited (Note)	Rental expenses	156	156
Politor Limited (Note)	Rental expenses	304	300
Lovable Products Trading Limited (Note)	Loan interest	565	972

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

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

	At 30 June 2025 RMB'000 (unaudited)	At 31 December 2024 RMB'000 (audited)
Amounts due to related companies		
Land Smart Development Limited	9,193	9,037
Lovable Products Trading Limited	8,114	7,671
Politor Limited	3,310	3,056
	20,617	19,764
Loans from related companies		
Lovable Products Trading Limited	73,265	139,792
東莞利法寶玩具製品有限公司 (Dongguan Lovable Products (China) Limited) ("Dongguan Lovable")	3,000	–
	76,265	139,792
Loan from a director of the Company		
Mr. Lee Ching Yiu	15,000	15,000

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

Kidsland HK Limited entered into an amendment agreement regarding to a loan facility on 19 February 2025, with Lovable Products Trading Limited, a company controlled by Mr. Lee Ching Yiu, the controlling shareholder and chairman of the Board, which agreed to provide a loan facility of HK\$150,000,000 or the equivalent amount in United States dollar ("US\$") (equivalent to approximately RMB136,800,000) (31 December 2024: agreement dated 31 December 2024 with facility of HK\$250,000,000 or the equivalent amount in US\$ (equivalent to approximately RMB231,500,000)).

As at 30 June 2025, the loans from Lovable Products Trading Limited with principal amounts of US\$7,747,000 (equivalent to approximately RMB55,025,000) (31 December 2024: US\$15,841,000 (equivalent to approximately RMB114,327,000)) and HK\$20,000,000 (equivalent to approximately RMB18,240,000) (31 December 2024: HK\$27,500,000 (equivalent to approximately RMB25,465,000)) were interest bearing at 2.0% (31 December 2024: 2.0%) per annum, unsecured and repayable within two years (31 December 2024: two years). As at 30 June 2025 and 31 December 2024, the carrying amounts of the loans approximate to their fair value.

On 9 June 2025, 凱知樂貿易(天津)有限公司, a wholly-owned subsidiary of the Group, entered into a loan agreement with Dongguan Lovable, a company controlled by Mr. Lee Ching Yiu, the controlling shareholder and chairman of the Board, in which Dongguan Lovable agreed to provide a loan of RMB3,000,000 (31 December 2024: nil) to 凱知樂貿易(天津)有限公司. This loan is fully repaid on 29 July 2025.

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

As at 30 June 2025, the loan from a director of the Company with principal amount of RMB15,000,000 (31 December 2024: RMB15,000,000) was interest-free, unsecured and has been renewed in June 2025 and the maturity will be in February 2027.

(d) Compensation of key management personnel

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

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Directors' fees	498	464
Salaries and allowances	4,856	5,768
Retirement benefit schemes contributions	405	525
	5,759	6,757

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 25 July 2025 (the "Grant Date"), an aggregate of 76,500,000 share options (the "Options") have been granted to a director of the Company and 15 employees of the Group (the "Grantees") under the Post-IPO Share Option Scheme adopted by the Company on 20 October 2017. The Options gave the Grantees the right to subscribe, in aggregate, up to 76,500,000 shares. The exercise price of the Options and the closing price of the shares on the Grant Date were both HK\$0.063 per share. For details, please refer to the Company's announcement dated 25 July 2025.

Save as disclosed herein, there were no material subsequent events undertaken by the Group after 30 June 2025 and up to the date of this interim report.