Kiddieland International Limited

童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3830

2018

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Shiu Kee Kenneth *(Chief Executive Officer)*
Ms. Lo Shiu Shan Suzanne
Ms. Sin Lo Siu Wai Sylvia
Mr. Lo Hung *(Chairman)*
Ms. Leung Siu Lin Esther

Independent Non-executive Directors

Ms. Tse Yuen Shan
Mr. Man Ka Ho Donald
Mr. Szeto Chi Yan Stanley

AUDIT COMMITTEE

Ms. Tse Yuen Shan *(Chairwoman)*
Mr. Man Ka Ho Donald
Mr. Szeto Chi Yan Stanley

REMUNERATION COMMITTEE

Mr. Szeto Chi Yan Stanley *(Chairman)*
Ms. Tse Yuen Shan
Mr. Man Ka Ho Donald
Mr. Lo Shiu Kee Kenneth

NOMINATION COMMITTEE

Mr. Man Ka Ho Donald *(Chairman)*
Ms. Tse Yuen Shan
Mr. Szeto Chi Yan Stanley

AUTHORISED REPRESENTATIVES

Mr. Lo Shiu Kee Kenneth
Mr. Cheung Ka Cheong

COMPANY SECRETARY

Mr. Cheung Ka Cheong

AUDITOR

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F, Bank of America Tower
12 Harcourt Road, Central, Hong Kong

REGISTERED OFFICE

PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISOR

WAG Worldsec Corporate Finance Limited
Suite 1101, 11/F, Champion Tower
3 Garden Road, Central
Hong Kong

COMPANY WEBSITE

http://www.kiddieland.com.hk

STOCK CODE

3830

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kiddieland International Limited ("**Kiddieland**" or the "**Company**"), I am pleased to present the first consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 April 2018 following the successful listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on 21 September 2017.

Year of 2018 is crucial to our Group as it is the 20th anniversary of our business. Over the years, our Group has become one of the leading toy manufacturers and exporters in Hong Kong. With the tremendous efforts from our brilliant team of management and staff, the Company sought new expansion opportunity through the global offering in September 2017 (the "**Global Offering**"). The responses to our Global Offering were overwhelming and it attracted oversubscription of approximately 1,052 times and the Company raised total net proceeds of HK$81.4 million from the Global Offering.

Nonetheless, financial year 2018 was also a challenging one. The Group's revenue for the financial year ended 30 April 2018 amounted to approximately HK$320.4 million, representing a decrease of approximately 12.7% over last year. The decrease was mainly attributed to the stagnant toy market in Europe resulted from sluggish economy and political instability which coupled to the additional market turbulence that evoked by the bankruptcy protection filing of Toys "R" Us Inc. ("**TRU**") in September 2017 and the consequential financial dilemma of its various overseas divisions.

The Group's net loss for financial year 2018 was HK$13.7 million as compared to profit attributable to shareholders of HK$22.6 million for last year. This was mainly attributed to loss of profit margins in revenue decreased as well as the provision of impairment on trade receivables from TRU of HK$6.4 million, the provision of impairment on inventories of HK$3.8 million and the listing expenses of HK$6.2 million during the year. In addition, the decrease was also attributed to cost of sales increased due to absurd appreciation of Renminbi ("**RMB**") and escalating prices of various production materials during second half of the financial year.

Despite the different challenges we encounter from various fronts, we believe our success stems from our dedication to delivering high-quality products at competitive prices. More importantly, we recognise introducing creative new products to be essential in capturing customers' interest in our line, and we remain adamant and are committed to investing in developing a broad range of innovative toys every year. With the extra resources from the Global Offering, enhancing our production plant and accelerating the expansion of our product range, we are confident that we shall be doing better in this direction in the near future.

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to all fellow Directors, management and our staff for their dedication and contribution to our Group's development. I would also like to thank all our shareholders, business partners, customers, suppliers and bankers for their trust and continuous support in the previous year.

Yours Faithfully

Lo Hung
Chairman
Hong Kong, 18 July 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Financial year 2018 has proven to be a very challenging year for our Group and the toy industry in general. Arguably the largest toy retailer in the world, TRU had filed for Chapter 11 bankruptcy in September 2017, followed by an announcement made in March 2018 to declare that the company in U.S. will go through a gradual liquidation. Its many international subsidiaries have followed suit as some have already closed down, others are sold, and some are still looking for potential buyers (the "**TRU Crisis**").

Coupled with the turmoil which TRU has created which has proven to have a rather long term effect, since the beginning of the second half of financial year 2018, several major raw materials are seeing substantial price increases. Plastic material accounts for the Group's largest raw material usage and as oil prices are slowly escalating, plastic prices have elevated significantly which has inevitably eroded our margin. Paper/cardboard prices have also shown a major increase since October 2017. These components constitute a large percentage of our overall cost, and the rise in price has affected our Group's profitability. Labour supply is also unprecedentedly scarce and wages have been adjusted upwards driven by simple supply and demand factors. Finally, the currency RMB has appreciated noticeably against US$ and as much of our cost is expensed in RMB, this also affected our bottom line.

The Group's revenue for the year was approximately HK$320.4 million, which has decreased by 12.7% as compared to last year (2017: approximately HK$367.1 million).

The decrease in revenue was mainly attributed to (i) the decrease of revenue generated from Europe which decreased by 28.4% to approximately HK$113.8 million (2017: HK$159.0 million). Orders from various customers in European markets had decreased during the year because most of our customers in the region have adopted tightened procurement program as a result of the stagnant market sentiment and political instability in various places in Europe such as Brexit in U.K. and Catalan crisis in Spain; and (ii) the decrease in average selling price of products sold to U.S., which was primarily due to a major customer in the region having changed its procurement arrangement from POE terms to FOB terms since June 2017.

Moreover, the TRU Crisis sent additional shockwaves to global toy industry. The resulting overall sentiment of the toy industry, especially in Europe, dived and many customers had turned particularly conservative in placing orders since the TRU development. The Group also decided to restrain the supply of goods to various subsidiaries of TRU in the second half of financial year 2018 as payment could potentially be questionable. As a result, revenue for the second half of financial year 2018 has decreased to HK$80.7 million as compared to HK$117.4 million for the corresponding period last year.

The Group recorded a net loss of HK$13.7 million for year ended 30 April 2018 (2017: net profit HK$22.6 million). The loss was attributed to the decrease in revenue as well as the provision of impairment on trade receivables and inventories of HK$8.2 million totally in related to bankruptcy filing cases of TRU and the absence of non-recurring tax credits for the year (2017: approximately HK$7.3 million). Moreover, the Group's profitability also suffered from the absurd appreciation of RMB against HK$ and the escalating prices in various production materials during the second half of the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

As mentioned in Business Review, revenue generated from Europe decreased by 28.4% to approximately HK$113.8 million (2017: HK$159.0 million). Both average selling price and orders from various European customers had decreased because most of customers in the region have adopted tightened procurement program as a result of the sluggish economy and political instability in various places in Europe as well as the market turbulence evoked by TRU.

On the other hand, notwithstanding the encouraging growth of revenue from North America during first half of the year, revenue generated in second half from North America substantially affected by the bankruptcy filing of TRU and revenue from North America for the year increased by 4.6% only to approximately HK$172.7 million (2017: HK$165.1 million).

As a result of the above, the Group's overall revenue decreased by 12.7% to approximately HK$320.4 million (2017: HK$367.1 million).

Gross profit

The Group's gross profit decreased by 47.4% to approximately HK$52.8 million for the year (2017: HK$100.5 million). The decrease was attributed to the decrease in revenue discussed above as well as the provision of impairment on inventories of HK$3.8 million. The Group's profitability also suffered from the absurd appreciation of RMB against HK$ and the escalating prices in various production materials during second half of the financial year. The gross profit margin for the year decreased to 16.5% as compared to 27.4% of last year.

Selling and distribution expenses

Selling and distribution expenses decreased by 22.1% to approximately HK$22.1 million for the year (2017: HK$28.4 million). The decrease was mainly attributable to the decrease in freight charges to U.S. due to change in procurement arrangement of a major U.S. customer as the Group no longer had to bear the freight charges for sales to such customer for the year.

Administrative expenses

Administrative expenses decreased by 5.0% to approximately HK$45.5 million for the year (2017: HK$47.9 million). The decrease was mainly attributed to the decrease in listing expenses recognised as compared to that in last year and with the offsetting effect of the provision of impairment on trade receivables of HK$6.4 million for TRU.

Finance costs

Net finance costs decreased by 21.5% to approximately HK$4.6 million for the year (2017: HK$5.9 million). The decrease was attributed to the decrease in bank borrowings.

Income tax credits

Income tax credits (net of tax expenses) of the Group was HK$2.6 million for the year whilst the Group recorded income tax credits (net of tax expenses) of HK$3.1 million for last year.

The tax credits for last year was attributable to the utilisation of previously unrecognised tax losses of a subsidiary in PRC and reversal of temporary difference on deferred taxation, with an aggregated amount of HK$7.3 million. All such tax credits for last year were non-recurring in nature. Details of which was disclosed in the section headed "Financial Information" in the Company's prospectus dated 11 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Net (loss)/profit

In the absence of non-recurring tax credits of HK$7.3 million recognised in last year and the decrease in listing expenses of HK$6.8 million recognised for the year, which coupled with provision of HK$8.2 million for TRU for the year, the Group recorded a net loss of HK$13.7 million for the year (2017: net profit of HK$22.6 million).

When excluding the provision for TRU in the current year, one-off tax credits recognised in last year and the listing expenses for both years, the adjusted profit after tax for the year would be HK$0.7 million as compared to adjusted profit after tax of HK$28.3 million for last year.

Inventories

Inventories as at 30 April 2018 were HK$113.5 million, increased from HK$107.5 million as at 30 April 2017. Inventory turnover days for the year were 150.8 days (2017: 136.1 days). The higher stock level was primarily due to the arrangement of early production on the Group's products in order to better utilise the Group's production capacity.

Trade and bills receivables

Trade and bills receivables as at 30 April 2018 were HK$19.3 million, decreased from HK$38.7 million as at 30 April 2017. Trade and bills receivables turnover days for the year were 33.0 days (2017: 35.7 days). The decrease was due to the decrease in revenue, especially for second half of the year.

Trade and bills payables

Trade and bills payables as at 30 April 2018 were HK$20.1 million, increased from HK$18.1 million as at 30 April 2017. Trade and bills payables turnover days for the year remained relatively stable at 26.1 days (2017: 27.9 days).

Liquidity and financial resources

During the year ended 30 April 2018, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2018, cash and cash equivalents amounted to HK$43.2 million (2017: HK$7.9 million). The increase was mainly due to the additional capital of HK$81.4 million raised from the Global Offering with an offsetting effect from less bank borrowings drawn during the year. The current ratio of the Group, as calculated by total current assets over total current liabilities, was 1.0 as at 30 April 2018 (2017: 1.1).

As at 30 April 2018, the Group's net current assets were HK$1.4 million (2017: HK$23.8 million). Total bank borrowings were HK$123.2 million (2017: HK$174.0 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 87.5% (2017: 120.9%). All bank borrowings were subject to floating interest rates. The Group will negotiate with banks to increase the bank borrowings limit for working capital needs, if necessary.

FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases are mainly denominated in Hong Kong and US Dollar. And for production factory located in PRC, expenses incurred there are denominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required.

As at 30 April 2018, the Group had not entered into any financial instrument for the hedging of foreign currency.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 April 2018, the Group employed 1,234 full time management, administrative and production staff in Hong Kong Special Administrative Region and Mainland China. The Group has seasonal fluctuations in the number of workers employed in its production plant while the number of management and administrative staff remains stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group is committed to achieving environmental sustainability and has implemented its Corporate Social Responsibility strategy across the organisation by embedding social responsibility into daily operations. The Group's production plant substantially complied with all applicable local and international environmental regulations.

The Group has installed solar panels as well as energy saving devices for injection machines at its factory in PRC. The Group also encourages environmental protection practices such as setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances. The Group resolves to adopt and encourages practices that prevent or minimise pollution and optimise efficient use of energy and natural resources in order to provide employees with a safe and healthy working and living environment.

The Company's Environmental, Social and Governance Report is set out on pages 30 to 39 of this annual report.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment during the year.

CAPITAL COMMITMENTS

As at 30 April 2018, the commitments of the Group for acquisition of property, plant and equipment amounted to HK$1.1 million which have been contracted, but not provided for in the consolidated financial statements. In addition, the commitments of the Group for acquisition of land use right amounted to HK$27.2 million which have been authorised but not contracted for in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 April 2018, the Group had contingent liabilities in relation to irrevocable standby letter of credit of HK$4.4 million. Save as aforesaid, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

In September 2017, the Company completed the Global Offering and raised total net proceeds of HK$81.4 million after deducting the listing expenses. As at 30 April 2018, the Group has utilised HK$46.0 million of the net proceeds from the listing according to the intended purposes, and HK$35.4 million of the unused net proceeds were deposited in licensed banks in Hong Kong. Set out below is the intended use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 11 September 2017 (the "**Prospectus**"), utilised amount and unutilised amount of net proceeds as at 30 April 2018.

Use of net proceeds	Percentage of net proceeds %	Net proceeds HK$'000	Amount utilised HK$'000	Amount remaining HK$'000
Diversification of product offerings by developing new products and further entering into licensing arrangements	51.8%	42,200	(33,072)	9,128
Strengthening sales and marketing of the Company's co-branded products and Kiddieland branded products	27.2%	22,100	(5,734)	16,366
Acquiring machinery and upgrading existing machinery	9.5%	7,700	(1,745)	5,955
Repair and maintenance of the factory, production tools and machinery	11.5%	9,400	(5,429)	3,971
Total	100%	81,400	(45,980)	35,420

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The collapse of the TRU empire is going to create an adverse impact on the Company. While some of the lost business is expected to be picked up by other existing retailers, there will remain a certain market share that will not find a new home and be gone forever. To counter this phenomenon, the Group will look into two different means to grow its business. One is to expand into untapped or underexploited customer base, and the other is to broaden our product range and compete in new marketplace.

At the end of 2017, the Company has decided to invest into enhancing its logistics capabilities in U.S. by partnering up with a third-party warehouse so that the Group's internet sales can grow more rapidly with major dotcom customers. The result is a direct ship program in which Kiddieland would become responsible in shipping goods directly to consumers once orders have been placed on different retail websites. This new arrangement simplifies business transactions for internet customers, and it subsequently opens doors to more business opportunities. The Directors believe the investment is going to pay off handsomely in the long-term as internet business is growing at exponential rates all over the world.

During the last 6 months, the Company has successfully developed a range of 6V rechargeable motorised ride-ons. This represents a brand new category which the Company had never attempted before. On average, the selling price of these new products is more than double compared to the regular foot-to-floor ride-ons which the Company has made in the last 20 years. So far the sales results have been encouraging and the Directors believe this new category is going to contribute significantly to the growth going forward. The Company will continue to develop this line and broaden its product offerings.

Other challenges the Group was faced with this past year were the raw materials price increase, labour wages escalating and the continuing currency appreciation of RMB against US$. The Company is acknowledging an erosion of gross profit margin which is unhealthy and needs to find ways to rectify these negative effects. The Directors believe imposing a price increase is the first step so that the cost increase can be transferred back to the customers. At the same time, the introduction of more automation in the manufacturing process and a study to reengineer some of our product lines may also yield savings on production fronts. Such strategy should help manage the cost side.

With all these measures taken, the Directors trust that the performance of the Group will gradually turn around in the near future and revert back to profitability.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Lo Shiu Kee Kenneth (盧紹基), aged 47, is one of the founders of our Group, an executive Director and the chief executive officer of our Company and is in charge of overseeing the overall business operation of our Group including sales and marketing activities of our Group, managing relationships with licensors and customers and is also responsible for managing licensing strategies and the production of our Group's production factory in Dongguan, Guangdong Province, the PRC. He has over 21 years of experience in the toy industry. He obtained a Master of Business Administration from Harvard University in 1998, a Master of Science in Engineering-Economic Systems from Stanford University in 1995, a Bachelor of Science in Engineering (Bioengineering) and a Bachelor of Science in Economics from University of Pennsylvania in 1993.

Mr. Kenneth Lo is son of Mr. Lo Hung, Chairman and executive Director, and Ms. Esther Leung, executive Director. Mr. Kenneth Lo is also brother of Ms. Suzanne Lo and Ms. Sylvia Lo, executive Directors.

Lo Shiu Shan Suzanne (盧紹珊), aged 45, is one of the founders of our Group, an executive Director of our Company and is responsible for determining the cost calculation and pricing of our products, handling factory audits and overseeing of purchase activities of raw materials for our Group's production factory in Dongguan, Guangdong Province, the PRC. She has over 15 years of experience in the toy industry. During the period from July 1999 to March 2002, she was a Senior Associate of the Assurance and Business Advisory Services Department at PricewaterhouseCoopers. She obtained a Bachelor of Commerce from McGill University in 1995.

Ms. Suzanne Lo is daughter of Mr. Lo Hung, Chairman and executive Director, and Ms. Esther Leung, executive Director. Ms. Suzanne Lo is also sister of Mr. Kenneth Lo and Ms. Sylvia Lo, executive Directors.

Sin Lo Siu Wai Sylvia (冼盧紹慧), aged 43, is one of the founders of our Group, an executive Director of our Company and is responsible for managing all design-related works in product development from concept to final production as well as liaising with licensors to ensure smooth operation at all stages of product development. She has over 18 years of experience in the toy industry. She obtained a Bachelor of Fine Arts and a Bachelor of Architecture from Rhode Island School of Design in 1998.

Ms. Sylvia Lo is daughter of Mr. Lo Hung, Chairman and executive Director, and Ms. Esther Leung, executive Director. Ms. Sylvia Lo is also sister of Mr. Kenneth Lo and Ms. Suzanne Lo, executive Directors.

Lo Hung (盧鴻), aged 74, is an executive Director and the Chairman of our Company and is primarily responsible for overseeing the daily operations of our Group's production factory in Dongguan, the PRC and managing the personnel related to product development including designers, prototype craftsmen, engineers and mould makers. He joined our Group on 29 May 2002 and has over 51 years of experience in the toy industry.

Mr. Lo Hung is the spouse of Ms. Esther Leung, executive Director, and father of Mr. Kenneth Lo, Ms. Suzanne Lo and Ms. Sylvia Lo, executive Directors.

DIRECTORS AND SENIOR MANAGEMENT

Leung Siu Lin Esther (梁小蓮), aged 72, is an executive Director of our Company and is primarily responsible for managing the overall financials of our Group and monitoring the monthly shipments and inventory levels of our Group's production factory in Dongguan, the PRC. She joined our Group on 29 May 2002 and has over 47 years of experience in the toy industry. She graduated from the Nursing School of the Medical and Health Department in 1967 and became a registered nurse and midwife in Hong Kong in 1967 and 1969 respectively.

Ms. Esther Leung is the spouse of Mr. Lo Hung, Chairman and executive Director, and mother of Mr. Kenneth Lo, Ms. Suzanne Lo and Ms. Sylvia Lo, executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tse Yuen Shan (謝婉珊), aged 41, was appointed as an independent non-executive Director on 31 August 2017. She is also the chairwoman of the audit committee and a member of the remuneration committee and the nomination committee of our Company. She has 14 years of experience in accounting and has been the Assistant Finance Manager at Hutchison Whampoa Properties Limited, an Executive Officer at the Occupational Safety and Health Council and a Senior Associate at PricewaterhouseCoopers. She has been a member of the Hong Kong Institute of Certified Public Accountants since January 2003 and obtained a Bachelor of Business Administration in Accounting from Hong Kong University of Science and Technology in 1999.

Man Ka Ho Donald (文嘉豪), aged 41, was appointed as an independent non-executive Director on 31 August 2017. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of our Company. Mr. Man is also an independent non-executive director of Icicle Group Holdings Limited (stock code: 8429). He was admitted as a solicitor of the Supreme Court of England and Wales in 2003 and has over 11 years of experience in the legal field. Mr. Man is currently a registered foreign lawyer at Ince & Co's Hong Kong office. Mr. Man is a director of Jardine Travel Limited, Eupo-Air (Holdings) Limited and Eupo-Air Travel Services (Hong Kong) Limited. He is also the chairman of Zheng Qi Charitable Foundation Limited. Mr. Man obtained a Bachelor of Science in Business Studies from The City University London (now known as City, University of London) in 1998.

Szeto Chi Yan Stanley (司徒志仁), aged 43, was appointed as an independent non-executive Director on 31 August 2017. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of our Company. Mr. Szeto is the executive chairman of Lever Style Inc., chairman of Textile Council of Hong Kong Ltd., vice-chairman of Hong Kong Garment Manufacturers Association Ltd., director of The Federation of Hong Kong Garments Manufacturers, executive committee member of Hong Kong Shippers' Council, member of the Hong Kong Polytechnic University's Advisory Committee on Textile and Clothing Industries and a past member of the Hong Kong Government's Textiles Advisory Board. In addition, Mr. Szeto is the recipient of the 2009 Young Industrialist Award of Hong Kong. Prior to joining Lever Style Inc., Mr. Szeto worked as an associate at Prudential Asset Management Asia Limited. Mr. Szeto obtained a Bachelor of Science in Economics degree with majors in Finance and Entrepreneurial Management from Wharton School of Finance and Commerce at University of Pennsylvania in 1996.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ho Yuk Lun (何玉麟), aged 53, has been the finance director of our Group since he joined our Group on 20 March 2001. He is in charge of the accounts department and is responsible for overseeing the accounts department, preparing financial statements and maintaining relationship with bankers. Prior to joining our Group, he had been the chief accountant of a toy manufacturing company from April 1993 to March 1998. He had also worked in Coopers & Lybrand (now PricewaterhouseCoopers) from December 1988 to March 1993. He has 29 years of experience in accounting and obtained a Professional Diploma in Accountancy from The Hong Kong Polytechnic University in 1988.

Cheung Yin Ha Jenny (張艷霞), aged 58, has been the sales director of our Group since she joined our Group on 20 March 2001. She is mainly responsible for the sales activities of our Group's products to customers in the United Kingdom, Western and Central Europe. Prior to joining our Group, she worked as a shipping clerk in a toy manufacturing company from 1978, and was later promoted as a sales executive in 1980 and a sales and marketing manager in 1998. She has over 37 years of experience in the toy industry.

Mong Siu Ling Doris (蒙少玲), aged 52, has been the sales director of our Group since she joined our Group on 20 March 2001. She is mainly responsible for the sales activities of our Group's products to customers in less developed markets, including Latin America, Eastern Europe and neighboring countries. Prior to joining our Group, during the period from 1988 to 1998, she had been a sales executive in a toy manufacturing company and was later promoted as a sales manager. She has over 29 years of experience in the toy industry and obtained a Bachelor of Arts from The University of Hong Kong in 1988.

Chong Lai Nei (莊麗妮), aged 50, has been the sales director of our Group since she joined our Group on 20 March 2001. Prior to joining our Group, she worked as a merchandiser in Wave Imagination Limited from 1992 to 1993. During the period from 1993 to 1998, she worked as a sales executive in a toy manufacturing company and was later promoted as a sales manager. She has over 24 years of experience in the toy industry and is mainly responsible for the sales activities of our Group's products to our customers in North America, Japan and Australia. She obtained a Master of Social Science in Money, Banking and Finance from University of Birmingham in 1992.

Fong Chong Nin Johnny (方壯年), aged 57, has been the logistics manager of our Group since he joined our Group on 20 March 2001. He is in charge of the logistics department and the shipping activities of our Group and has over 29 years of experience in the toy industry. Prior to joining our Group, during the period from 1988 to 1998, he had been an assistant shipping manager of a toy manufacturing company and was later promoted as a shipping manager.

Cheung Ka Cheong (張家昌), aged 31, is the financial controller and company secretary of our Group. He has been a member of the Hong Kong Institute of Certified Public Accountants since October 2014. He joined our Group in February 2013 and is responsible for all company secretarial works of our Group as well as assisting Mr. Ho Yuk Lun, the finance director of our Company in the accounts department. Prior to joining our Group, he was the Assistant Accountant at Hutchison Whampoa Properties Limited and Assistant Accountant at Chen Hsong Holdings Limited, a company listed on the Main Board of Hong Kong Stock Exchange (stock code: 0057). He obtained a Bachelor of Business Administration (Honours) from City University of Hong Kong in 2008.

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 30 April 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacture and distribution of toys. The Company operates its business through two segments. Outdoor-and-sports Toy Segment is mainly engaged in the manufacture and distribution of ride-ons, rockers, trikes, scooters and walkers. Infant-and-preschool Toy Segment is mainly engaged in the manufacture and distribution of interactive playsets, activity toys, musical toys and action vehicles. The Company distributes its products within domestic market and to overseas markets.

The principal activities and other particulars of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2018 are set out in the consolidated statement of comprehensive income on page 47 of this annual report.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 30 April 2018.

INTERIM DIVIDEND

At the Board meeting held on 15 September 2017, the Board declared an interim dividend of HK$10,000 per share amounting to HK$100,000,000 before the listing on the Main Board of Hong Kong Stock Exchange and HK$98,593,000 was net-off with the amounts due from the shareholders and related entities owned by them.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

For the purpose of determining the shareholder's eligibility to attend and vote at the annual general meeting ("**AGM**") to be held on Friday, 12 October 2018, the register of members of the Company will be closed from Wednesday, 10 October 2018 to Friday, 12 October 2018, both days inclusive. In order to qualify for attending and voting at the AGM, shareholder should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 9 October 2018.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

Business review of the Group is provided in the Management Discussion and Analysis on page 4 of this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set on page 110 of this annual report.

INITIAL PUBLIC OFFERING

The Company issued 250,000,000 ordinary shares ("**Share(s)**") in the Global Offering at the offer price of HK$0.48 per Share. The net proceeds are approximately HK$81.4 million and the Shares were listed on the Main Board of Hong Kong Stock Exchange on 21 September 2017 (the "**Listing Date**").

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds raised from the Global Offering amounted to approximately HK$81.4 million. As at 30 April 2018, the net proceeds had been utilised according to the designated uses set out in the Prospectus. Details of the intended use, utilised amount and unutilised amount are set out on page 8 of this annual report.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity, note 24 and note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves are shown in note 24 to the consolidated financial statements.

DONATIONS

Charitable donations made by the Group during the year ended 30 April 2018 amounted to HK$1,000,000 (2017: Nil).

BANK LOANS

Details of bank loans and other borrowings of the Group as at 30 April 2018 are set out in note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 April 2018 are set out in note 35 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers were as follows:

Sales	
— the largest customer	19.2%
— five largest customers in aggregate	38.7%
Purchases	
— the largest supplier	9.1%
— five largest suppliers in aggregate	39.7%

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 30 April 2018 and up to the date of this annual report are:

Executive Directors

Mr. Lo Shiu Kee Kenneth *(Chief Executive Officer)*
Ms. Lo Shiu Shan Suzanne
Ms. Sin Lo Siu Wai Sylvia
Mr. Lo Hung *(Chairman)*
Ms. Leung Siu Lin Esther

Independent Non-executive Directors

Ms. Tse Yuen Shan
Mr. Man Ka Ho Donald
Mr. Szeto Chi Yan Stanley

As of the date of this report, the Board has approved Mr. Szeto Chi Yan Stanley's resignation as an independent non-executive Director and Mr. Cheng Dominic's appointment as an independent non-executive Director. Both changes will take effect on 19 July 2018.

At the forthcoming annual general meeting of the Company, Ms. Lo Shiu Shan Suzanne, Ms. Sin Lo Siu Wai Sylvia and Ms. Leung Siu Lin Esther will retire in accordance with Article 108 of the Articles of Association and Mr. Cheng Dominic, who has been appointed by the Board as an independent non-executive Director, will retire in accordance with Article 112 of the Articles of Association, and being eligible, will offer themselves for re-election.

DIRECTORS', SENIOR MANAGEMENT'S AND COMPANY SECRETARY'S PROFILE

Profile details of the Directors of the Company, the senior management and company secretary of the Group are set out on pages 10 to 12 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of our executive Directors has entered into a service agreement with our Company on 31 August 2017 for a term of three years commencing from the Listing Date unless terminated in accordance with the terms of the service agreement. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

In accordance with the service agreements, each of our executive Directors is entitled to a discretionary performance bonus as may be determined by our Board at its absolute discretion having regard to the performance of the Group and the performance of the Director, subject to the review and approval of the remuneration committee of our Board. Each of Mr. Lo Shiu Kee Kenneth, Ms. Lo Shiu Shan Suzanne and Ms. Sin Lo Siu Wai Sylvia is also entitled to an end-of-year bonus in an amount equal to the Director's prevailing monthly salary.

Each of our independent non-executive Directors has signed a letter of appointment on 31 August 2017 with our Company for a period commencing from the date of the letter of appointment and ending on the date falling three years from the Listing Date, unless otherwise terminated in accordance with the terms of the letter of appointment. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

Further details of the executive Directors' service agreements and the independent non-executive Directors' letters of appointment are set out in the section headed "Particulars of Directors' service agreements and letters of appointment" of "Statutory and General Information" in the Prospectus.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set by the Board and reviewed by the remuneration committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Board and reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

RETIREMENT BENEFIT SCHEME

The Group operates Mandatory Provident Fund Schemes for the employees of the subsidiaries in Hong Kong. The employees of the subsidiaries in the People's Republic of China (the "**PRC**") are members of the retirement schemes organised by the government of the PRC. The PRC subsidiaries are required to contribute a certain percentage of payroll to the retirement schemes to fund the benefits.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 April 2018, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as the related party transactions as disclosed in note 33 to the consolidated financial statements, no Director and/or any of his/her connected entity had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisted at the end of the year or at anytime during the year.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the year ended 30 April 2018 are set out in note 33 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

The Company has continuing connected transactions ("**CCTs**") (as defined under the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "**Listing Rules**")) during the financial year, brief particulars of which are as follow:

Lease of office premises from Top Dragon

As reported in the Prospectus, Kiddieland Toys Limited ("**Kiddieland Toys**"), a wholly-owned subsidiary of the Company, had on 17 June 2016 entered into a tenancy agreement with Top Dragon Enterprise Investment Limited ("**Top Dragon**") in respect of the renewal of the leasing of a portion of 14th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong with a gross floor area of approximately 8,608 sq. ft. (the "**Tenancy Agreement**") for a term of 24 months from 1 June 2016 to 31 May 2018 at a rental of HK$480,000 per month, inclusive of rates, government rent, management fees and air-conditional charges, payable in advance on the first day of each and every calendar month.

The total amount of rental paid by Kiddieland Toys to Top Dragon under the Tenancy Agreement for the year ended 30 April 2018 was HK$5,760,000.

As Top Dragon is owned as to 50% by each of Mr. Lo Hung (an executive Director and one of the controlling shareholders of the Company) and his spouse, Ms. Leung Siu Lin Esther (also an executive Director and one of the controlling shareholders of the Company), Top Dragon is regarded as a connected person of the Company within the meaning of the Listing Rules. Therefore, the Tenancy Agreement and the transactions contemplated thereunder constitute CCTs of the Company under the Listing Rules.

PricewaterhouseCoopers ("**PwC**"), Certified Public Accountants, the Company's independent auditor, was engaged to report on the Company's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PwC has issued a letter to the Board (with a copy provided to Hong Kong Stock Exchange) in accordance with Rule 14A.56 of the Listing Rules and confirming that nothing has come to their attention that causes them to believe that the CCTs:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(iii) have exceeded the annual cap.

The independent non-executive Directors have reviewed the CCTs and confirmed that the CCTs have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 April 2018.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As of 30 April 2018, the interests and/or short positions of the Directors and/or the chief executive 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 (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules were as follows:

Long position in Shares of associated corporation — KLH Capital Limited ("KLH Capital")

Name of Director	Capacity	Nature of interests	Number of Shares (ordinary)	Approximate percentage of shareholding in KLH Capital
Mr. Lo Shiu Kee Kenneth	Beneficial owner	Personal	2,500	25%
Ms. Lo Shiu Shan Suzanne	Beneficial owner	Personal	2,500	25%
Ms. Sin Lo Siu Wai Sylvia	Beneficial owner	Personal	2,500	25%
Mr. Lo Hung	Beneficial owner	Personal and family (note)	2,500	25%
Ms. Leung Siu Lin Esther	Beneficial owner	Personal and family (note)	2,500	25%

Note: Each of Mr. Lo Hung and Ms. Leung Siu Lin Esther holds 1,250 ordinary shares in KLH Capital representing 12.5% of the issued share capital of KLH Capital. As each of them is the spouse of the other of them, each of them is deemed under the SFO to be interested in such 1,250 shares in KLH Capital held by the other of them.

Save as disclosed above, as at 30 April 2018, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and Hong Kong Stock Exchange.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 April 2018, the interests and short positions of substantial shareholders (other than the Directors and the chief executive of the Company) in the Shares or the underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares (ordinary)	Approximate percentage of shareholding in the Company
KLH Capital	Beneficial owner	750,000,000 (note)	75%

Note: Mr. Lo Shiu Kee Kenneth, Ms. Lo Shiu Shan Suzanne, Ms. Sin Lo Siu Wai Sylvia, Mr. Lo Hung and Ms. Leung Siu Lin Esther, all being executive Directors of the Company, hold 25%, 25%, 25%, 12.5% and 12.5% respectively of the issued shares in KLH Capital.

Saved as disclosed above, as at 30 April 2018, the Company is not aware of any other party (not being a Director and the chief executive of the Company), who had interests or short positions in the Shares and underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The shareholders of the Company approved and adopted a share option scheme (the "**Share Option Scheme**") on 31 August 2017 (the "**Adoption Date**") to enable the Company to grant options ("**Option(s)**") to the Directors, employees or other selected participants as incentives and rewards for their contribution to the Group. No Option has been granted up to the date of this report.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as our Board may approve from time to time.

The Board may, at its discretion, invite the following categories of participants (the "**Participant(s)**"):

(a) any Director, chief executive or employee (whether full-time or part-time) of each member of our Group;

(b) any discretionary objects of a discretionary trust established by any Director, chief executive or employee (whether full time or part time) of each member of our Group; and

(c) a company beneficially owned by any Director, chief executive or employee (whether full time or part time) of each member of our Group,

to take up Options granted to the Participant to subscribe for Shares pursuant to the terms of the Share Option Scheme (the "**Scheme**") to subscribe for Shares at a price determined in accordance with the Scheme.

In determining the basis of eligibility of each Participant, our Board would take into account such factors as our Board may at its discretion consider appropriate.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provision of the Share Option Scheme, and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

REPORT OF THE DIRECTORS

An offer of the grant of an Option (the "**Offer**") shall be made to a Participant by letter (the date of which shall be deemed to be the date on which the grant of an Option (subject to acceptance by the Grantee) is made) in such form as our Board may from time to time determine (the "**Offer Letter**") specifying the number of Shares under the Option, the subscription price, the vesting schedule (if any), the conditions to vesting (if any), and the period to be determined by our Board at its absolute discretion and notified by our Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme (the "**Option Period**") and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An Offer must be made on a Business Day and shall remain open for acceptance by the Participant to whom an Offer is made for a period from the date of the Offer ("**Offer Date**") to such date as our Board may determine and specify in the Offer Letter (both days inclusive) (the "**Acceptance Period**"), provided that no such Offer shall be open for acceptance after the 10th anniversary from the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions thereof, whichever is earlier.

An Offer shall be deemed to have been accepted by the Grantee and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within the Acceptance Period. Such remittance shall in no circumstances be refundable or be considered as part of the subscription price.

Subject to any adjustments, the subscription price in respect of each Share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of a Share as stated in Hong Kong Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day;

(b) a price being the average of the closing prices of the Shares as stated in Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the Shares where our Company has been listed for less than 5 business days as at the Offer Date); and

(c) the nominal value of a Share.

Unless otherwise determined by our Board and specified in the Offer Letter at the time of the Offer, there is neither any performance targets that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter by the Grantee (or his personal representative(s)) giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised.

Subject to the terms and conditions upon which such Option was granted, an Option may be exercised by the Grantee at any time during the Option Period.

REPORT OF THE DIRECTORS

The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme of the Company and/or any of its subsidiaries shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Initial Public Offering (such 10% being 100,000,000 Shares). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting.

The number of Shares subject to the Options to be granted to such Participant and the terms (including the subscription price) of the Options to be granted to such Participant shall be fixed before shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, our Company shall send a circular to our shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant) and such other information and the disclaimer as required under the Listing Rules.

No Options were granted since the adoption of the Share Option Scheme and there are no outstanding Options at the end of the reporting period. A summary of the principal terms and conditions of the Share Option Scheme is set out in section headed "Share Option Scheme" of "Statutory and General Information" in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 30 April 2018.

EVENTS AFTER REPORTING PERIOD

As of the date of this report, there is no significant event occurring after 30 April 2018.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there has been sufficient public float of not less than 25% of the Company's issued Shares since the Listing Date and up to the date of this report as required under the Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 25 to 29 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 30 April 2018 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board
Kiddieland International Limited
Lo Hung
Chairman
Hong Kong, 18 July 2018

CORPORATE GOVERNANCE REPORT

The Board of the Company is committed to promoting high standards of corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. During the period from the Listing Date to 30 April 2018, the Company has been in compliance with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code which applies to all Directors and all relevant employees who are informed that they are subject to its provisions. Having made specific enquiry of all Directors, the Company's Directors confirmed that they have complied with the required standard as set out in the Model Code during the period from the Listing Date to 30 April 2018.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Company and its business by directing and supervising its affairs. The positions of Chairman and Chief Executive Officer are held by Mr. Lo Hung and Mr. Lo Shiu Kee Kenneth respectively. The Chairman provides overall leadership and is responsible for effective functioning and leadership of the Board. The Chief Executive Officer focuses on business development and formulating strategic plans. The day-to-day management however has been delegated to the executive Directors.

The Board comprises eight Directors: five executive Directors and three independent non-executive Directors. One of the independent non-executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets regularly to review financial statements, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided in a timely manner. The company secretary keeps the minutes of Board meetings.

The Company has arranged appropriate insurance coverage for its Directors and officers.

During the period from the Listing Date to the date of this report, four Board meetings and no general meeting was held.

Attendance of individual Directors at the Board meeting is listed below:

	Attendance
Mr. Lo Shiu Kee Kenneth	4/4
Ms. Lo Shiu Shan Suzanne	4/4
Ms. Sin Lo Siu Wai Sylvia	4/4
Mr. Lo Hung	4/4
Ms. Leung Siu Lin Esther	4/4
Ms. Tse Yuen Shan	4/4
Mr. Man Ka Ho Donald	4/4
Mr. Szeto Chi Yan Stanley	3/4

CORPORATE GOVERNANCE REPORT

Ms. Leung Siu Lin Esther is the spouse of Mr. Lo Hung, while Mr. Lo Shiu Kee Kenneth, Ms. Lo Shiu Shan Suzanne and Ms. Sin Lo Siu Wai Sylvia are children of Mr. Lo Hung and Ms. Leung Siu Lin Esther.

The independent non-executive Directors are appointed for a specific term and are subject to the provisions of retirement by rotation as Directors under the Articles of Association.

Continuous professional development of Directors

Code provision A.6.5 of the CG Code provides that all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors have participated in continuous professional development to ensure that they are informed and aware of the amendments and updates of the Listing Rules, Hong Kong Companies Ordinance and the CG Code.

The Company has also continuously updated Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices and to assist the Directors in discharging their duties.

According to the records maintained by the Company, the Directors have participated in continuous professional development by attending external seminars and reading materials relating to the discharge of their duties and responsibilities and regulatory updates during the year.

Remuneration Committee

The remuneration committee was set up pursuant to a resolution of our Directors passed on 31 August 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. Our remuneration committee currently consists of 4 members, comprising three independent non-executive Directors and one executive Director, namely Mr. Szeto Chi Yan Stanley, who is the chairman of our remuneration committee, Ms. Tse Yuen Shan, Mr. Man Ka Ho Donald and Mr. Lo Shiu Kee Kenneth.

The primary duties of the remuneration committee are mainly (i) to develop a transparent policy in relation to remuneration; (ii) to review the remuneration policy and the structure relating to all Directors and senior management of our Group; (iii) to review performance-based remuneration payable to Directors and senior management of our Group; and (iv) to make recommendations on other remuneration-related arrangement, such as housing allowance and bonuses payable to Directors and senior management of our Group.

CORPORATE GOVERNANCE REPORT

The committee met once during the period from the Listing Date to the date of this report. Attendance of individual members is listed below:

	Attendance
Mr. Lo Shiu Kee Kenneth	1/1
Ms. Tse Yuen Shan	1/1
Mr. Man Ka Ho Donald	1/1
Mr. Szeto Chi Yan Stanley	1/1

A meeting of the remuneration committee was held on 18 July 2018 with 100% attendance to review the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

The principal duty of the committee is to review and make recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management. In doing this, professional advice may be sought if considered necessary. No Director or any of their associates is involved in deciding their own remuneration.

Nomination Committee

The nomination committee was established by the Board pursuant to a resolution of our Directors passed on 31 August 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. Our nomination committee currently consists of 3 members, comprising all the independent non-executive Directors, namely Mr. Man Ka Ho Donald, who is the chairman of our nomination committee, Ms. Tse Yuen Shan and Mr. Szeto Chi Yan Stanley.

The primary duties of the nomination committee are (i) to review the structure, size and composition of the Board on a regular basis; (ii) to make recommendations to our Board relating to the appointment and removal of Directors; (iii) to identify individuals suitably qualified to become members of the Board; and (iv) to assess the independence of our independent non-executive Directors.

The committee met once during the period from the Listing Date to the date of this report. Attendance of individual members is listed below:

	Attendance
Ms. Tse Yuen Shan	1/1
Mr. Man Ka Ho Donald	1/1
Mr. Szeto Chi Yan Stanley	1/1

A meeting of the nomination committee was held on 18 July 2018 with 100% attendance to review the structure, size and composition of the Board, the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for re-election at the annual general meeting. The board diversity policy was also reviewed at the meeting.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted a board diversity policy in 2017 as it recognises the benefits of having diversity in the composition of the Board. It aims to achieve diversity of its Board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

The nomination committee will review this policy from time to time and monitor its implementation.

Audit Committee

The audit committee was set up pursuant to a resolution of our Directors passed on 31 August 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. Our audit committee consists of 3 members, comprising all the independent non-executive Directors, namely Ms. Tse Yuen Shan, who is the chairwoman of our audit committee, Mr. Man Ka Ho Donald and Mr. Szeto Chi Yan Stanley.

The primary duties of the audit committee include reviewing and supervising the financial reporting process and overseeing the audit process of our Group; overseeing the internal control procedures and corporate governance of our Group; supervising the internal control systems of our Group; and performing other duties and responsibilities as assigned by our Board.

The committee met twice during the period from the Listing Date to the date of this report. Attendance of individual members is listed below:

	Attendance
Ms. Tse Yuen Shan	2/2
Mr. Man Ka Ho Donald	2/2
Mr. Szeto Chi Yan Stanley	2/2

At the meeting held on 18 July 2018, the audit committee reviewed this report, the Directors' report and the accounts for the year ended 30 April 2018 together with the annual results announcement, with a recommendation to the Board for approval.

AUDITOR'S REMUNERATION

For the year ended 30 April 2018, fees paid/payable to the auditors of the Group for audit and non-audit services amounted to HK$1,152,000 and HK$2,317,000 respectively. The non-audit services mainly include interim review, tax compliance, internal control assessment, ESG reporting advisory, company secretarial and listing related services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to oversee and to ensure that sound and effective risk management and internal control systems are maintained on an on-going basis so as to safeguard the Group's assets and the interests of shareholders. The Board is responsible for reviewing the risk management and the internal control policies and has delegated the day-to-day management of internal control and operational risks to the executive Directors.

The Directors are satisfied with the effectiveness of the Group's internal controls and consider that the key areas of the Group's system of internal controls are reasonably implemented.

The internal controls should provide reasonable but not absolute assurance against material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting and ensure effective compliance with the Listing Rules and all other applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

The Group does not have an in-house internal audit function. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual results and interim results are announced in a timely manner. The independent auditor's report states the auditor's reporting responsibilities.

COMPANY SECRETARY

Mr. Cheung Ka Cheong is the company secretary of the Company. He is responsible for the company secretarial matters of our Group and assisting our Directors in implementation of and on-going compliance with internal control measures of our Group.

During the year ended 30 April 2018, Mr. Cheung has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event in which the Chairman and all Directors will make an effort to attend. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual Directors. In order to enhance minority shareholders' rights, all resolutions put to votes by shareholders at general meetings will be passed by poll. The poll results will be published on the websites of the Company and Hong Kong Stock Exchange on the same date of the meetings. The Company's corporate communications including interim and annual reports, announcements and circulars as required under the Listing Rules are published on the websites of the Company and Hong Kong Stock Exchange.

SHAREHOLDERS' RIGHTS

The Company established a shareholders communication policy in order to provide shareholders with information about the Company and to enable them to exercise their rights in an informed manner.

The Company has also established procedures on how shareholders can convene a special general meeting; procedures for putting forward proposals at a general meeting by a shareholder; and procedures for shareholders to propose a person for election as a Director.

Details of these procedures and policy are available under the Corporate Governance section of the Company's website at http://www.kiddieland.com.hk.

CONSTITUTIONAL DOCUMENTS

The Company's constitutional documents consist of its Amended and Restated Memorandum and Articles of Association, which was adopted by the Company on 31 August 2017 and became effective on 21 September 2017.

On behalf of the Board

Lo Hung
Chairman
Hong Kong, 18 July 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board recognises that it has an overall responsibility for the Environmental, Social and Governance ("**ESG**") strategy and reporting of the Group. The scope of this report covers the operations of the Group in the design, development, manufacture and sale of a diverse portfolio of outdoor-and-sports toy products and infant-and-preschool toy products. It provides an overview of our key ESG performance in environmental protection, employment and labour practices, operating practices and community investment for the year ended 30 April 2018. As it is the first year to report the environmental data, qualitative results achieved regarding reduction initiative taken are not yet available. The report was prepared in accordance with the ESG Reporting Guide under Appendix 27 to the Listing Rules.

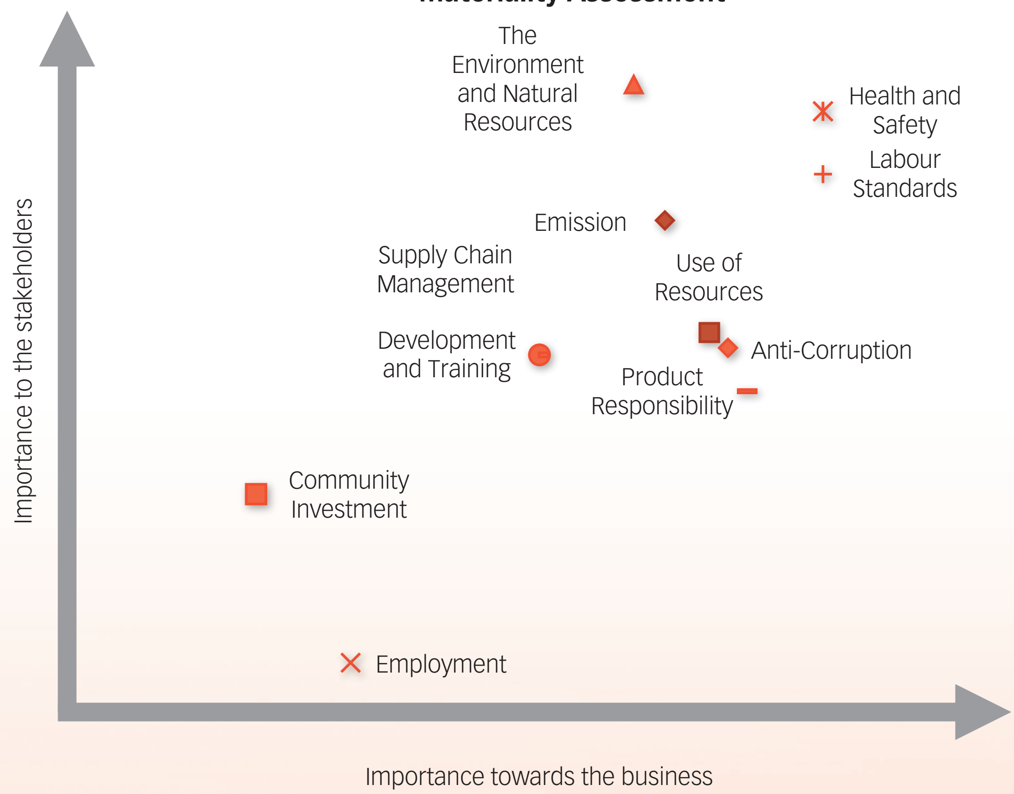
We engaged our stakeholders on an on-going basis to collect their views and expectations on our ESG performance and reporting.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group emphasises the participation of its stakeholders, including shareholders of the Company, staff, customers, suppliers etc. All of them have a substantial impact on the success of its business or activities.

The Group believes that stakeholder engagement has a significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group's strategy formulation and decision-making. A list of sustainability issues, which were potentially material to the Group, was decomposed in the context of its business and daily operation. A materiality assessment matrix was developed from the result of stakeholder engagement exercises conducted with internal stakeholders through an online survey. The materiality assessment and prioritisation took two dimensions into account. It included the importance of issues to stakeholders and the business. The issues that fall within the top right-hand corner have relatively higher significance to both stakeholders and Group's business.

Materiality Assessment



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL ASPECTS

The Group is passionate about protecting our planet and conserving its natural resources for future generations. The Group recognises the impact its business can have on the environment and is working hard to reduce its footprint. The Group also embraces sustainability challenges as opportunities to innovate and continuously improve our product design and the way the Group operates and the Group is inspired by the possibilities. The Group has complied with the related laws and regulations, including the Environmental Protection Law of the PRC, the Environmental Impact Assessment Law of the PRC, and Rule on Classification for Environmental Impact Assessment of Construction Projects.

The Group has established environmental management system with the "Environmental Management Working Group" to oversee all the environmental related matters. The Group strives to follow its environmental objectives:

- Compliance with national environmental laws and regulations

  Comply with all the national laws, regulations and other applicable requirements related to production activities, products and services.

- Pollution prevention

  Raise the employees' awareness towards environmental protection and strengthen the environmental knowledge and skills of employees; strengthen the management of hazardous wastes; and establish an environmental management system with the pollution prevention as the core.

- Promotion of clean production

- Creation of a harmonious environment for sustainable development

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emission

Air Pollutant and Greenhouse Gas (GHG) Emissions

In the daily operations, the major air pollutant emission sources are activities in the spray paint booths, the burners used in production plant and staff canteen. The exhaust gas contains paint ashes and volatile organic chemicals (VOCs) (e.g. Benzene, Toluene and Xylene), which are generated from the process of spray painting, pad printing. Besides, oil vapour is generated during cooking. Also, the burners emit inorganic air pollutants[1] (Sulphur oxides and nitrogen oxides) during combustion. The following table shows the pollutant emissions during the reporting period.

Pollutant	Emission Volume (tonnes)
Sulphur Oxides (SO_x)	0.74
Nitrogen Oxides (NO_x)	0.20
Benzene	0.0001
Toluene	0.0235
Xylene	0.0137
Total VOCs	0.0375

The Group has implemented measures to ensure the emissions complying with the Level II requirement of the Integrated Emission Standard of Air Pollutant (GB16297-1996). Filter and activated carbon have been installed to remove excess pollutants in the exhaust gas. The spray gun for painting is flushed in a designated wash station, which equipped with ventilation units with activated carbon. A dustless dry mill is used to reduce the dust generated from the dry milling process.

The Group is aware of potential physical and financial consequences of climate change on the business. These could include higher energy costs and more frequent extreme weather events that disrupt product supply chains. To minimise the contribution to greenhouse gas (GHG) emissions[2], the Group strives to reduce energy use across the business.

GHG Emission	(tonnes CO_2 equivalent)
Scope 1[3]	238.93
Scope 2[4]	6,629.23
Total	6,868.16
Intensity (tonnes CO_2 equivalent/unit of product)	0.0025

1 The inorganic air pollutant emission is estimated by making reference to "1st National Survey of Pollution Sources – Industrial Pollutants Emission Factors Handbook". Emissions volume from vehicles is not included as it is considered insignificant to the Group's operation.

2 The calculation of greenhouse gas emissions is made reference to guidelines provided by "The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standards".

3 Scope 1 refers to direct emissions from operations that are owned or controlled by the Group.

4 Scope 2 refers "Indirect energy" emissions resulting from internal consumption by the Group (purchased or acquired) of electricity, heating, cooling and steam, mainly come from the use of electricity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste

Reducing waste allows the Group to save money while shrinking its environmental impact. The Group's comprehensive waste policy requires managers at the owned and operated facilities to document waste management practices and procedures and communicate them to all employees. Facilities must evaluate all hazardous and non-hazardous waste streams and maintain an up-to-date recycling plan that identifies materials to be recycled or reused, methods of collection, and recycling vendors. Recycle bins are set up in the production plant for collection of recyclable wastes and hazardous wastes.

All bins must be protected against leakage to prevent pollution to the environment. Employees are not allowed to dump, stack or discard wastes without authorisation. Qualified wastes treatment company is engaged in transportation, treatment, storage, disposal or recycling of hazardous and regulated waste. Also, more environmental-friendly material is used in the injection moulding to reduce the uses of chloroprene rubber and polybutadiene rubber.

During the reporting period, the volume of hazardous wastes and non-hazardous wastes generated as follows:

Hazardous Wastes	(tonnes)
Organic Solvent	0.13
Paint Residue	0.19
Sludge	0.14
Used Cloth and Gloves	0.58
Used Activated Carbon	0.35
Used Fluorescent Lamp	0.02

Non-hazardous Wastes	(tonnes)
Domestic Wastes	68.50

Wastewater

Wastewater is generated from the process of rinsing of the metal surface and the water curtain system. All the wastewater is collected and discharged after appropriate treatment.

During the reporting period, the pollutants in the wastewater were as follows:

Parameter	(tonnes)
Chemical Oxygen Demand (COD)	0.0236
Ammonia Nitrogen	0.0001
Suspended Solid	0.0206

In order to prevent the water pollution to the surrounding environment by the wastewater, daily inspection of rainwater discharge ports is carried out. The ports are cleaned up timely to prevent sewage from entering the rainwater pipelines and vice versa.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

The Group is committed to conserving resources for the purposes of environmental and operating efficiency. To pursue the Group's environmental commitment, it implements multiple measures in enhancing energy efficiency.

The Group has established energy management system to monitor and manage the use of resources. The Group aims to reduce its operating costs as well as our carbon footprints. The Group formulates energy saving plan annually and installed energy monitoring system. The energy consumption during the reporting period is as follows:

Energy Consumption	(kWh)
Petrol	47,569.11
Natural Gas	1,135,487.50
Electricity	12,576,800.00
Total	13,759,856.61
Intensity (kWh/unit of products)	5.01

While operations at the Group's facilities and offices are not water intensive, water conservation is a focus area and part of its environmental management practices. The Group uses water primarily in restrooms and kitchens, with a small amount for irrigation and processes. Its water reduction efforts are modest since they can only generate minor improvements. Water is supplied by the third party and there is no significant issue in sourcing water for the business operation. The Group requires managers at its owned and operated facilities to manage water use and develop water conservation plans to reduce consumption, where appropriate. The water consumption during the reporting period was 266,247 m^3 and the intensity was 0.1 m^3/unit of product.

Apart from energy and water consumptions, packaging material for the products is another significant consumption. The following table demonstrates the consumption of packaging materials:

Packaging Material	(tonnes)
Carton	922.29
Colored Box	2,274.69

The Environment and Natural Resources

The major environmental and natural resources impacts of the Group's operations include exhaust and wastewater discharge, water resources and energy consumption. The Group pays much attention to the impacts of its operation on the environment and natural resources. The Group has established relevant management rules including the "Environmental Protection Management Regulations" to enhance management and reduce the impacts on the environment and natural resources. Besides, initiatives implemented to mitigate the environmental impacts from the emissions and resource consumption are mentioned in the sections of "Emission" and "Use of Resources" in this ESG report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL ASPECTS

The Group is committed to maintaining a high level of corporate social governance as it is important for the Group in constructing a safe and healthy work environment as well as establishing product quality and social credibility. In the meantime, the Group devotes itself to preserve the sustainable development of its business and community. To promote this business model, the Group exhibits prudence in managing its operations and is cautious in executing decisions made by the management team.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group considers its employees as valuable assets. The Group strives to provide its employees decent working environment while providing opportunities for them to develop alongside the Group's growth. The Group adopts employment policies that comply with the related laws and regulations, including but not limited to the Employment Ordinance in HK, the Labour Law of the PRC, the PRC Employment Contract Law, the Implementing Regulations of the Employment Contract Law of the PRC, the Social Insurance Law of the PRC. The Group was not aware of any non-compliance with the related laws and regulations during the reporting period.

The Group offers competitive salary to the employees. The salary complies with the local laws and regulations. Besides, the Group makes contribution to social security scheme (pension, insurance for unemployment, medical, maternity and work-related injury as well as housing provident fund), consolation payment and healthcare subsidies for PRC employees.

The Group's production plant implements five-day work week. Employee enjoys public holidays, annual leaves, marriage and compassionate leaves. Overtime working hours are controlled within a reasonable limit. Normally, the overtime hours will not exceed 2 hours per day. Total overtime hours do not exceed 70 hours per month.

The Group also cares about female employees. In order to protect their rights, female employee is not allowed to be terminated during her menstrual cycle or pregnancy.

The Group protects the right of equal employment. The Group treats all employees equally regardless of the gender, age, religion, race, birth, social status, disabilities, nationality, membership of any associations, political affiliation or views, sexual orientation, marital status and illness.

The Group respects and protects the freedom of associations and the right of collective bargaining to ensure the operations of the Group comply with the local laws and regulations and the social responsibility standards. The Group assists the employees in electing of their own representatives and encourages them to communicate with the management about issues related to the rights and interests.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

The Group takes every reasonable precaution to ensure that employees have a safe working environment. Safety measures and rules are in place for the protection of all employees. The Group has formulated "Health and Safety Management Procedure" to guarantee the health and safety of employees. The Group has complied with the local laws and regulations, for instance, Law of the PRC on Prevention and Control of Occupational Diseases and Production Safety Law of the PRC. The Group is committed to taking effective measures to prevent workers from injuries or illness in the workplace as follows:

- conducting on-going training and circulating operation manuals of production process to enhance employee's awareness of safety and health issues at work
- maintaining a bright, spacious, clean working environment and providing adequate and sanitary drinking water
- providing effective personal protective equipment
- conducting fire drills to verify the feasibility of emergency plans
- periodically inspecting the safety conditions of the production units
- implementing a management system for managing over-time work and holiday arrangement to ensure that the employees have proper rest and are properly compensated for over-time work, if any

In order to prevent and mitigate safety and health issues, the Group has set up communication platform, including email and hotline for employees where they can complain or express their concerns over various aspects such as work arrangement, overtime compensation etc. on an anonymous basis.

Development and Training

The Group encourages employees to replenish their knowledge and acquire new skills to excel at their jobs. It helps to boost the confidence of employees in improving efficiency and productivity. The Group has formulated "Employee Training and Development Policy" to encourage employees to participate in various training, including individual training sessions, employee coaching and mentoring, conference and on-the-job training.

During the reporting period, the employees have participated in training includes seminars related to the toys and other products regulations in U.S., Canada and Europe, toy testing, registration and certification procedures and safety training.

Labour Standards

The Group establishes comprehensive recruitment procedures to prevent employment of candidates under the age of 16. Human resources department is responsible for the reviewing of the applicants' personal information in accordance with relevant laws and regulations and labour management procedures to ensure the age of the employees are in line with the regulatory requirement. Face-to-face meeting with new employees is arranged before their job commencement to ensure no forced labour.

For employees aged 16 to 17, they are not allowed to work overtime or perform duties with potential hazards. The Group strictly abides by the Labour Law of the PRC, Provisions on the Prohibition of Child Labour, Law of the PRC on the Protection of Minors and other related labour laws and regulations to prohibit any child and forced labour employment. During the reporting period, the Group was not aware of any case of employment of forced labour or child labour and non-compliance with the related the laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also protects the freedom of employees and ensures the business activities comply with the national laws and regulations and the requirements of Business Social Compliance Initiative (BSCI) and The International Council of Toy Industries (ICTI).The Group does not engage in any form of enslavement, coercion, debt repayment, trafficking or involuntary labour. The Group ensures that employees are not subjected to inhuman or degrading treatment, corporal punishment, mental or physical stress. All disciplinary actions must be in written format and explained clearly to the affected employees.

OPERATING PRACTICES

Supply Chain Management

The Group has established "Supply Chain Management Policy" to demonstrate the commitment to corporate responsibility to the supply base. The Group established a framework to consider issues that are important to the business to minimise adverse impact to the environment, to a healthy and safe workplace, to the maintenance of fair and reasonable labour practices and to the content of materials supplied to the Group. The Group expects its suppliers to conduct their operations in a socially and environmentally responsible manner. Initial supplier assessment and annual evaluation process are carried out to assess the performance of the suppliers in various aspects, including the legal and regulatory compliance, environmental, health and safety, labour and human resource, employment practices, child labour and forced labour, freedom of association and information access.

Product Responsibility

Quality Control

The Group believes that the commitment to the high quality and safety of the products is key to the Group's success and crucial to the future prospects. The Group has established "Product Quality and Safety Policy" and places strong emphasis on product quality and safety by implementing a range of quality control measures. In recognition of the quality in manufacturing processes, the production plant has obtained ISO 9001:2015 certification. Customers would also carry on factory audit in the production plant.

As a majority of the products are sold to the overseas markets, the Group is obliged to the relevant safety standards as required by the importing countries of the products. For example, requirement under the American Society for Testing and Materials (ASTM) F963 Toy Standard in U.S., and conformity assessment procedure as required by European Commission Enterprise and Industry Directorate as required by E.U..

The Group's quality control staff, who are responsible for implementing our quality control procedures by inspecting the quality of raw materials, observing and checking our production process, performing tests on work-in-progress and finished products.

Quality control in the production process

During production, to ensure that the products comply with the specifications and are free from defects, inspections are carried out at each stage of the production process. Quality control staff are stationed at each stage of the production process to screen out products which are defective and to ensure that the quality of the products satisfies the licensors' or customers' designs and specifications as well as the Group's stringent quality standards.

Quality control of the finished goods

Once a product has been fully assembled, it is subject to testing and checking in accordance with the specified requirements. To maintain the high quality of products, full checking on all of finished products is performed. Unsatisfactory products will be reworked until they reached the requisite standards. In addition, products are tested by the Group's internal laboratory and third-party laboratories.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group was not aware of any case of non-compliance with laws and regulations related to product quality.

Product Return Policy
The Group provides three types of defective allowance to the customers: (i) a pre-set defective percentage based on the value of sales, such allowance would be deducted from the gross sales amount; (ii) defective allowance for the customers on actual basis after end customers return goods to stores; and (iii) return of a whole shipment of goods to the Group due to manufacturing defect.

Generally, request for a return of a large batch of defective products will only be handled upon written request to the Company within one month of the arrival of goods at the port of destination. Various factors will be considered and upon internal investigation, the customers will be informed whether the goods can be returned. Depending on the negotiation with the customers, the Group would bear all freight costs and any additional domestic logistics charges that are involved in the return of goods. In general, no product return or exchange by customers is allowed except for malfunctions of or manufacturing defects in the products, and in such case, product return or provision of spare parts will be arranged on a case-by-case basis.

After-sales services and handling customer complaints
To enhance customers' satisfaction with the products, the Group has service hotlines for handling inquiries or complaints from end customers in U.S. and Canada. Most of the inquiries concern missing part and minor issues, which can be properly handled by the sales team in Hong Kong and the sales representatives. The Group would consider arranging goods return or providing spare parts for repair on a case-by-case basis.

Customer Privacy and Data Protection
The Group has established "Consumer Data Policy" to demonstrate its commitment to treat information of customers (wholesalers, retailers, distributors) and end users (ultimate customers) with the utmost care and confidentiality. With this policy, the Group ensures that it gathers, stores and handles data fairly, transparently and with respect towards individual rights.

Marketing and Advertisement
The Group maintains a high sense of social responsibility in advertising and marketing to children around the world. The Group has established "Marketing to Children Policy" for maintaining ethical standards in marketing and advertising to children across all channels of communication as part of an advertising and marketing self-regulation program and also to adhere to local government regulations and requirements.

Anti-corruption
The Group is committed to maintaining the highest ethical standards and vigorously enforces the integrity of its business practices. We take a zero-tolerance approach to bribery and formulate "Anti-Bribery and Anti-Corruption Policy". The Group complied with the local laws and regulations, including but not limited to Criminal Law of the PRC, Prevention of Bribery Ordinance in Hong Kong. The Group did not commit to any bribery and corruption incidents during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Under the policy, the Group and its employees are:

- Prohibited from offering, promising or paying a bribe of any kind;
- Prohibited from soliciting, accepting or receiving a bribe of any kind;
- Prohibited from giving or offering anything of value to a public official;
- Required to comply with the Group's guidelines and authorisation levels in relation to the giving and receipt of gifts and hospitality;
- Prohibited from making facilitation payments; and
- Required to complete due diligence into all agents, representatives, suppliers, contractors, joint venture partners and all those with whom a business relationship is established in order to enable the Group to offer its services to its clients.

Regular training will also be made available to all business units in relation to anti-bribery and anti-corruption measures, and the details of the Group's procedures will be disseminated throughout the Group on a regular basis.

COMMUNITY INVESTMENT

The Group believes that community contribution is important for the sustainable development as it helps to establish a harmoniums society. Although there is no formal policy regarding in this aspect, the Group strives to make contributions to various non-governmental organisations. During the reporting period, the Group has donated used computer monitors to J- Life and St. James Settlement.

REGULATORY COMPLIANCE

During the year ended 30 April 2018, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas such as environmental protection, employment and labour practices and operating practices.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Kiddieland International Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kiddieland International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 109, which comprise:

- the consolidated statement of financial position as at 30 April 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 April 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of inventories
- Assessment on going concern assumption

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of inventories	
Refer to notes 4(b) and 18 to the consolidated financial statements As at 30 April 2018, the Group had inventories amounted to HK$113,533,000, net of provision for impairment of inventories of approximately HK$4,735,000. The Group is engaged in manufacturing and trading of plastic toy products. The Group plans the production based on the anticipated demand and market condition. The accumulation of inventories and deteriorating profit margin for the year ended 30 April 2018 pose concerns to the management the marketability and net realisable values of the Group's inventories. Inventories are stated at the lower of cost and net realisable value. Management reviews the carrying values of inventories and determines the amount of impairment provision with reference to the inventory utilisation records, inventories ageing, confirmed sales orders and selling prices for sales subsequent to the year end. We focused on this area due to management's judgement in estimating the amount of inventory provision.	Our procedures in relation to management's assessment on the impairment of inventories includes: • Understanding and evaluating the appropriateness of the basis that management used in estimating the level of impairment provision for inventories by considering the inventory ageing as at 30 April 2018; the subsequent sales situation after year end; and the confirmed orders on hand; • Testing the accuracy of inventory ageing on a sample basis by checking to the inventories receipt records; • Testing the inventory utilisation during the year ended 30 April 2018 and subsequent to the year end on a sample basis by checking to sales invoices and shipping documents and performing analysis to identify products with indication of slow moving and obsolescence; • Testing the confirmed sales orders by checking to the purchase orders placed by the Group's customers on a sample basis; and • Comparing the carrying amounts of the inventories, on a sample basis, to their net realisable values by examining sales invoices and shipping documents for inventories sold subsequent to the year end to check the inventories were stated at lower of cost and net realisable value. Based on the procedures described, we considered management's judgement and estimates in relation to the provision of impairment for inventories to be supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter (Continued)

Assessment on going concern assumption

Refer to note 2.1(i) to the consolidated financial statements

During the year, the Group recorded a net loss of HK$13,724,000 and has failed to comply with one of the covenant requirements of one of the Group's banking facilities amounting to HK$44,167,000, of which HK$41,966,000 has been drawn down as bank borrowings.

Furthermore, the significant inflation of production costs, the shrinking gross profit margin, the bankruptcy of a major customer and the appreciation of RMB against US$ have exerted pressure on the Group's continuing profitability.

These factors casted doubt on the Group's ability to continue as a going concern. Accordingly, management prepared cash flow projections (having considered both base case and downside scenarios) for the period of twelve months from 30 April 2018.

How our audit addressed the Key Audit Matter (Continued)

In assessing the appropriateness of the going concern assumption and disclosures prepared by management, we have performed the following audit procedures:

- Confirming the cash balances and available banking facilities as at 30 April 2018 by circulation of bank confirmations;
- Examining the terms of the one-time waiver issued by the bank and the bank facilities letters of the renewed banking facilities;
- Examining the available banking facilities and assessing the impact of any covenants and other restrictive terms stipulated thereby;
- Assessing the appropriateness of key assumptions used in the cash flow projections such as revenue growth and gross profit margin with reference to historical sales information, current business performance and future sales plan;
- Testing the confirmed sales orders by checking to the purchase orders placed by the Group's customers on a sample basis;
- Evaluating the sensitivity of the Group's cash flow projections by considering downside scenarios against possible changes to the key assumptions; and

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter (Continued)

Assessment on going concern assumption (Continued)

Based on the cash flow projections and taking into account the one-time wavier from compliance with relevant breached covenant requirement obtained from the bank, the anticipated cash flows generated from Group's operations, the possible changes in its operating performance and the continuous availability of banking facilities, the management considers the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2018. Accordingly, management considers it appropriate to prepare the consolidated financial statements on a going concern basis.

In carrying out the going concern assessment, management has given consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern.

These involved significant judgements and estimates made by management as disclosed in the consolidated financial statements, therefore we determined this area to be a key audit matter.

How our audit addressed the Key Audit Matter (Continued)

- Considering whether the disclosures relating to the going concern assumption included in the consolidated financial statements are appropriate.

Based on the procedures described, we found the key assumptions used in the management's cash flow projections are supported by the available evidence and the result of assessment was consistent with the disclosures made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 July 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 April 2018 HK$'000	2017 HK$'000
Revenue	5	**320,396**	367,146
Cost of sales	8	**(267,555)**	(266,682)
Gross profit		**52,841**	100,464
Other income	6	**1,100**	893
Other gains, net	7	**1,987**	290
Selling and distribution expenses	8	**(22,105)**	(28,392)
Administrative expenses	8	**(45,508)**	(47,895)
Operating (loss)/profit		**(11,685)**	25,360
Finance income		**8**	18
Finance expenses		**(4,631)**	(5,904)
Finance costs, net	9	**(4,623)**	(5,886)
(Loss)/profit before taxation		**(16,308)**	19,474
Income tax credits	10	**2,584**	3,110
(Loss)/profit for the year		**(13,724)**	22,584
Other comprehensive income/(loss) for the year			
Item that may be reclassified to profit or loss:			
Currency translation differences	24	**5,726**	(2,283)
Other comprehensive income/(loss) for the year, net of tax		**5,726**	(2,283)
Total comprehensive (loss)/income for the year		**(7,998)**	20,301
Basic and diluted (loss)/earnings per share (HK cents)	14	**(1.5)**	3.0

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Prepaid operating lease	15	**13,204**	12,896
Property, plant and equipment	16	**107,452**	100,221
Intangible assets	17	**29,343**	29,009
Deferred income tax assets	25	**7,136**	3,737
Prepayment	20	**1,064**	1,637
		158,199	147,500
Current assets			
Inventories	18	**113,533**	107,478
Trade and bills receivables	19	**19,276**	38,714
Other receivables, deposits and prepayments	20	**2,968**	7,218
Amounts due from a related company	21	**–**	90,194
Amounts due from a shareholder	21	**–**	169
Income tax recoverable		**3,750**	2,962
Cash and bank balances	22	**43,240**	7,878
		182,767	254,613
Total assets		**340,966**	402,113
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	23	**100,000**	1
Other reserves	24	**4,922**	45
Exchange reserves	24	**2,416**	(3,310)
Retained earnings	24	**33,472**	147,196
Total equity		**140,810**	143,932

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30 April 2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	26	**5,000**	13,000
Deferred income tax liabilities	25	**4,159**	3,776
Other payables	28	**9,593**	10,549
		18,752	27,325
Current liabilities			
Bank borrowings	26	**118,160**	161,010
Trade and bills payables	27	**20,078**	18,139
Accruals and other payables	28	**42,137**	42,232
Income tax payable		**1,029**	9,475
		181,404	230,856
Total liabilities		**200,156**	258,181
Total equity and liabilities		**340,966**	402,113

These consolidated financial statements on pages 47 to 109 were approved for issue by the Board on 18 July 2018 and were signed on its behalf.

Mr. Lo Hung
Director

Mr. Lo Shiu Kee Kenneth
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital (note 23) HK$'000	Other reserves (note 24) HK$'000	Exchange reserves (note 24) HK$'000	Retained earnings (note 24) HK$'000	Total HK$'000
For the year ended 30 April 2017					
At 1 May 2016	–	46	(1,027)	184,612	183,631
Profit for the year	–	–	–	22,584	22,584
Other comprehensive loss:					
— Currency translation differences	–	–	(2,283)	–	(2,283)
	–	–	(2,283)	–	(2,283)
Total comprehensive income	–	–	(2,283)	22,584	20,301
Transaction with owners:					
Issuance of ordinary shares pursuant to the reorganisation	1	(1)	–	–	–
Dividends paid (note 13)	–	–	–	(60,000)	(60,000)
	1	(1)	–	(60,000)	(60,000)
At 30 April 2017	1	45	(3,310)	147,196	143,932
For the year ended 30 April 2018					
At 1 May 2017	**1**	**45**	**(3,310)**	**147,196**	**143,932**
Loss for the year	**–**	**–**	**–**	**(13,724)**	**(13,724)**
Other comprehensive income:					
— Currency translation differences	**–**	**–**	**5,726**	**–**	**5,726**
	–	**–**	**5,726**	**–**	**5,726**
Total comprehensive loss	**–**	**–**	**5,726**	**(13,724)**	**(7,998)**
Transaction with owners:					
Issuance of ordinary shares upon capitalisation issue	**74,999**	**(74,999)**	**–**	**–**	**–**
Issuance of ordinary shares upon initial public offering	**25,000**	**95,000**	**–**	**–**	**120,000**
Dividends paid (note 13)	**–**	**–**	**–**	**(100,000)**	**(100,000)**
Share issuance costs	**–**	**(15,124)**	**–**	**–**	**(15,124)**
	99,999	**4,877**	**–**	**(100,000)**	**4,876**
At 30 April 2018	**100,000**	**4,922**	**2,416**	**33,472**	**140,810**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash generated from operations	29	**46,112**	30,456
Interest received		**8**	18
Interest paid		**(5,075)**	(5,340)
Income tax paid		**(9,688)**	(14,570)
Net cash generated from operating activities		**31,357**	10,564
Cash flows from investing activities			
Purchases of property, plant and equipment	16	**(23,494)**	(13,990)
Proceeds from disposal of property, plant and equipment		**–**	45
Payment for acquisition of land use right	15	**–**	(7,627)
Settlements of liabilities arising from acquisitions of licenses		**(20,598)**	(23,498)
Repayment from related companies		**116**	–
Advances to related companies		**(8,399)**	(23,812)
Net cash used in investing activities		**(52,375)**	(68,882)
Cash flows from financing activities			
Proceeds from bank borrowings		**248,983**	273,630
Repayment of bank borrowings		**(330,813)**	(189,278)
Dividends paid		**(1,407)**	–
Proceeds from issuance of shares		**120,000**	–
Advance from/(Repayment to) controlling shareholders		**169**	(169)
Listing costs paid (equity portion)		**(11,694)**	(2,559)
Net cash generated from financing activities		**25,238**	81,624
Net increase in cash and cash equivalents		**4,220**	23,306
Effect on exchange rate differences		**162**	(265)
Cash and cash equivalents and bank overdrafts at beginning of the year		**1,203**	(21,838)
Cash and cash equivalents and bank overdrafts at end of the year	22	**5,585**	1,203

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Kiddieland International Limited was incorporated in Cayman Islands on 3 June 2016 as an exempted company with limited liability. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and selling of plastic toy products (the "**Toys Business**").

On 11 September 2017, the Company issued a prospectus and launched a public offering of 250,000,000 shares at a price of HK$0.48 per share. The Company's ordinary shares were listed on the Main Board of Hong Kong Stock Exchange on 21 September 2017.

The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1 Basis of preparation

(i) Going concern basis

During the year ended 30 April 2018, the Group incurred a net loss of HK$13,724,000. As at 30 April 2018, the Group had current bank borrowings of HK$118,160,000 and non-current bank borrowings of HK$5,000,000, totalling HK$123,160,000. As at 30 April 2018, the Group had total banking facilities of approximately HK$199,124,000, of which approximately HK$123,160,000 was drawn down as bank borrowings. The banking facilities granted by banks to the Group are subject to annual review for renewal and contain certain covenant requirements. As of 30 April 2018, the Group failed to comply with one of the covenant requirements of one of the Group's banking facilities amounting to HK$44,167,000, of which HK$41,966,000 has been drawn down as bank borrowings.

In July 2018, the Group obtained a one-time waiver from compliance with the relevant breached covenant requirement from the relevant bank for the year ended 30 April 2018 and no early repayment has been demanded by the bank up to the date of approval of these consolidated financial statements. In addition, the Group has also successfully renewed the banking facilities with various banks and revised or removed certain restrictive undertaking requirements.

Furthermore, the significant inflation of production costs, the shrinking gross profit margin, the bankruptcy of a major customer and the appreciation of RMB against US$ have exerted pressure on the Group's continuing profitability. To handle with these situations, management plans to implement numerous measures to stimulate the Group's revenue and to improve the profit margin. These measures include, but not limited to, increasing selling price, development of new distribution channels and strengthening cost control.

Management has prepared cash flow projections covering a period of twelve months from 30 April 2018 based on the anticipated cash flows generated from the Group's operations after taking into account the above measures and plans and the continuous availability of the banking facilities. Based on the cash flow projections, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2018. Accordingly, the Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis.

(ii) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and requirements of the Hong Kong Companies Ordinance Cap. 622.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) Historical cost convention

The financial statements have been prepared under the historical cost convention.

(iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2017:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	Disclosure of interest in other entities

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(v) New standards and interpretations not yet adopted

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 May 2018 or later periods, but have not been early adopted by the Group.

		Effective for the Group's accounting periods beginning on or after
HKAS 28 (Amendments)	Investment in Associates and Joint Ventures	1 May 2018
HKAS 40 (Amendments)	Investment Property	1 May 2018
HKFRS 1 (Amendments)	First Time Adoption of HKFRS	1 May 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 May 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance contracts	1 May 2018
HKFRS 9	Financial Instruments	1 May 2018
HKFRS 15	Revenue from Contracts with Customers	1 May 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 May 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 May 2018
HKFRS 16	Leases	1 May 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 May 2019
HKFRS 17	Insurance Contracts	1 May 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between Investor	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(v) New standards and interpretations not yet adopted (Continued)

Except as disclosed below, the Group is in the process of commencing an assessment of the impact of these new standards, amendments and interpretations to the existing standards, but is not yet in a position to state whether these new standards, amendments and interpretations would have a significant impact on its results of operation and financial position.

HKFRS 9 Financial instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for the Group's accounting periods commencing on or after 1 May 2018. The Group will apply the new rules retrospectively from 1 May 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(v) New standards and interpretations not yet adopted (Continued)

HKFRS 15 Revenue (Continued)

Impact

The Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Date of adoption by the Group

Mandatory for the Group's accounting periods commencing on or after 1 May 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 May 2018 and that comparatives will not be restated.

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group is a lessee of certain properties which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in note 2.24, is to record the rental expenses in the Group's consolidated statements of comprehensive income for the current year with the related operating lease commitments. As at 30 April 2018, the Group's total non-cancellable operating lease commitments amounted to HK$1,317,000. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allow lessees to recognise leases outside of the consolidated statements of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in increase in right-of-use assets and increase in lease liabilities in the consolidated statements of financial position. In the consolidated statements of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating leases under otherwise identical circumstances will decrease, while amortisation of right of use of assets and interest expense arising from the financial liabilities will increase.

Date of adoption by the Group

Mandatory for the Group's accounting periods commencing on or after 1 May 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive Directors that make strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is United States Dollars ("US$"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$") because the Directors considered that the headquarter of the Group is located in Hong Kong.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of comprehensive income within "Other gains, net".

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "Other gains, net".

(iii) Group companies

The results and financial position of all Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of reporting period;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to statement of comprehensive income, as part of the gain or loss on sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Factories and buildings	2% or over the remaining period of the lease
Leasehold improvements	10%
Plant and machinery	10%
Furniture and fixtures	20%
Office equipment	33%
Motor vehicles	33%
Moulds and tools	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains, net' in the consolidated statements of comprehensive income.

2.7 Prepaid operating leases

Prepaid operating leases are stated at cost less accumulated amortisation. Cost represents consideration paid for the use of land on which various factories and buildings are situated for a period of 50 years. Amortisation of prepaid operating leases is calculated on a straight-line basis over the period of leases.

2.8 Intangible assets

Separately acquired licenses are stated at the cost of minimum guaranteed license payments. The licenses have finite useful lives and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of licenses over the license terms of 1 year to 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

Classification

The Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivables", "other receivables and deposits" and "cash and bank balances" in the consolidated statement of financial position (notes 2.14 and 2.15).

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See note 2.10 for further information about the Group's accounting for trade receivables and note 2.12 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within bank borrowings in current liabilities in the statement of financial position.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (Continued)

Deferred income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

Pension obligations

The Group participates in a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The scheme is generally funded through payments to insurance companies or state/trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable, and represents amounts receivables for goods supplied, stated net of returns and discounts. The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, type of transactions and the specifics of each arrangement.

Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customers, stated net of discounts, returns and value added taxes.

Management fee income

Management fee income is recognised when the service is rendered.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Sundry Income

Sundry income is recognised when Group's obligation is fulfilled and the right to receive payment is established.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 31(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.25 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are approved by the entities' shareholders or Directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest-rate risk and cash flow interest-rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market Risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong, the PRC and the US with majority of the transactions settled in HK$, Renminbi ("RMB") and US$. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the respective entities' functional currencies. Since HK$ is pegged with US$, management is of the opinion that the foreign exchange risk arising from US$ is insignificant.

As at 30 April 2018, certain of the Group's trade and other payables are denominated in RMB other than the functional currency of the operating unit. If HK$ has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the year would have been approximately HK$64,000 (2017: HK$75,000) higher/lower.

(ii) Cash flow interest-rate risk

The Group has no significant interest-bearing assets except for bank deposits, details of which are disclosed in note 22. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which are disclosed in note 26. The bank borrowings that are carried at floating rates expose the Group to cash flow interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 30 April 2018, if the interest rates on bank borrowings had been 50 basis points higher/lower, with all other variables held constant, the profit before income tax for the year would have been approximately HK$616,000 (2017: HK$870,000) lower/higher, mainly as a result of higher/lower interest expense on floating-rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, trade and bills receivables, and other receivables and deposits. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group's cash at banks were deposited with high quality financial institutions. Therefore, the Directors do not expect any losses arising from non-performance by these counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade and bills receivables, other receivables and deposits mainly represented the rental deposits and receivables from customers. They are assessed by reference to the historical information about counterparty default rates.

The Group has policies in place to ensure that the credit terms made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors. The Group's credit sales are on credit terms ranged from 30 to 180 days. Normally, the Group does not require collaterals from trade debtors. As at 30 April 2018, the Group's top five debtors accounted for 34% (2017: 52%) of the Group's total trade receivables. The existing debtors have no default in the past. The Directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of property, plant and equipment, and payment for purchases, operating expenses and dividend. The Group mainly finances its working capital requirements through internal resources and bank borrowings.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitor the utilisation of bank and other borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 30 April 2017					
Trade and bills payables	–	18,139	–	–	18,139
Accruals and other payables	–	16,227	–	–	16,227
Licenses liabilities	–	15,035	10,549	–	25,584
Bank borrowings	156,010	5,620	8,448	5,146	175,224
	156,010	55,021	18,997	5,146	235,174
As at 30 April 2018					
Trade and bills payables	**–**	**20,078**	**–**	**–**	**20,078**
Accruals and other payables	**–**	**16,927**	**–**	**–**	**16,927**
Licenses liabilities	**–**	**16,555**	**9,593**	**–**	**26,148**
Bank borrowings	**110,160**	**8,458**	**5,176**	**–**	**123,794**
	110,160	**62,018**	**14,769**	**–**	**186,947**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.

Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30 April 2017	129,320	16,358	12,622	158,300
As at 30 April 2018	**103,123**	**8,813**	**4,912**	**116,848**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position, plus net debt of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratio at 30 April 2018 was as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Bank borrowings	**123,160**	174,010
Less: cash and bank balances	**(43,240)**	(7,878)
Net debts	**79,920**	166,132
Equity	**140,810**	143,932
Total capital	**220,730**	310,064
Gearing ratio	**36.2%**	53.6%

The decrease in the gearing ratio as at 30 April 2018 is due to decrease of bank borrowings during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

a. Current and deferred income tax

The Group is subject to income taxes in different jurisdictions. Judgement is required in determining the provision for income taxes in different jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group operates mainly in Hong Kong, the PRC and the US and has transactions with customers and suppliers in different countries. The Group's inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over the Group's profit allocation and its respective tax position across different jurisdictions. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax and income tax expense in the year in which such estimates are changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

b. Allowance for impairment of inventories

The Group assesses annually whether any allowance is required to reflect the carrying value of inventories, in accordance with the accounting policy stated in note 2.13. Net realisable values have been determined based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses. This estimation require the use of judgement.

c. Useful lives and residual values of property, plant and equipment

Management estimates useful lives and residual values of its property, plant and equipment with reference to the Group's business model, its assets management policy, the industry practice, expected usage of assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in market. Depreciation expense would be significantly affected by the useful lives of the property, plant and equipment as estimated by management. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

d. Leasehold improvements and factories and buildings on a leased land

The Group had a leased land in the PRC for an operating lease of 50 years where the Group's leasehold improvements and factories and buildings situated were without land and property ownership certificates. Without the certificates, the existing factories and buildings might be ordered for demolition or confiscated. The Directors are of the opinion, based on the advice from the Group's external legal adviser, that the Group has proper right to the occupancy of the leased land and legal entitlement to the constructions thereon. It is unlikely to be terminated or interrupted or to have a material effect on the carrying amount of the related leaseholds improvements and factories and buildings of HK$58,264,000 as at 30 April 2018 (2017: HK$57,040,000).

e. Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

f. Impairment of financial assets

The Group's management determines the allowance for impairment of financial assets based on an assessment of the recoverability of the financial assets. The amount is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the allowance for impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

The executive Directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in the manufacturing and selling of plastic toy products. The chief operating decision-makers assess the performance of the Toys Business based on a measure of operating results and consider the Toys Business in a single operating segment. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — manufacturing and selling of plastic toy products.

The Group's revenue by geographical location, which is determined by the continent where the goods were delivered, is as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
America	**178,674**	172,031
Europe	**113,836**	158,960
Asia Pacific and Oceania	**27,077**	35,212
Africa	**809**	943
	320,396	367,146

The Group's non-current assets (excluding deferred income tax assets and intangible assets) by geographical location, which is determined by the city/country in which the asset is located, are as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**453**	91
The PRC	**121,267**	114,663
	121,720	114,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Customer A	**61,405**	64,316

The five largest customers accounted for approximately 38.7% (2017: 38.4%) of the revenue of the Group for the year ended 30 April 2018.

6 OTHER INCOME

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Sales of scrapped materials	**547**	510
Sundry income	**553**	383
	1,100	893

7 OTHER GAINS, NET

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Exchange gain, net	**1,987**	245
Net gain on disposal of property, plant and equipment	**–**	45
	1,987	290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Auditor's remuneration (excluding listing related services)		
— Audit services	**1,152**	327
— Non-audit services	**783**	–
Advertising and promotion expenses	**6,436**	4,975
Amortisation of prepaid operating lease (note 15)	**412**	234
Amortisation of intangible assets (note 17)	**20,900**	23,208
Allowance for impairment of inventories (note 18)	**3,804**	77
Allowance for impairment of trade receivables (note 19)	**6,656**	–
Bank charges	**1,598**	2,043
Commissions	**4,065**	3,100
Consumables	**7,824**	6,926
Cost of inventories sold (note 18)	**110,162**	102,651
Custom and declaration handling expenses	**2,655**	3,265
Depreciation of property, plant and equipment (note 16)	**19,505**	21,234
Other taxes and surcharges	**4,307**	4,920
Operating lease expenses	**6,926**	7,276
Product testing expenses	**2,009**	1,553
Repair and maintenance expenses	**1,940**	2,460
Licenses fees	**12,026**	9,893
Staff costs, including Directors' remuneration (note 11)	**87,680**	95,706
Subcontracting expenses	**1,246**	2,917
Listing expenses	**6,226**	12,992
Logistics and warehousing expenses	**10,729**	18,045
Utilities	**11,002**	12,021
Other expenses	**5,125**	7,146
	335,168	342,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE COSTS, NET

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Finance income:		
Bank interest income	**8**	18
	8	18

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Finance expenses:		
Bank overdraft interest	**(313)**	(1,253)
Other bank borrowing interest	**(4,318)**	(4,651)
	(4,631)	(5,904)
Finance costs, net	**(4,623)**	(5,886)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX CREDITS

For the year ended 30 April 2018, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit. The Group's subsidiaries in the PRC are subject to China enterprise income tax at a rate of 25% on estimated assessable profits. The Group's subsidiary in the US is subject to US corporate income tax at progressive tax rates ranged from 5% to 39% on estimated assessable profits.

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Current taxation		
Hong Kong profits tax	**465**	(1,120)
China enterprise income tax	**(245)**	1,730
US corporate income tax	**212**	109
	432	719
Deferred taxation		
— Reversal of recognised temporary difference for the change of applicable tax rate	**–**	(3,970)
— Origination and reversal of temporary difference	**(3,016)**	141
	(3,016)	(3,829)
Income tax credits	**(2,584)**	(3,110)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX CREDITS (CONTINUED)

The difference between the actual income tax expenses charged to the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rates to (loss)/profit before taxation can be reconciled as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
(Loss)/profit before taxation	**(16,308)**	19,474
Tax calculated at domestic tax rates applicable to (losses)/profits in respective countries	**(1,580)**	5,006
Income not subject to tax	**(155)**	(1,298)
Expenses not deductible for tax purpose	**188**	1,916
Tax losses not recognised	**256**	718
Over-provision in prior years	**(1,588)**	(2,564)
Utilisation of previously unrecognised tax losses	**–**	(3,310)
Reversal of recognised temporary difference for the change of applicable tax rate (note (i))	**–**	(3,970)
Reversal of temporary difference of capital injection (note (ii))	**–**	392
Others	**295**	–
Income tax credits	**(2,584)**	(3,110)

For the year ended 30 April 2018, the weighted average applicable tax rates was 15.8% (2017: negative 16.0%).

Notes:

(i) During the year ended 30 April 2016, the Group was in the process of transformation back to contract processing. Income tax is provided for under import processing at 16.5%. During the year ended 30 April 2017, the Group completed its transformation and successfully resumed back to contract processing operation. In the opinion of the Directors, the completion of the manufacturing arrangement transformation from import processing to contract processing allows the Group to claim for the deduction under contract processing for the year ended 30 April 2018.

(ii) In the prior years, the Group injected certain machineries into Dongguan Kiddieland Industrial Co., Ltd. According to the relevant rules in the PRC, the machineries are recognised at fair values at the time of the injection for tax reporting purpose. Deferred tax assets are recognised for the temporary differences arose.

Management considered the Group will be entitled to the deduction allowance under contract processing and be liable to a lower applicable tax rate.

A reversal of income tax expense was recognised due to the temporary difference provided at a lower applicable tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Wages, salaries and bonus	**75,670**	81,471
Retirement benefit costs — defined contribution plan:		
Hong Kong	**744**	793
PRC	**6,681**	8,849
Other benefits	**4,585**	4,593
	87,680	95,706

Retirement benefit costs of the Group in the PRC for the year ended 30 April 2018 comprised of costs of HK$7,443,000 (2017: HK$10,578,000), offset by the reversal of provision for prior years of HK$762,000 (2017: HK$1,729,000). The Group reversed the provision for retirement benefits costs after considering the relevant local rules and regulations and the legal opinion received from the Company's PRC legal advisers that the Social Insurance Fund Management Bureau are time-barred from ordering payment based on the two-year statute of limitation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Remuneration of every Director is set out below:

	For the year ended 30 April 2018								
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing benefits HK$'000	Estimated monetary value of other benefits HK$'000	Employer's contribution to provident fund HK$'000	Remuneration paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive Directors:									
Mr. Lo Hung	–	440	–	–	–	–	–	–	440
Ms. Leung Siu Lin Esther	–	440	–	–	–	–	–	–	440
Mr. Lo Shiu Kee Kenneth	–	1,609	–	–	–	18	–	–	1,627
Ms. Lo Shiu Shan Suzanne	–	1,067	–	–	–	18	–	–	1,085
Ms. Sin Lo Siu Wai Sylvia	–	1,160	–	–	–	18	–	–	1,178
Independent non-executive Directors:									
Ms. Tse Yuen Shan	31	–	–	–	–	–	–	–	31
Mr. Man Ka Ho Donald	31	–	–	–	–	–	–	–	31
Mr. Szeto Chi Yan Stanley	30	–	–	–	–	–	–	–	30
	92	4,716	–	–	–	54	–	–	4,862

	For the year ended 30 April 2017								
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing benefits HK$'000	Estimated monetary value of other benefits HK$'000	Employer's contribution to provident fund HK$'000	Remuneration paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive Directors:									
Mr. Lo Hung	–	–	–	–	–	–	–	–	–
Ms. Leung Siu Lin Esther	–	–	–	–	–	–	–	–	–
Mr. Lo Shiu Kee Kenneth	–	1,077	–	–	–	18	–	–	1,095
Ms. Lo Shiu Shan Suzanne	–	718	–	–	–	18	–	–	736
Ms. Sin Lo Siu Wai Sylvia	–	940	–	–	–	18	–	–	958
	–	2,735	–	–	–	54	–	–	2,789

No Directors and chief executives of the Company waived any emoluments during the year ended 30 April 2018.

The emoluments shown above represent remuneration received from the Group by these executive Directors in their capacity as employee to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 30 April 2018 include three (2017: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2017: three) individuals during the year ended 30 April 2018 are as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Salaries, commissions, bonuses, other allowances and benefits in kind	**2,524**	3,409
Employer's contribution to provident fund	**36**	54
	2,560	3,463

The emoluments of these individuals are within the following bands:

	Number of individual Year ended 30 April	
	2018	2017
Emoluments bands		
HK$Nil–1,000,000	**–**	1
HK$1,000,001–1,500,000	**2**	2
	2	3

13 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends during the year ended 30 April 2018 represented dividends declared by Kiddieland Industrial Limited to its then equity holders. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

At the Board meeting held on 15 September 2017, the Board declared an interim dividend of HK$10,000 per share amounting to HK$100,000,000 before the listing on the Main Board of Hong Kong Stock Exchange and HK$98,593,000 was net-off with the amounts due from the shareholders and related entities owned by them.

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Declared and paid interim dividend	**100,000**	60,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

	Year ended 30 April	
	2018	2017
Net (loss)/profit attributable to the owners of the Company (HK$'000)	**(13,724)**	22,584
Weighted average number of ordinary shares in issue (in thousand)	**902,055**	750,000
Basic (loss)/earnings per share (HK cents)	**(1.5)**	3.0

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the year ended 30 April 2018. The weighted average number of ordinary shares in issue are determined as follows:

(i) the 1 ordinary share of the Company issued on 3 June 2016 (date of incorporation) was treated as if it had been issued since 1 May 2016;

(ii) the 9,999 ordinary shares of the Company issued in January 2017 as a result of the reorganisation in preparation for the listing of the Company's shares on the Main Board of Hong Kong Stock Exchange were treated as if they had been issued since 1 May 2016;

(iii) the 749,990,000 ordinary shares of the Company issued on 21 September 2017 under the capitalisation issue were treated as if they had been issued since 1 May 2016; and

(iv) the 250,000,000 ordinary shares offered to the public were issued on 21 September 2017.

(b) Diluted (loss)/earnings per share

For the year ended 30 April 2018, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no potential dilutive share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PREPAID OPERATING LEASE

The Group's prepaid operating lease's net book amount is analysed as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Held in the PRC	**13,204**	12,896

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Beginning of the year	**12,896**	5,487
Addition	**–**	7,627
Less: amortisation (note 8)	**(412)**	(234)
Exchange differences	**720**	16
End of the year	**13,204**	12,896

As at 30 April 2018, the carrying amount of the prepaid operating lease for the land that was in the process of obtaining the land certificate was HK$13,204,000 (2017: HK$12,896,000). In the opinion of the Directors, based on the advice of the Group's external legal adviser, the absence of the land certificate does not have adverse impact on the right of use of land.

Amortisation of prepaid operating lease has been charged to cost of sales during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Factories and buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds and tools HK$'000	Moulds work-in-progress HK$'000	Construction in-progress HK$'000	Total HK$'000
As at 1 May 2016										
Cost	59,758	55,148	10,602	8,927	10,768	88,743	227,616	4,253	–	465,815
Accumulated depreciation	(38,382)	(14,040)	(9,101)	(8,531)	(10,077)	(77,641)	(198,692)	–	–	(356,464)
Net book amount	21,376	41,108	1,501	396	691	11,102	28,924	4,253	–	109,351
Year ended 30 April 2017										
Opening net book amount	21,376	41,108	1,501	396	691	11,102	28,924	4,253	–	109,351
Addition	635	–	308	34	–	622	1,175	10,461	–	13,235
Depreciation for the year (note 8)	(4,702)	(1,103)	(753)	(214)	(488)	(2,839)	(11,135)	–	–	(21,234)
Transfer upon completion	–	–	–	–	–	–	7,358	(7,358)	–	–
Exchange differences	(274)	–	(18)	(1)	(14)	(177)	(272)	(375)	–	(1,131)
Net book amount	17,035	40,005	1,038	215	189	8,708	26,050	6,981	–	100,221
As at 30 April 2017 and 1 May 2017										
Cost	60,080	55,148	10,884	8,952	9,528	89,133	235,849	6,981	–	476,555
Accumulated depreciation	(43,045)	(15,143)	(9,846)	(8,737)	(9,339)	(80,425)	(209,799)	–	–	(376,334)
Net book amount	17,035	40,005	1,038	215	189	8,708	26,050	6,981	–	100,221
Year ended 30 April 2018										
Opening net book amount	17,035	40,005	1,038	215	189	8,708	26,050	6,981	–	100,221
Addition	2,414	–	94	443	121	1,533	1,521	13,388	4,197	23,711
Depreciation for the year (note 8)	(4,110)	(1,103)	(474)	(206)	(31)	(2,361)	(11,220)	–	–	(19,505)
Transfer upon completion	3,429	–	–	–	–	–	10,460	(10,460)	(3,429)	–
Exchange differences	594	–	38	3	28	306	1,218	789	49	3,025
Net book amount	19,362	38,902	696	455	307	8,186	28,029	10,698	817	107,452
As at 30 April 2018										
Cost	66,636	55,148	11,042	9,411	9,679	91,095	249,256	10,698	817	503,782
Accumulated depreciation	(47,274)	(16,246)	(10,346)	(8,956)	(9,372)	(82,909)	(221,227)	–	–	(396,330)
Net book amount	19,362	38,902	696	455	307	8,186	28,029	10,698	817	107,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Cost of sales	**19,258**	20,437
Administrative expenses	**247**	797
	19,505	21,234

As at 30 April 2018, the Group was in the process of obtaining the property ownership certificates of the leasehold improvements and factories and buildings in the PRC with carrying amounts of approximately HK$58,264,000 (2017: HK$57,040,000). In the opinion of the Directors, based on the advice from the Group's external legal adviser, the absence of the property ownership certificates of these properties does not affect the right of use of these factories and buildings. The Directors considered that the absence of the property ownership certificates does not impair their carrying values to the Group as the Group were permitted for construction on the leased land and the probability of being evicted on the ground of an absence of property ownership certificate was remote.

17 INTANGIBLE ASSETS

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Licenses	**29,343**	29,009

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Beginning of the year	**29,009**	29,145
Addition	**21,234**	23,072
Less: amortisation (note 8)	**(20,900)**	(23,208)
End of the year	**29,343**	29,009

Licenses represent minimum payments under license arrangement for non-exclusive rights of manufacturing toy products with specific cartoon icons and distributing to certain countries. Amortisation of intangible assets is charged to cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVENTORIES

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Raw materials	**30,743**	27,902
Work-in-progress	**43,171**	36,306
Finished goods	**44,354**	44,201
Allowance for impairment of inventories	**(4,735)**	(931)
	113,533	107,478

The cost of inventories recognised as expense and included in cost of sales amounted to HK$113,966,000 (2017: HK$102,728,000) which included allowance for impairment of inventories of HK$3,804,000 (2017: HK$77,000) for the year ended 30 April 2018.

Movement in the Group's allowance for impairment of inventories is as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Beginning of the year	**(931)**	(854)
Charged to consolidated statement of comprehensive income (note 8)	**(3,804)**	(77)
End of the year	**(4,735)**	(931)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND BILLS RECEIVABLES

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Trade and bills receivables	**19,276**	38,714

The carrying amounts of trade and bills receivables are denominated in the following currencies:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
US$	**18,583**	37,442
RMB	**693**	1,272
	19,276	38,714

The Group grants credit periods to customers ranged from 0 to 180 days. As at 30 April 2018, the ageing analysis of the trade and bills receivables based on invoice date is as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Up to 3 months	**17,702**	33,442
Over 3 months	**1,574**	5,272
	19,276	38,714

During the year ended 30 April 2018, one of the Group's customers filed for bankruptcy protection in September 2017 and made a subsequent liquidation announcement in March 2018. The Group has made a provision of impairment of HK$6,383,000 as at 30 April 2018. In addition, a provision of impairment of HK$273,000 were made for overdue receivables from other customers which management considered the chance of recovery was remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND BILLS RECEIVABLES (CONTINUED)

As of 30 April 2018, trade and bills receivables of HK$1,997,000 (2017: HK$5,166,000) were past due but not considered to be impaired because these mainly related to customers from whom there were no history of default. Based on past experience, the Directors are of the opinion that no provision of impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade and bills receivables is as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Past due by:		
Up to 3 months	**1,907**	4,605
Over 3 months	**90**	561
	1,997	5,166

Movement in the Group's allowance for impairment of trade receivables is as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Beginning of the year	**–**	–
Provision for impairment recognised during the year (note 8)	**6,656**	–
End of the year	**6,656**	–

The maximum exposure to credit risk as at 30 April 2018 was the carrying amounts of the trade and bills receivables. The Group did not hold any collateral as security. The carrying amounts of trade and bills receivables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Deposits	**119**	113
Prepayments	**2,746**	3,281
Prepaid listing expenses	**–**	4,061
Other receivables	**1,167**	1,400
	4,032	8,855
Less: prepayment for property, plant and equipment classified as non-current assets	**(1,064)**	(1,637)
Current portion	**2,968**	7,218

The carrying amounts of other receivables, deposits and prepayments are denominated in the following currencies:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
US$	**1,123**	830
RMB	**1,709**	2,422
HK$	**1,200**	5,603
	4,032	8,855

The other receivables, deposits and prepayments do not contain impairment assets. The maximum exposure to credit risk as at 30 April 2018 was the carrying value of other receivables, deposits and prepayments mentioned above. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 AMOUNTS DUE FROM A RELATED COMPANY AND A SHAREHOLDER

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Amounts due from a related company — Non-trade nature	–	90,194
Amounts due from a shareholder — Non-trade nature	–	169

The amounts due from a related company and a shareholder are unsecured, repayable on demand and interest free. The carrying amounts of the amounts due from a related company and a shareholder approximate to their fair values.

The amounts due from a related company and a shareholder are denominated in the following currencies:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Amounts due from a related company — HK$	–	90,194
Amounts due from a shareholder — HK$	–	169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 CASH AND BANK BALANCES

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Cash at banks	**43,054**	7,810
Cash on hand	**186**	68
	43,240	7,878
Maximum exposure to credit risk	**43,054**	7,810

Cash and bank balances are denominated in the following currencies:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
US$	**2,719**	3,164
HK$	**39,570**	2,512
RMB	**951**	2,202
	43,240	7,878

As at 30 April 2018, cash and bank balances of HK$1,042,000 (2017: HK$2,307,000) were held in the PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Cash at banks	**43,054**	7,810
Cash on hand	**186**	68
Bank overdraft (note 26)	**(37,655)**	(6,675)
	5,585	1,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL

	As at 30 April 2018		As at 30 April 2017	
	Number of shares	**Nominal value HK$**	Number of shares	Nominal value HK$
Authorised:				
Ordinary shares of HK$0.1 each at the end of the year	**10,000,000,000**	**1,000,000,000**	3,800,000	380,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At beginning of the year	**10,000**	**1,000**	–	–
Issuance of ordinary shares at date of incorporation	**–**	**–**	1	–
Issuance of ordinary shares under reorganisation	**–**	**–**	9,999	1,000
Issuance of ordinary shares upon capitalisation issue (note (i))	**749,990,000**	**74,999,000**	–	–
Issuance of ordinary shares upon initial public offering (note (ii))	**250,000,000**	**25,000,000**	–	–
At end of the year	**1,000,000,000**	**100,000,000**	10,000	1,000

Notes:

(i) On 21 September 2017, an amount of HK$74,999,000 was capitalised from share premium to share capital of the Company.

(ii) On 21 September 2017, 250,000,000 ordinary shares of HK$0.1 each were issued at an offer price of HK$0.48 per share for a total consideration of HK$120,000,000 with HK$79,876,000 credited to the share premium account of the Company, after taking into account of the issuance costs of HK$15,124,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 OTHER RESERVES

	Combined capital HK$'000	Share premium HK$'000	Capital reserves HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2016	46	–	–	(1,027)	184,612	183,631
Profit for the year	–	–	–	–	22,584	22,584
Other comprehensive income:						
— Currency translation differences	–	–	–	(2,283)	–	(2,283)
	–	–	–	(2,283)	–	(2,283)
Total comprehensive income	–	–	–	(2,283)	22,584	20,301
Transaction with owners:						
Issuance of ordinary shares pursuant to the reorganisation	(46)	–	45	–	–	(1)
Dividends paid (note 13)	–	–	–	–	(60,000)	(60,000)
	(46)	–	45	–	(60,000)	(60,001)
At 30 April 2017	–	–	45	(3,310)	147,196	143,931
At 1 May 2017	**–**	**–**	**45**	**(3,310)**	**147,196**	**143,931**
Loss for the year	**–**	**–**	**–**	**–**	**(13,724)**	**(13,724)**
Other comprehensive income:						
— Currency translation differences	**–**	**–**	**–**	**5,726**	**–**	**5,726**
	–	**–**	**–**	**5,726**	**–**	**5,726**
Total comprehensive loss	**–**	**–**	**–**	**5,726**	**(13,724)**	**(7,998)**
Transaction with owners:						
Issuance of ordinary shares upon capitalisation issue	**–**	**(74,999)**	**–**	**–**	**–**	**(74,999)**
Issuance of ordinary shares upon initial public offering	**–**	**95,000**	**–**	**–**	**–**	**95,000**
Share issuance costs	**–**	**(15,124)**	**–**	**–**	**–**	**(15,124)**
Dividends paid (note 13)	**–**	**–**	**–**	**–**	**(100,000)**	**(100,000)**
	–	**4,877**	**–**	**–**	**(100,000)**	**(95,123)**
At 30 April 2018	**–**	**4,877**	**45**	**2,416**	**33,472**	**40,810**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DEFERRED INCOME TAX

The analysis of deferred income tax assets/(liabilities) is as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	**7,011**	3,075
— Deferred income tax assets to be recovered within 12 months	**125**	662
	7,136	3,737

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Deferred income tax liabilities:		
— Deferred income tax liabilities to be recovered after more than 12 months	**(2,627)**	(3,063)
— Deferred income tax liabilities to be recovered within 12 months	**(1,532)**	(713)
	(4,159)	(3,776)
Deferred income tax assets/(liabilities), net	**2,977**	(39)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses HK$'000	Decelerated tax depreciation HK$'000	Others HK$'000	Capital injection (note (i)) HK$'000	Total HK$'000
Deferred income tax assets:					
At 1 May 2016	–	1,079	201	2,792	4,072
Credited/(charged) to consolidated statement of comprehensive income	–	25	(169)	(191)	(335)
At 30 April 2017 and 1 May 2017	–	1,104	32	2,601	3,737
Credited/(charged) to consolidated statement of comprehensive income	4,344	(90)	(30)	(825)	3,399
At 30 April 2018	4,344	1,014	2	1,776	7,136

Note:

(i) In the prior years, the Group injected certain machineries into Dongguan Kiddieland Industrial Co., Ltd. According to the relevant rules in the PRC, the machineries are recognised at fair values at the time of injection for tax reporting purpose. Deferred income tax assets are recognised for the temporary differences arose.

	Accelerated tax depreciation HK$'000	Total HK$'000
Deferred income tax liabilities:		
At 1 May 2016	(7,940)	(7,940)
Credited to consolidated statement of comprehensive income	4,164	4,164
At 30 April 2017 and 1 May 2017	(3,776)	(3,776)
Charged to consolidated statement of comprehensive income	(383)	(383)
At 30 April 2018	(4,159)	(4,159)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DEFERRED INCOME TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors, For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC.

As at 30 April 2017, deferred income tax liabilities of HK$1,056,000 have not been recognised for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. The related unremitted earnings amounted to HK$10,557,000 as at 30 April 2017, and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Company in the foreseeable future.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$2,739,000 (2017: HK$2,469,000) as at 30 April 2018, in respect of losses amounting to HK$13,866,000 (2017: HK$12,510,000) as at 30 April 2018 as it is not certain that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

The expiry date of these tax losses are as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Expiring in year 2019	**800**	729
Expiring in year 2020	**1,274**	1,162
Expiring in year 2021	**3,149**	2,870
Expiring in year 2022	**89**	–
Without expiry date	**8,554**	7,749
	13,866	12,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BANK BORROWINGS

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Bank overdraft (note 22)	**37,655**	6,675
Bank borrowing, secured	**85,505**	167,335
	123,160	174,010
Less: non-current portion (note (i))	**(5,000)**	(13,000)
Current portion	**118,160**	161,010

Note: (i) The bank borrowing of HK$5,000,000 (2017: HK$13,000,000) does not contain a repayment on demand clause according to the respective bank facility letter.

Borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities. All borrowings and overdrafts are wholly repayable within 5 years.

The bank borrowings as at the end of reporting period are denominated in the following currencies:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
US$	**35,967**	78,265
HK$	**87,193**	95,745
	123,160	174,010

The following is a schedule of repayments of the bank borrowings in respect of the outstanding borrowings, based on the scheduled repayment terms set out in the loan agreements, as at the end of reporting period:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Within 1 year	**106,050**	134,262
Between 1 to 2 years	**13,360**	23,498
Between 2 to 5 years	**3,750**	16,250
	123,160	174,010

The fair value of the bank borrowings approximate their carrying amounts, as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BANK BORROWINGS (CONTINUED)

The weighted average effective interest rates for the year ended 30 April 2018 are as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Bank overdraft	**5.52%**	5.29%
Bank borrowing, secured	**3.79%**	3.07%

The exposure of the Group's bank borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
6 months or less	**123,160**	174,010
	123,160	174,010

The Group has the following undrawn bank borrowing facilities:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Expiring within 1 year	**106,931**	212,473

The guarantees provided by the Directors or related companies and properties owned by related companies pledged to banks (note 33(e)) have been replaced by corporate guarantee provided by the Company after successful listing on the Main Board of Hong Kong Stock Exchange starting from 21 September 2017. As at 30 April 2018, the corporate guarantee is provided by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Within 1 month	**10,435**	7,080
1–2 months	**5,936**	10,036
2–3 months	**957**	307
Over 3 months	**2,750**	716
	20,078	18,139

Trade and bills payables are denominated in the following currencies:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
US$	**1,787**	6,408
HK$	**12,313**	7,930
RMB	**5,978**	3,801
	20,078	18,139

The carrying amounts of the trade and bills payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 ACCRUALS AND OTHER PAYABLES

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Accrued expenses		
— Staff costs	**6,852**	5,872
— Utilities	**1,033**	1,123
— Freight expenses	**98**	295
— Professional services fees	**1,182**	1,046
— Licenses fees	**270**	818
— Listing expenses	**–**	2,339
— Interest expenses	**280**	724
Provision for employees' benefits		
— Retirement benefits	**–**	762
— Other benefits	**489**	3,789
Advance receipts	**1,314**	547
Licenses liabilities	**26,148**	25,584
Other accruals	**5,937**	5,836
Other payables	**8,127**	4,046
	51,730	52,781
Less: non-current portion	**(9,593)**	(10,549)
Current portion	**42,137**	42,232

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
US$	**31,027**	27,834
RMB	**13,315**	15,725
HK$	**7,382**	8,959
Others	**6**	263
	51,730	52,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NET CASH GENERATED FROM OPERATIONS

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
(Loss)/profit before taxation	**(16,308)**	19,474
Adjustment for:		
Interest income	**(8)**	(18)
Interest expenses	**4,631**	5,904
Depreciation (note 16)	**19,505**	21,234
Amortisation of prepaid operating lease (note 15)	**412**	234
Amortisation of intangible assets (note 17)	**20,900**	23,208
Gain on disposal of fixed assets	**–**	(45)
Allowance for impairment of trade receivables (note 19)	**6,656**	–
Allowance for impairment of inventories (note 18)	**3,804**	77
	39,592	70,068
Changes in working capital:		
Increase in inventories	**(7,221)**	(17,327)
Decrease/(increase) in trade and bills receivables	**12,889**	(5,736)
Decrease/(increase) in other receivables, deposits and prepayments	**1,048**	(1,262)
Increase/(decrease) in trade and bills payables	**1,447**	(3,903)
Decrease in accruals and other payables	**(1,643)**	(11,384)
Cash generated from operations	**46,112**	30,456

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Net book amount	**–**	–
Net gain on disposal of property, plant and equipment	**–**	45
Proceeds from disposal of property, plant and equipment	**–**	45

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NET CASH GENERATED FROM OPERATIONS (CONTINUED)

(a) Non-cash transaction

(i) During the year ended 30 April 2018, the Group declared an interim dividend of HK$98,593,000 (2017: HK$60,000,000) and offset with the amount due from Esther & Victor Limited which did not result in any cash flow.

(b) Net debt reconciliation

This section sets out an analysis of net debt at the end of reporting period and the movements in net debt during the reporting period.

	As at 30 April 2018 HK$'000
Net debt	
Cash and cash equivalents	43,240
Borrowings — repayable within one year (including bank overdrafts)	(118,160)
Borrowings — repayable after one year	(5,000)
Net debt	(79,920)
Cash and liquid investments	43,240
Gross debt — variable interest rates	(123,160)
Net debt	(79,920)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NET CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Net debt reconciliation (Continued)

		Liabilities from financing activities		
	Cash and Bank Balances	Bank Overdrafts	Borrowings due within 1 year	Borrowings due after 1 year
	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as at 1 May 2017	7,878	6,675	127,587	39,748
Cash flows	35,200	30,980	(82,690)	860
Foreign exchange adjustments	162	–	–	–
Other non-cash movements	–	–	23,498	(23,498)
Net debt as at 30 April 2018	43,240	37,655	68,395	17,110

30 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Assets as per consolidated statement of financial position		
Loans and receivables:		
Trade and bills receivables	**19,276**	38,714
Other receivables and deposits	**1,286**	1,513
Amounts due from a related company	**–**	90,194
Amounts due from a shareholder	**–**	169
Cash and bank balances	**43,240**	7,878
	63,802	138,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Liabilities as per consolidated statement of financial position		
Other financial liabilities carried at amortised cost:		
Trade and bills payables	**20,078**	18,139
Accruals and other payables	**16,927**	16,227
Licenses liabilities	**26,148**	25,584
Bank borrowings	**123,160**	174,010
	186,313	233,960

31 COMMITMENTS

(a) Capital commitments

As at 30 April 2018, the Group had the following capital commitments:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Authorised but not contracted for:		
Land use right	**27,183**	24,784
Contracted but not provided for:		
Property, plant and equipment	**1,096**	1,747

(b) Operating lease commitments

The Group acts as lessee under operating leases for its office and warehouse locations. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

At the end of reporting period, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by the Group were as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Within 1 year	**1,022**	6,258
Between 2 to 5 years	**295**	480
	1,317	6,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BENEFITS AND INTERESTS OF DIRECTORS

Emoluments, retirement benefits and termination benefits of Directors are disclosed in note 12.

The Group did not pay consideration to third parties for making available the Director's services.

As at 30 April 2018, the information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of the Directors is as follows:

Name of Director	Outstanding amounts at the beginning of the year HK$'000	Outstanding amounts at the end of the year HK$'000	Maximum outstanding during the year HK$'000	Amounts fallen due but not been paid HK$'000	Provisions for doubtful/bad debts made HK$'000	Term	Interest rate	Security
At 30 April 2017								
Quasi-loans or credit transactions:								
Mr. Lo Shiu Kee Kenneth	7,252	169	7,252	–	–	Repayable on demand	Interest free	Nil
At 30 April 2018								
Quasi-loans or credit transactions:								
Mr. Lo Shiu Kee Kenneth	169	–	169	–	–	Repayable on demand	Interest free	Nil

The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of connected entities of Mr. Lo Hung, Ms. Leung Siu Lin Esther, Mr. Lo Shiu Kee Kenneth, Ms. Lo Shiu Shan Suzanne, and Ms. Sin Lo Siu Wai Sylvia, Directors of the Company, are as follows:

Name of borrower	Nature of connection	Outstanding amounts at the beginning of the year HK$'000	Outstanding amounts at the end of the year HK$'000	Maximum outstanding during the year HK$'000	Amounts fallen due but not been paid HK$'000	Provisions for doubtful/bad debts made HK$'000	Term	Interest rate	Security
At 30 April 2017									
Loan:									
Top Dragon Enterprise Investment Limited	note (i)	10,261	–	10,261	–	–	No fixed repayment term	5.25% per annum	Nil
Quasi-loans or credit transactions:									
Esther & Victor Limited	note (i)	52,491	90,194	147,192	–	–	Repayable on demand	Interest free	Nil
Kid Child Limited	note (ii)	17,541	–	17,541	–	–	Repayable on demand	Interest free	Nil
Rank Power Limited	note (iii)	19,235	–	19,235	–	–	Repayable on demand	Interest free	Nil
Glory Great Investment Limited	note (iv)	2,634	–	2,634	–	–	Repayable on demand	Interest free	Nil
Brilliant Huge Limited	note (v)	11	–	11	–	–	Repayable on demand	Interest free	Nil
Top Dragon Enterprise Investment Limited	note (i)	62,447	–	62,447	–	–	Repayable on demand	Interest free	Nil
Concept Max Investment Limited	note (vi)	78	–	78	–	–	Repayable on demand	Interest free	Nil
Easy Bloom Limited	note (vii)	41	–	41	–	–	Repayable on demand	Interest free	Nil
		154,478	90,194						
		164,739	90,194						
At 30 April 2018									
Quasi-loans or credit transactions:									
Esther & Victor Limited	note (i)	90,194	–	90,194	–	–	Repayable on demand	Interest free	Nil
		90,194	–						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

Notes:

(i) The entity is wholly, evenly and jointly owned by Mr. Lo Hung and Ms. Leung Siu Lin Esther.

(ii) The entity is 0%, 66.6%, 16.7% and 16.7% (2017: 33.3%, 33.3%, 16.7% and 16.7%) owned by Ms. Lo Shiu Shan Suzanne, Ms. Sin Lo Siu Wai Sylvia, Mr. Lo Hung and Ms. Leung Siu Lin Esther, respectively.

(iii) The entity is 66.6%, 0%, 16.7% and 16.7% (2017: 33.3%, 33.3%, 16.7% and 16.7%) owned by Ms. Lo Shiu Shan Suzanne, Ms. Sin Lo Siu Wai Sylvia, Mr. Lo Hung and Ms. Leung Siu Lin Esther, respectively.

(iv) The entity is wholly owned by Mr. Lo Shiu Kee Kenneth.

(v) The entity is wholly, evenly and jointly owned by Mr. Lo Hung, Ms. Leung Siu Lin Esther, Mr. Lo Shiu Kee Kenneth, Ms. Lo Shiu Shan Suzanne and Ms. Sin Lo Siu Wai Sylvia.

(vi) The entity is wholly, evenly and jointly owned by Mr. Lo Hung, Ms. Leung Siu Lin Esther and Mr. Lo Shiu Kee Kenneth.

(vii) The entity is 75%, 12.5% and 12.5% owned by Ms. Lo Shiu Shan Suzanne, Mr. Lo Hung and Ms. Leung Siu Lin Esther, respectively.

Save as disclosed in notes 21 and 33, there were no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 30 April 2018.

33 RELATED PARTY TRANSACTIONS

(a) Name of related parties

The Directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the year:

Name of related parties	Relationship with the Group
Mr. Lo Hung	Controlling shareholder and executive Director of the Company
Ms. Leung Siu Lin Esther	Controlling shareholder and executive Director of the Company
Mr. Lo Shiu Kee Kenneth	Controlling shareholder and executive Director of the Company
Ms. Lo Shiu Shan Suzanne	Controlling shareholder and executive Director of the Company
Ms. Sin Lo Siu Wai Sylvia	Controlling shareholder and executive Director of the Company
Esther & Victor Limited	Controlled by the controlling shareholders
Top Dragon Enterprise Investment Limited	Controlled by the controlling shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Year ended 30 April 2018 HK$'000	2017 HK$'000
Rental expenses		
Operating lease expense for office paid to Top Dragon Enterprise Investment Limited (note (i))	**5,760**	5,760

Note:

(i) Office leasing expense was paid at terms mutually agreed with the relevant parties involved.

(c) Year-end balances with related parties

	Note	As at 30 April 2018 HK$'000	2017 HK$'000
Amounts due from a related company			
Esther & Victor Limited		–	90,194
	21	–	90,194
Amounts due from a shareholder			
Mr. Lo Shiu Kee Kenneth		–	169
	21	–	169

The carrying amounts of the amounts due from related parties approximate their fair values and are denominated in HK$ (note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

Key management includes Directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 30 April	
	2018	2017
	HK$'000	HK$'000
Wages, salaries and bonuses	**10,317**	7,405
Retirement benefits	**162**	144
Other benefits	**240**	240
	10,719	7,789

(e) Other arrangement

Banking facilities available to the Group were guaranteed by Mr. Lo Hung and Ms. Leung Siu Lin Esther as at 30 April 2017. All such guarantees have been released and replaced by the corporate guarantee provided by the Company upon successful listing on the Main Board of Hong Kong Stock Exchange starting from 21 September 2017.

34 CONTINGENT LIABILITIES

As at 30 April 2018, the Group has contingent liabilities as follows:

	As at 30 April	
	2018	2017
	HK$'000	HK$'000
Irrevocable standby letter of credit	**4,445**	3,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 SUBSIDIARIES

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Principal business	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by the Company As at 30 April 2018	2017
Kiddieland Group Limited	BVI	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**100%**	100%
Kiddieland Trading Limited	BVI	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**100%**	100%
Kiddieland Manufacturing Limited	BVI	30 May 2016	Investment holding	10,000 ordinary shares of US$1	**100%**	100%
Kiddieland Toys Limited	Hong Kong	7 May 2001	Sales and marketing of toys	10,000 ordinary shares of HK$1	**100%**	100%
Kiddieland Industrial Limited	Hong Kong	3 October 1997	Toys development, manufacturing activities and managing the production facilities in Tangxia, Dongguan, Guangdong Province, the PRC	10,000 ordinary shares of HK$1	**100%**	100%
Innotech & Associates Limited	Hong Kong	7 August 1998	Merchandising of production materials for toys and providing design services for all graphic design requirements in toys production	10,000 ordinary shares of HK$1	**100%**	100%
W. Great Worth Limited	Hong Kong	30 May 1997	Providing management services to our Group	10,000 ordinary shares of HK$1	**100%**	100%
Kiddieland Toy, Inc.	U.S.	8 June 1999	Import and distribution of toy products in U.S.	60 ordinary shares of US$10	**100%**	100%
Kiddieland Toy Limited	England and Wales	29 December 1999	Representative office	100 ordinary shares of GBP1	**100%**	100%
東莞童夢園玩具有限公司 (Dongguan Kiddieland Toys Co., Ltd.)	PRC	18 June 2008	Sales of toy products in the PRC	HK$8,400,000	**100%**	100%
東莞童園實業有限公司 (Dongguan Kiddieland Industrial Co., Ltd.)	PRC	20 January 2014	Manufacturing of toy products	HK$54,000,000	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 30 April 2018 HK$'000	2017 HK$'000
ASSETS		
Non-current asset		
Investment in a subsidiary	**152,392**	152,392
Current assets		
Prepayments	**327**	4,985
Amounts due from subsidiaries	**80,312**	–
Cash and bank balances	**103**	–
	80,742	4,985
Total assets	**233,134**	157,377
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	**100,000**	1
Share premium	**157,268**	152,391
Accumulated losses	**(24,387)**	(17,266)
Total equity	**232,881**	135,126
LIABILITIES		
Non-current liability		
Amounts due to subsidiaries	**–**	19,912
Current liability		
Accruals	**253**	2,339
Total liabilities	**253**	22,251
Total equity and liabilities	**233,134**	157,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 3 June 2016 (date of incorporation)	–	–	–
Loss for the year	–	(17,266)	(17,266)
Transaction with owners:			
Issuance of ordinary shares pursuant to the reorganisation (note (i))	152,391	–	152,391
At 30 April 2017 and 1 May 2017	152,391	(17,266)	135,125
Loss for the year	**–**	**(7,121)**	**(7,121)**
Transactions with owners:			
Issuance of ordinary shares upon capitalisation issue	**(74,999)**	**–**	**(74,999)**
Issuance of ordinary shares upon initial public offering	**95,000**	**–**	**95,000**
Share issuance costs	**(15,124)**	**–**	**(15,124)**
At 30 April 2018	**157,268**	**(24,387)**	**132,881**

Note:

(i) Share premium of HK$152,391,000 represented the difference between the carrying values of the group subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

FOUR YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows:

RESULTS

	Year ended 30 April			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**320,396**	367,146	445,756	520,966
(Loss)/profit before taxation	**(16,308)**	19,474	47,611	46,176
Income tax credits/(expenses)	**2,584**	3,110	(13,586)	(9,644)
(Loss)/profit for the year	**(13,724)**	22,584	34,025	36,532
Attributable to:				
Shareholders of the Company	**(13,724)**	22,584	34,025	36,532

ASSETS AND LIABILITIES

	As at 30 April			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Non-current assets	**158,199**	147,500	148,055	160,776
Current assets	**182,767**	254,613	315,271	300,316
Total assets	**340,966**	402,113	463,326	461,092
Equity and liabilities				
Total equity	**140,810**	143,932	183,631	178,404
Non-current liabilities	**18,752**	27,325	17,777	15,647
Current liabilities	**181,404**	230,856	261,918	267,041
Total liabilities	**200,156**	258,181	279,695	282,688
Total equity and liabilities	**340,966**	402,113	463,326	461,092

Notes: (i) The summary of the consolidated results of the Group for the three years ended 30 April 2015, 2016 and 2017 and of the assets, equity and liabilities as at 30 April 2015, 2016 and 2017 are extracted from the Prospectus.

(ii) The summary of the consolidated results of the Group for the year ended 30 April 2018 and of the assets, equity and liabilities as at 30 April 2018 are extracted from the Company's published audited financial statements.

(iii) No financial information of the Group for the year ended 30 April 2014 has been published.