

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



凱知樂

Kidsland International Holdings Limited

凱知樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2122)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

- During the Reporting Period, the Group’s revenue decreased by 15.2% to approximately RMB493.7 million from approximately RMB581.9 million for the Prior Period, due to the weak market sentiment and consumption downgrading with consumers becoming more cautious about spending and more focused on price-value proposition.
- The Group’s gross profit margin increased from 33.8% for the Prior Period to 34.0% for the Reporting Period, mainly attributable to the exploration of innovative products and optimisation of product assortment, which offset the depression of short-term gross profit margin resulted from stock clearance activities. Stock clearance activities continuously reduced inventory backlog during the Reporting Period. Inventory turnover days dropped to 159 days and cash conversion cycle improved to 117 days for the Reporting Period (Prior Period: 189 days and 151 days, respectively). It enabled the Group to keep agile in adapting to future development with a healthier foundation.
- Total selling, distribution, general and administrative expenses decreased by 9.3% from approximately RMB263.6 million for the Prior Period to approximately RMB239.0 million for the Reporting Period.
- A net loss after tax of approximately RMB80.2 million was recorded for the Reporting Period (Prior Period: approximately RMB82.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the first half year of 2024, facing the dramatical change of the consumption market, in terms of both consumer sentiments and behaviours, where consumption downgrading became the main theme with consumers becoming more cautious about spending and more focused on price-value proposition, Kidsland International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) worked tirelessly to adapt its business model to the new trends.

Apart from partnering with renowned international brands, the Group continued to explore innovative products and peripheral products related to popular intellectual properties (IPs) to bring diversified products and experience to customers, so as to approach more target customers, from kids to teens and also young adults. Despite stock clearance activities since the second half year of 2023 have depressed short-term gross profit margin, by optimising product assortment, the Group managed to increase the gross profit margin from 33.8% for the six months ended 30 June 2023 (the “**Prior Period**”) and 29.8% for the year ended 31 December 2023 to 34.0% for the six months ended 30 June 2024 (the “**Reporting Period**”). In the meantime, inventory backlog reduced by 10.8% during the Reporting Period, and inventory turnover days dropped to 159 days and cash conversion cycle improved to 117 days for the Reporting Period (Prior Period: 189 days and 151 days, respectively). It enabled the Group to keep agile in adapting to future development with a healthier foundation.

To cater new consumption trends and to diversify sales channels, the Group has been actively developing instant-delivery online retail and achieved an increase of 5.1% in revenue from online stores for the Reporting Period. Additionally, the Group also continuously developed wholesales business by strengthening the key business partner relationship and strong product assortment, which led the revenue from distributors rose by 39.2% for the Reporting Period. With its unique integration of online and offline, retail and wholesale, together with its diversified channel segmentation, the Group aims to provide greater experience, convenience and service to consumers and customers.

Maintaining strong and agile is critical when facing current rapidly changing market, the Group kept improving its operational efficiency and optimising organizational structure. Whilst the consumption market is still challenging, the Group will keep strengthening its core competence, seeking new opportunities and development and pivoting its business model to adapt to the market.

RETAIL AND WHOLESALE BUSINESS

Our extensive distribution network comprises self-operated retail channels and wholesale channels. As of 30 June 2024, this network consisted of:

Self-operated Retail Channels

- 535 self-operated retail points of sale including retail shops and consignment counters (30 June 2023: 571)
- 34 online stores (30 June 2023: 28)

Wholesale Channels

- 304 distributors (30 June 2023: 344) which sell our products through third-party retailers or their own retail shops, totaling more than 1,300 (30 June 2023: more than 1,700)
- 9 hypermarket and supermarket chains (30 June 2023: 12) with a sum of 412 retail points (30 June 2023: 412)
- 2 online key accounts (30 June 2023: 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	
	2024	2023
Retail shops		
At the beginning of the period	155	172
Addition of new retail shops	7	4
Closure of retail shops	(17)	(9)
At the end of the period	145	167

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	
	2024	2023
Consignment counters		
At the beginning of the period	404	415
Addition of new consignment counters	18	21
Closure of consignment counters	(32)	(32)
	<hr/>	<hr/>
At the end of the period	390	404
	<hr/> <hr/>	<hr/> <hr/>

1.3 *Online Stores*

During the Reporting Period, we opened five flagship stores of brands that we represented on third-party-operated online platforms such as Tmall and JD.com, and closed two. As of 30 June 2024, we had 34 online stores in total, compared with 28 as of 30 June 2023.

2. **Wholesale Channels**

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

2.1 *Distributors*

As of 30 June 2024, we had 304 distributors (30 June 2023: 344), which sell our products through third-party retailers or their own retail shops, totaling more than 1,300 (30 June 2023: more than 1,700) in Mainland China.

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

	Six months ended 30 June	
	2024	2023
Distributors		
At the beginning of the period	306	342
Addition of new distributors	47	55
Expiry without renewal of distribution agreements	(49)	(53)
	<u> </u>	<u> </u>
At the end of the period	<u> </u>	<u> </u>

2.2 *Hypermarket and Supermarket Chains*

As of 30 June 2024, we had wholesale arrangements with 9 hypermarket and supermarket chains (30 June 2023: 12) with a sum of 412 retail points (30 June 2023: 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	
	2024	2023
Hypermarket and supermarket chains		
At the beginning of the period	12	12
Addition of new hypermarket and supermarket chains	–	1
Termination or expiry of agreements with hypermarket and supermarket chains	(3)	(1)
	<u> </u>	<u> </u>
At the end of the period	<u> </u>	<u> </u>

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	
	2024	2023
Online key accounts		
At the beginning of the period and at the end of the period	<u>2</u>	<u>2</u>

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue decreased by 15.2% to approximately RMB493.7 million from approximately RMB581.9 million for the Prior Period, due to the weak market sentiment and consumption downgrading with consumers becoming more cautious about spending and more focused on price-value proposition.

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Self-operated retail channels		
– Retail shops	265,747	332,677
– Consignment counters	109,060	137,939
– Online stores	<u>29,574</u>	<u>28,145</u>
Sub-total	<u>404,381</u>	<u>498,761</u>
Wholesale channels		
– Distributors	82,824	59,481
– Hypermarket and supermarket chains	2,838	18,883
– Online key accounts	<u>3,609</u>	<u>4,747</u>
Sub-total	<u>89,271</u>	<u>83,111</u>
Total	<u><u>493,652</u></u>	<u><u>581,872</u></u>

Self-operated Retail Channels

The self-operated retail channels recorded a decrease in revenue of 18.9% to approximately RMB404.4 million for the Reporting Period compared to the Prior Period, attributed to the drop in revenue from retail shops and consignment counters by 20.1% to approximately RMB265.7 million and 20.9% to approximately RMB109.1 million, respectively. Revenue from online stores rose by 5.1% to approximately RMB29.6 million.

Wholesale Channels

During the Reporting Period, revenue contributed by wholesale channels increased by 7.4% to approximately RMB89.3 million. Revenue from distributors rose by 39.2% to approximately RMB82.8 million, while revenue from hypermarket and supermarket chains as well as online key accounts dropped by 85.0% to approximately RMB2.8 million and 24.0% to approximately RMB3.6 million, respectively.

Revenue from Hong Kong, Macau and overseas (after inter-segment elimination) recorded a decrease of 20.0% from approximately RMB115.3 million for the Prior Period to approximately RMB92.2 million during the Reporting Period.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales decreased by 15.4% from approximately RMB385.0 million for the Prior Period to approximately RMB325.7 million for the Reporting Period. The Group's gross profit margin increased from 33.8% for the Prior Period to 34.0% for the Reporting Period, mainly attributable to the exploration of innovative products and optimisation of product assortment, which offset the depression of short-term gross profit margin resulted from stock clearance activities. Stock clearance activities continuously reduced inventory backlog during the Reporting Period. Gross profit decreased from approximately RMB196.9 million for the Prior Period to approximately RMB167.9 million for the Reporting Period.

Other Income

Other income, consisting mainly of government grants and promotional service income, decreased by approximately RMB1.0 million from approximately RMB3.2 million for the Prior Period to approximately RMB2.2 million for the Reporting Period, mainly resulting from the drop in government grants.

Other Losses, Net

Other losses, net was mainly attributable to net exchange differences. Other losses, net of approximately RMB3.8 million recorded for the Reporting Period (Prior Period: approximately RMB13.0 million), mainly resulting from the depreciation of Renminbi (“RMB”).

Impairment Reversal/Loss on Financial Assets

The amount represented provision made for impairment loss on trade and bill receivables. Reversal of impairment loss of approximately RMB98,000 was recorded for the Reporting Period (Prior Period: provision for impairment loss of approximately RMB7,000).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 8.8% from approximately RMB237.4 million for the Prior Period to approximately RMB216.5 million for the Reporting Period, which was mainly attributable to intensified expense management, especially on concessionaire fees, outsourced personnel service fees and advertising and promotional expenses.

General and Administrative Expenses

General and administrative expenses dropped by 13.9% from approximately RMB26.1 million for the Prior Period to approximately RMB22.5 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, loans from a related company and bank borrowings, slightly increased by approximately RMB0.2 million from approximately RMB5.5 million for the Prior Period to approximately RMB5.7 million for the Reporting Period.

Loss for the Period

A loss of approximately RMB80.2 million was recorded for the Reporting Period (Prior Period: approximately RMB82.9 million).

Inventory, Trade Receivables and Payables Turnover Days

Inventory turnover days decreased from 189 days for the Prior Period to 159 days for the Reporting Period. Trade receivables turnover days increased from 19 days for the Prior Period to 20 days for the Reporting Period. Trade payables turnover days increased from 57 days for the Prior Period to 62 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 151 days for the Prior Period to 117 days for the Reporting Period.

Capital Expenditure

During the Reporting Period, the Group invested approximately RMB5.6 million in property, plant, and equipment, mainly to renovate shops (Prior Period: approximately RMB10.2 million).

Liquidity and Financial Resources

The Group's cash position as of 30 June 2024 was approximately RMB21.9 million, compared to approximately RMB24.5 million as of 31 December 2023. 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 2024 were 1.1 and 0.4, respectively (31 December 2023: 1.2 and 0.5, respectively).

As of 30 June 2024, the Group had aggregate banking facilities of approximately RMB134.3 million (31 December 2023: approximately RMB167.2 million) for bank loans and trade financing, of which approximately RMB6.6 million (31 December 2023: approximately RMB42.5 million) was unutilised as of the same date.

As of 30 June 2024, the Group had a loan facility from a related company of approximately RMB136.9 million (31 December 2023: approximately RMB135.9 million), of which approximately RMB109.7 million (31 December 2023: approximately RMB85.3 million) was utilised.

Charge of Assets

As of 30 June 2024, the Group had restricted cash of approximately RMB2.7 million mainly for bank guarantee of a trade finance facility (31 December 2023: approximately RMB2.5 million).

Contingent Liabilities

As of 30 June 2024, the Group did not have significant contingent liabilities (31 December 2023: Nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from exposure in the United States dollar, Euro and Hong Kong dollar against RMB. The Group currently does not have a foreign currency hedging policy. However, the management personnel of the Group monitor its foreign exchange risks regularly in keeping the net exposure to an acceptable level. Exchange rate fluctuations could affect the Group's margins and profitability.

RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	493,652	581,872
Cost of sales	8	<u>(325,742)</u>	<u>(385,021)</u>
Gross profit		167,910	196,851
Other income	5	2,193	3,180
Other losses, net	6	(3,819)	(12,970)
Impairment reversal/(loss) on financial assets	8	98	(7)
Selling and distribution expenses	8	(216,466)	(237,415)
General and administrative expenses	8	<u>(22,496)</u>	<u>(26,142)</u>
Operating loss		(72,580)	(76,503)
Finance costs		<u>(5,690)</u>	<u>(5,546)</u>
Loss before income tax		(78,270)	(82,049)
Income tax expense	7	<u>(1,950)</u>	<u>(820)</u>
Loss for the period		<u>(80,220)</u>	<u>(82,869)</u>
Other comprehensive income, net of tax:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<u>1,824</u>	<u>8,233</u>
Total comprehensive expense for the period		<u><u>(78,396)</u></u>	<u><u>(74,636)</u></u>

		Six months ended 30 June	
		2024	2023
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
	– owners of the Company	(80,154)	(82,689)
	– non-controlling interests	(66)	(180)
		<u>(80,220)</u>	<u>(82,869)</u>
Total comprehensive expense for the period attributable to:			
	– owners of the Company	(78,290)	(74,232)
	– non-controlling interests	(106)	(404)
		<u>(78,396)</u>	<u>(74,636)</u>
Loss per share, basic and diluted (<i>RMB cents</i>)	10	<u>(10.02)</u>	<u>(10.34)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		17,469	24,228
Right-of-use assets	11	77,176	81,309
Intangible assets		7,185	7,822
Financial asset at fair value through profit or loss (“FVTPL”)		–	–
Rental deposits		18,944	19,865
Deferred tax assets		14,260	15,990
		135,034	149,214
Current assets			
Inventories		268,977	301,448
Trade and bill receivables	12	52,126	57,050
Other receivables, deposits and prepayments		52,132	47,782
Right-of-return assets		205	52
Tax recoverable		–	729
Restricted cash		2,661	2,541
Cash and cash equivalents		19,271	21,937
		395,372	431,539
EQUITY			
Owners of the Company			
Share capital		6,931	6,931
Reserves		21,785	100,075
		28,716	107,006
Non-controlling interests		6,173	6,279
Total equity		34,889	113,285

		At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
LIABILITIES			
Non-current liabilities			
Loans from a related company		109,664	85,302
Other payables		2,087	2,984
Lease liabilities	11	31,251	30,992
		<u>143,002</u>	<u>119,278</u>
Current liabilities			
Trade payables	13	106,459	117,154
Other payables and accruals		71,092	82,502
Bank borrowings		94,818	76,655
Loan from a director		15,000	–
Lease liabilities	11	56,331	61,530
Contract liabilities		7,929	9,665
Current tax liabilities		886	684
		<u>352,515</u>	<u>348,190</u>
Net current assets		<u>42,857</u>	<u>83,349</u>
Total assets less current liabilities		<u>177,891</u>	<u>232,563</u>
Net assets		<u><u>34,889</u></u>	<u><u>113,285</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2024

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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 2023.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in trading and sale of toys and related lifestyle products.

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, the chief operating decision maker, that are used to make strategic decisions. The Group's operating segments are classified as the geographic area (i) the People's Republic of China (the "PRC"); and (ii) Hong Kong, 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.

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 2024

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

Six months ended 30 June 2023

(Unaudited)	The PRC <i>RMB'000</i>	Hong Kong, Macau and overseas <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
– Revenue recognised at a point in time	466,609	115,533	(270)	581,872
Reportable segment (loss)/profit excluding depreciation and amortisation	(15,378)	10,492	–	(4,886)
Depreciation and amortisation	(44,269)	(14,517)	–	(58,786)
Reportable segment results	(59,647)	(4,025)	–	(63,672)
Unallocated other income				73
Unallocated corporate expenses				(3,422)
Unallocated other losses, net				(12,976)
Unallocated finance costs				(2,052)
Loss before income tax				(82,049)
Income tax expense				(820)
Loss for the period				(82,869)

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	
	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
Self-operated retail channels		
– Retail shops	265,747	332,677
– Consignment counters	109,060	137,939
– Online stores	29,574	28,145
Wholesale channels		
– Distributors	82,824	59,481
– Hypermarket and supermarket chains	2,838	18,883
– Online key accounts	3,609	4,747
	493,652	581,872

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	25	73
Government grants (<i>Note</i>)	815	1,831
Promotional service income	42	707
Sundry income	1,311	569
	<u>2,193</u>	<u>3,180</u>

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

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net exchange loss	(3,965)	(13,018)
Loss on disposal of property, plant and equipment	(527)	–
Gain on lease modifications (<i>note 11(ii)</i>)	700	91
Gain on disposal of financial assets at FVTPL	2	42
Others	(29)	(85)
	<u>(3,819)</u>	<u>(12,970)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax		
– Hong Kong, Macau and overseas profits tax	199	241
Under-provision in prior years		
– PRC corporate income tax	–	5
Deferred tax	1,751	574
	<u>1,950</u>	<u>820</u>

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 (reversal)/loss on financial assets, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Auditors' remuneration		
– Audit services	826	809
Amortisation of intangible assets	672	660
Depreciation of property, plant and equipment	10,330	14,165
Depreciation of right-of-use assets (<i>note 11(ii)</i>)	39,636	43,961
Impairment loss on property, plant and equipment (<i>Note</i>)	1,308	1,713
Impairment loss on right-of-use assets (<i>Note</i>)	2,898	2,562
Cost of inventories	326,869	376,449
Rental expenses in respect of		
– variable leases payments (<i>note 11(ii)</i>)	1,730	1,866
– short-term leases (<i>note 11(ii)</i>)	20,554	13,788
Advertising and promotional expenses	5,093	7,867
Concessionaire fees	35,590	42,901
Employee benefit expenses (including directors' emoluments)	48,028	51,099
Outsourced personnel service fees	37,430	42,247
(Reversal of)/provision for impairment loss on trade receivables	(98)	7
(Reversal of)/provision for impairment loss on inventories, net (included in cost of sales)	(6,157)	2,405
Transportation costs	7,948	7,492
Building management fees	15,783	15,894

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 RMB1,308,000 and RMB2,898,000, respectively for the six months ended 30 June 2024 (30 June 2023: RMB1,713,000 and RMB2,562,000, respectively) was made based on impairment assessment carried out for the retail store assets which have an impairment indicator of loss making. Such impairment losses were recorded in selling and distribution expenses. The recoverable amounts are based on value-in-use calculations. These calculations used projected cash flows and key assumptions such as future revenue growth rate and gross margin percentage of individual CGUs based on the Group’s annual budget covering an average of 2-year period. A discount rate of 13.5% (30 June 2023: 13.0%) 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 2024. The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (2023: 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	
	2024	2023
Loss attributable to the owners of the Company (<i>in RMB'000</i>)	<u>(80,154)</u>	<u>(82,689)</u>
Weighted average number of ordinary shares for the purpose of calculation of loss per share (<i>in '000</i>)	<u>800,000</u>	<u>800,000</u>

The computation of diluted loss per share for the six months ended 30 June 2024 does not assume the exercise of the Company's outstanding share options since they would have an anti-dilutive impact to the basic loss per share (2023: same).

11. LEASES

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

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

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

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Right-of-use assets		
– Leased premises	88,522	91,764
Less: Provision for impairment	<u>(11,346)</u>	<u>(10,455)</u>
	<u>77,176</u>	<u>81,309</u>
Lease liabilities		
Current	56,331	61,530
Non-current	<u>31,251</u>	<u>30,992</u>
	<u>87,582</u>	<u>92,522</u>

During the six months ended 30 June 2024, additions to right-of use assets amounted to RMB43,209,000 (30 June 2023: RMB25,423,000).

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

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

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Depreciation of right-of-use assets (<i>note 8</i>)	39,636	43,961
Interest expenses (included in finance costs)	2,904	3,494
Expense relating to short-term leases (<i>note 8</i>)	20,554	13,788
Expense relating to variable lease payments not included in lease liabilities (<i>note 8</i>)	1,730	1,866
Impairment loss on right-of-use assets (<i>note 8</i>)	2,898	2,562
Gain on lease modifications (<i>note 6</i>)	(700)	(91)

12. TRADE AND BILL RECEIVABLES

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
	Trade receivables from contracts with customers	61,454
Less: Provision for impairment	(10,101)	(10,199)
	<u>51,353</u>	<u>56,277</u>
Bill receivables	3,866	3,866
Less: Provision for impairment	(3,093)	(3,093)
	<u>773</u>	<u>773</u>
	<u><u>52,126</u></u>	<u><u>57,050</u></u>

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

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Within 30 days	29,215	40,190
31 to 60 days	11,186	8,716
61 to 90 days	3,048	2,740
91 to 180 days	5,991	1,532
Over 180 days	12,014	13,298
	<hr/>	<hr/>
	61,454	66,476
Less: Provision for impairment	(10,101)	(10,199)
	<hr/>	<hr/>
	51,353	56,277
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE PAYABLES

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

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Within 30 days	93,648	87,103
31 to 60 days	7,790	23,886
61 to 90 days	896	2,940
Over 90 days	4,125	3,225
	<hr/>	<hr/>
	106,459	117,154
	<hr/> <hr/>	<hr/> <hr/>

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 (including sale of treasury shares, if any) any of such securities during the Reporting Period.

As of 30 June 2024, the Company did not hold any treasury shares.

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 2024, the Company's share capital comprised 800,000,000 issued ordinary shares with nominal value of HK\$0.01 each. There was no change in the share capital of the Company during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2024, the Group had approximately 1,200 employees (including both in-house and outsourced employees) (30 June 2023: approximately 1,400 employees) in Mainland China, Hong Kong and Macau. Total remuneration for in-house and outsourced employees for the Reporting Period amounted to approximately RMB48.0 million and RMB37.4 million, respectively (Prior Period: approximately RMB51.1 million and RMB42.2 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 17 July 2024, Mr. Albert Thomas da Rosa, Junior has been appointed by the Board as an independent non-executive Director (the "INED") and a member of the audit committee of the Company (the "Audit Committee") with effect from the same date. For details, please refer to the Company's announcement dated 17 July 2024.

Save as disclosed above, there were no material subsequent events undertaken by the Group after 30 June 2024 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE AND REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board has established an Audit Committee with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three INEDs, namely Mr. Cheng Yuk Wo (chairman of the Audit Committee), Mr. Huang Lester Garson and Mr. Albert Thomas da Rosa, Junior. The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee.

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

GRATITUDE

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

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

Hong Kong, 29 August 2024

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