

KIDDIELAND

Kiddieland International Limited
童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

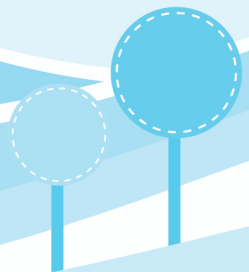
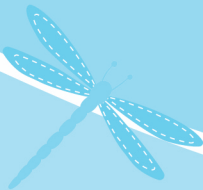
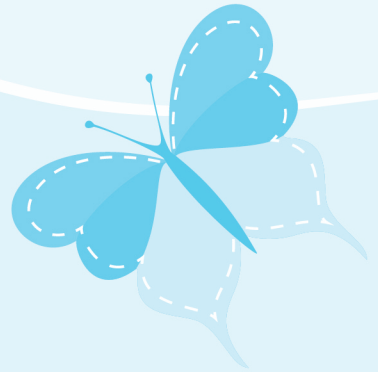
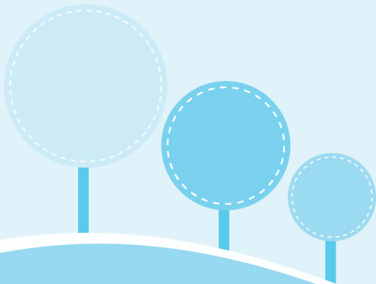
Stock Code : 3830



2019
Interim Report

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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. Cheng Dominic

AUDIT COMMITTEE

Ms. Tse Yuen Shan (*Chairwoman*)
Mr. Man Ka Ho Donald
Mr. Cheng Dominic

REMUNERATION COMMITTEE

Mr. Cheng Dominic (*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. Cheng Dominic

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

<http://www.kiddieland.com.hk>

STOCK CODE

3830

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Financial year 2020 continued to be a very challenging year for our Group, the toy industry and even the whole world in general. The Group's unaudited revenue for the six months ended 31 October 2019 (the "**Review Period**") was approximately HK\$217.5 million, which was increased by 7.1% as compared to the corresponding period last year (the "**Last Period**") (2018: HK\$203.1 million). Profit before tax of the Group was approximately HK\$11.8 million, representing a decrease of 5.6% as compared to the Last Period (2018: HK\$12.5 million). The profit attributable to equity shareholders for the Review Period amounted to approximately HK\$15.3 million.

OPERATING RESULTS

Revenue

Revenue generated from North America increased by 8.2% to approximately HK\$126.6 million in the Review Period (2018: HK\$117.0 million). Both average selling price and orders had increased. The increase was mainly attributed to revenue from a developing country due to the change in the commission calculation basis.

On the other hand, revenue generated from Europe also increased by 5.4% to approximately HK\$71.9 million in the Review Period (2018: HK\$68.2 million). Both average selling price and orders from European markets had recovered slightly due to the change of their product mix. The increase was also attributed to the increase in sales to various Eastern European countries.

As a result of the above, the Group's overall revenue increased by 7.1% to approximately HK\$217.5 million in the Review Period (2018: HK\$203.1 million).

Gross Profit

The Group's gross profit increased by 9.9% to approximately HK\$43.3 million in the Review Period (2018: HK\$39.4 million). The increase was attributed to the increase in revenue discussed above while the production costs are relatively stable during the Review Period. The gross profit margin of the Review Period increased to 19.9% as compared to 19.4% of the Last Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses increased by 83.6% to approximately HK\$13.4 million in the Review Period (2018: HK\$7.3 million). The increase was mainly attributable to (i) the change in commission calculation basis in the view of pushing up the sales volume in some specific countries; and (ii) the increase in logistics and warehousing expenses. As there are plenty of uncertainties arising from the trade war between U.S. and China, the Group has executed an early shipment plan to ship extra inventories to our warehouse in U.S. in order to avoid paying potential additional import duties.

Administrative Expenses

Administrative expenses, including the net impairment losses on financial assets decreased by 10.5% to approximately HK\$17.0 million in the Review Period (2018: HK\$19.0 million). The decrease was attributed to the absence of non-cash share-based payment expenses of HK\$1.3 million as compared to that in the Last Period and the decrease in staff costs due to the retirement of senior management.

Finance Costs

Net finance costs increased by 38.5% to approximately HK\$3.6 million in the Review Period (2018: HK\$2.6 million). The increase was attributed to the increase in average bank borrowings level and the recognition of interest expenses regarding the right-of-use assets.

Income Tax Credits/(Expenses)

The Group recorded income tax credits (net of tax expenses) of approximately HK\$3.5 million for the Review Period whilst the Group recorded income tax expenses of HK\$1.5 million for the Last Period.

The income tax credits for the Review Period was mainly attributable to the deferred tax assets recognised relating to the tax losses in the subsidiary in the PRC. It is partially offset by the Hong Kong profits tax expenses in respect of clawback of depreciation allowance claimed in prior years regarding the intra-group transfer of fixed assets in the disposal transaction.

Net Profit

As mentioned above, due to the increase in revenue, together with the income tax credits recognised relating to the tax losses in the subsidiary and the absence of share-based payment expenses recognised in the Review Period, while partially offsetting with the increase in commissions and logistics and warehousing expenses, together with the increase in finance costs, the profit after tax increased by HK\$4.3 million or 39.1% from HK\$11.0 million for the Last Period to approximately HK\$15.3 million for the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS



Outlook/Future Prospects and Strategies

The outlook of the toy industry in general remains rather undesirable. The challenges which have existed in the last two years have remained lively and prominent. Economies in Europe and many parts of Asia remain sluggish and the Group does not anticipate significant recoveries to take place any time soon. The U.S. market is somewhat more stable but lacking any new major Disney animation movie releases next year, the Group's sales will probably stay rather stagnant. There are also inevitable uncertainties stemmed from the trade war between U.S. and China, which at this moment is still quite unpredictable. As a result, the Directors do not believe demand of toys will grow considerably in the short term.

The management's focus has subsequently been shifted to cost control as means to improve the overall profitability. In 2019, the Group had introduced more automation into the production processes in hope of reducing the labour cost which is noticeably becoming more expensive every year. The management has also bargained for more competitive electricity rates which will very likely take into effect in early 2020. Further restructuring has taken place in streamlining some redundant management staff at the factory in Dongguan whereby certain positions have now been eliminated. The result is a leaner organisation with a lower headcount and higher productivity. These are just some of the effective measures that are slowing taking place at the moment.

Moreover, the disposal of Dongguan Kiddieland Industrial Co., Ltd. has provided the Group with more liquidity, hence the reliance on outside funding sources and subsequent finance expenses will be reduced. In the longer term, the Group will also be looking into relocating its manufacturing facilities from its current location, which is a rather expensive area, to a more remote location where labour supply is more abundant and affordable. These will also constitute to a cost reduction, and turn the Group's bottom line into profitability.

While next year in 2020 sales will likely continue to struggle, the Directors are excited to reap the benefits from the various cost cutting measures the Group has invested in. The Directors are confident that the payoffs will be positive as the Group is now steered towards the right direction.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2019

	Note	Six months ended 31 October 2019 HK\$'000 (unaudited)	Six months ended 31 October 2018 HK\$'000 (unaudited)
Revenue	6	217,523	203,077
Cost of sales	7	(174,177)	(163,666)
Gross profit		43,346	39,411
Other income		804	394
Other gains, net		1,703	1,548
Selling and distribution expenses	7	(13,430)	(7,251)
Administrative expenses	7	(16,798)	(18,528)
Impairment losses on financial assets, net		(239)	(484)
Operating profit		15,386	15,090
Finance income		23	4
Finance expenses		(3,655)	(2,558)
Finance costs, net		(3,632)	(2,554)
Profit before taxation		11,754	12,536
Income tax credits/(expenses)	8	3,531	(1,519)
Profit for the period		15,285	11,017
Other comprehensive loss			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		(2,929)	(6,702)
Total other comprehensive loss for the period, net of tax		(2,929)	(6,702)
Total comprehensive income for the period		12,356	4,315
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
Basic and diluted earnings per share	9	1.5	1.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Note	As at 31 October 2019 HK\$'000 (unaudited)	As at 30 April 2019 HK\$'000 (audited)
ASSETS			
Non-current assets			
Prepaid operating lease		–	12,330
Property, plant and equipment	11	45,694	119,333
Right-of-use assets		3,280	–
Intangible assets	12	3,634	11,853
Deferred income tax assets		6,909	8,069
Prepayment		–	72
		59,517	151,657
Current assets			
Inventories		91,805	118,079
Trade and bills receivables	13	93,360	25,348
Other receivables, deposits and prepayments		8,061	5,433
Income tax recoverable		740	1,137
Cash and bank balances		6,962	19,392
		200,928	169,389
Assets classified as held for sale	14	94,300	–
		295,228	169,389
Total assets		354,745	321,046
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	15	100,000	100,000
Other reserves		6,242	6,242
Exchange reserves		(5,338)	(2,409)
Retained earnings		39,396	24,111
Total equity		140,300	127,944

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Note	As at 31 October 2019 HK\$'000 (unaudited)	As at 30 April 2019 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		22,605	–
Deferred income tax liabilities		2,615	4,337
Other payables		29	58
		25,249	4,395
Current liabilities			
Bank borrowings		144,892	138,233
Trade and bills payables	16	14,416	21,240
Accruals and other payables		22,343	27,485
Contract liabilities		514	1,371
Lease liabilities		3,760	–
Income tax payable		3,271	378
		189,196	188,707
Total liabilities		214,445	193,102
Total equity and liabilities		354,745	321,046

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2019



	Attributable to owners of the Company (unaudited)				
	Share capital HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance as at 1 May 2019	100,000	6,242	(2,409)	24,111	127,944
Profit for the period	–	–	–	15,285	15,285
Other comprehensive loss	–	–	(2,929)	–	(2,929)
Total comprehensive income	–	–	(2,929)	15,285	12,356
Balance as at 31 October 2019	100,000	6,242	(5,338)	39,396	140,300

	Attributable to owners of the Company (unaudited)				
	Share capital HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance as at 1 May 2018	100,000	4,922	2,416	33,472	140,810
Profit for the period	–	–	–	11,017	11,017
Other comprehensive loss	–	–	(6,702)	–	(6,702)
Total comprehensive income	–	–	(6,702)	11,017	4,315

Transaction with owners:

— Employees' share option scheme (note 17)	–	1,320	–	–	1,320
	–	1,320	–	–	1,320
Balance as at 31 October 2018	100,000	6,242	(4,286)	44,489	146,445

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2019

	Six months ended 31 October 2019 HK\$'000 (unaudited)	Six months ended 31 October 2018 HK\$'000 (unaudited)
Cash flows from operating activities		
Net cash used in operations	(14,318)	(21,471)
Interest received	23	4
Interest paid	(3,492)	(2,285)
Income tax (paid)/refunded	(3,685)	2,088
Net cash used in operating activities	(21,472)	(21,664)
Cash flows from investing activities		
Purchases of property, plant and equipment	(11,442)	(10,876)
Proceeds from disposal of property, plant and equipment	37	–
Settlements of liabilities arising from acquisitions of licenses	(8,618)	(9,344)
Net cash used in investing activities	(20,023)	(20,220)
Cash flows from financing activities		
Proceeds from bank borrowings	215,938	183,482
Repayment of bank borrowings	(174,704)	(127,044)
Net cash generated from financing activities	41,234	56,438
Net (decrease)/increase in cash and cash equivalents	(261)	14,554
Effect on exchange rate differences	(199)	(117)
Cash and cash equivalents and bank overdrafts at beginning of the period	972	5,585
Cash and cash equivalents and bank overdrafts at end of the period	512	20,022

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



1 GENERAL INFORMATION OF THE GROUP

Kiddieland International Limited (the “**Company**”) was incorporated in the 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**”).

The condensed consolidated interim financial information is presented in Hong Kong Dollars (“**HK\$**”) unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 October 2019 is prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”. It should be read in conjunction with the annual report for the year ended 30 April 2019 (the “**Annual Report**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the Annual Report, except for the adoption of new standards, amendments and interpretations of HKFRSs effective for the financial year ending 30 April 2020. In addition, the Group adopted the following accounting policies in relation to assets classified as held for sale during the current interim period:

Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered to be highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets classified as held for sale *(continued)*

Assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal company classified as held for sale continue to be recognised.

Assets classified as held for sale and the assets of a disposal company classified as held for sale are presented separately from other assets in the consolidated statement of financial position. The liabilities of a disposal company classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

(a) *New and amended standards, improvements and interpretations adopted by the Group*

The Group has adopted the following new and amended standard, improvements and interpretations which are mandatory for the annual periods commencing on 1 May 2019 and are relevant to its operation:

Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group has assessed the impact of the adoption of these new standards and amendments to existing standards. The impact of the adoption of HKFRS 16 “Leases” is disclosed in note 19. The other new standards or amendments to existing standards did not have any impact on the Group’s results.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets classified as held for sale *(continued)*

- (b) New and amended standards, improvements and interpretations have been issued but not yet effective and have not been early adopted by the Group:

		Effective for annual periods commencing on or after
HKFRS 3 (Amendments)	Definition of a Business	1 May 2020
HKFRS 17	Insurance Contracts	1 May 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 May 2020

None of the above new standards and amendments to existing standards is expected to have a significant effect on the consolidated financial statements of the Group.

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual report for the year ended 30 April 2019.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual report, and should be read in conjunction with the annual report for the year ended 30 April 2019.

There have been no changes in the Group's risk management policies since the year ended 30 April 2019.

(b) Liquidity risk

Compared to the year ended 30 April 2019, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

(c) Fair value estimation

The Group's financial assets comprise of cash and bank balances, trade and bills receivables, other receivables and deposits; and the Group's financial liabilities comprise of trade and bills payables, accruals and other payables, bank borrowings and lease liabilities. The carrying amounts of the financial assets and financial liabilities approximate their fair values due to their short maturities.

6 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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



6 SEGMENT INFORMATION *(continued)*

For the six months ended 31 October 2019, revenue by geographical areas is as follows:

	Six months ended 31 October 2019 HK\$'000 (unaudited)	Six months ended 31 October 2018 HK\$'000 (unaudited)
America	129,084	121,157
Europe	71,872	68,165
Asia Pacific and Oceania	16,353	13,363
Africa	214	392
	217,523	203,077

The analysis of revenue by geographical segment is based on the location of customers.

For the six months ended 31 October 2019, there was one (six months ended 31 October 2018: one) customer which individually contributed over 10% of the Group's total revenue. During the period, the revenue contributed from the customer is as follows:

	Six months ended 31 October 2019 HK\$'000 (unaudited)	Six months ended 31 October 2018 HK\$'000 (unaudited)
Customer A	53,581	50,647

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

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

	Six months ended 31 October 2019 HK\$'000 (unaudited)	Six months ended 31 October 2018 HK\$'000 (unaudited)
Auditor's remuneration		
— Audit services	734	733
— Non-audit services	1,582	383
Advertising and promotion expenses	931	930
Amortisation of prepaid operating lease	199	203
Amortisation of intangible assets (note 12)	8,684	9,852
Amortisation of lease assets	2,688	–
Bank charges	954	910
Commissions	4,620	2,463
Consumables	5,401	3,916
Cost of inventories sold	87,089	77,057
Custom and declaration handling expenses	1,177	1,230
Depreciation of property, plant and equipment (note 11)	9,422	9,049
Other taxes and surcharges	788	1,643
Operating lease expenses	164	3,044
Product testing expenses	512	496
Repair and maintenance expenses	1,176	1,026
Licenses fees	8,790	6,289
Staff costs, including Directors' emoluments	48,868	50,580
Share-based payment expenses (note 17)	–	1,320
Subcontracting expenses	1,116	924
Logistics and warehousing expenses	11,513	9,791
Utilities	6,280	6,288
Other expenses	1,717	1,318
	204,405	189,445

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



8 INCOME TAX (CREDITS)/EXPENSES

For the six months ended 31 October 2019 and 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 corporate income tax at a rate of 25% on estimated assessable profits. The Group's subsidiary in the U.S. is subject to U.S. corporate income tax at progressive tax rates ranged from 5% to 39% on the estimated assessable profit.

The amount of income tax expenses (credited)/charged to the condensed consolidated interim statement of comprehensive income represents:

	Six months ended 31 October 2019 HK\$'000 (unaudited)	Six months ended 31 October 2018 HK\$'000 (unaudited)
Current income tax		
— Current tax on profit for the period	3,638	301
Deferred income tax	(7,169)	1,218
Income tax (credits)/expenses	(3,531)	1,519

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 31 October 2019 and 2018.

	Six months ended 31 October 2019 (unaudited)	Six months ended 31 October 2018 (unaudited)
Profit attributable to the owners of the Company (HK\$'000)	15,285	11,017
Weighted average number of ordinary shares in issue (in thousand)	1,000,000	1,000,000
Basic earnings per share (HK cents)	1.5	1.1

(b) Diluted earnings per share

Diluted earnings per share for the period ended 31 October 2019 and 2018 are the same as basic earnings per share as the potential ordinary shares in relation to the share options granted to the employees are anti-dilutive and we do not assume any conversation and exercise.

10 DIVIDENDS

For the six months ended 31 October 2019, no dividend was declared or paid by the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Factories and buildings	Furniture and fixtures	Office equipment	Motor vehicles	Plant and machinery	Moulds and tools	Moulds work-in-progress	Construction-in-progress	Total
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Six months ended										
31 October 2018										
Net book value										
At beginning of the period	19,362	38,902	696	455	307	8,186	28,029	10,698	817	107,452
Addition	759	-	-	241	-	1,812	158	8,173	1,089	12,232
Depreciation (note 7)	(2,027)	(551)	(196)	(147)	(83)	(1,168)	(4,877)	-	-	(9,049)
Transfer upon completion	1,040	-	-	-	-	-	10,870	(10,870)	(1,040)	-
Exchange differences	(907)	-	(29)	(3)	(26)	(428)	(1,788)	(753)	(68)	(4,002)
At end of the period	18,227	38,351	471	546	198	8,402	32,392	7,248	798	106,633
Six months ended										
31 October 2019										
Net book value										
At beginning of the period	20,208	37,799	311	489	175	8,810	35,685	13,647	2,209	119,333
Addition	3,088	-	60	-	-	473	461	6,014	598	10,694
Depreciation (note 7)	(2,304)	(551)	(27)	(113)	(30)	(1,004)	(5,393)	-	-	(9,422)
Disposal	-	-	(1)	(4)	-	-	-	-	-	(5)
Transfer upon completion	2,807	-	-	-	-	-	8,134	(8,134)	(2,807)	-
Assets classified as held for sale (note 14)	(21,885)	(37,248)	-	-	-	(610)	(12,822)	-	-	(72,565)
Exchange differences	(542)	-	(11)	(2)	(7)	(219)	(1,320)	(240)	-	(2,341)
At end of the period	1,372	-	332	370	138	7,450	24,745	11,287	-	45,694

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 INTANGIBLE ASSETS

	Six months ended 31 October 2019 HK\$'000 (unaudited)	Six months ended 31 October 2018 HK\$'000 (unaudited)
Licenses	3,634	20,940
Beginning of the period	11,853	29,343
Addition	465	1,449
Less: amortisation (note 7)	(8,684)	(9,852)
End of the period	3,634	20,940

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.

13 TRADE AND BILLS RECEIVABLES

	As at 31 October 2019 HK\$'000 (unaudited)	As at 30 April 2019 HK\$'000 (audited)
Trade and bills receivables	99,524	31,273
Less: loss allowance	(6,164)	(5,925)
	93,360	25,348

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



13 TRADE AND BILLS RECEIVABLES (continued)

Trade and bills receivables are denominated in the following currencies:

	As at 31 October 2019 HK\$'000 (unaudited)	As at 30 April 2019 HK\$'000 (audited)
US\$	93,174	25,147
RMB	186	201
	93,360	25,348

The Group grants credit periods to customers ranged from 0 to 180 days. As at 31 October 2019, the ageing analysis of trade and bills receivables based on invoice date is as follows:

	As at 31 October 2019 HK\$'000 (unaudited)	As at 30 April 2019 HK\$'000 (audited)
Up to 3 months	87,190	24,148
Over 3 months	6,170	1,200
	93,360	25,348

14 ASSETS CLASSIFIED AS HELD FOR SALE

On 5 August 2019, Kiddieland Industrial Limited, a wholly-owned subsidiary of the Company, entered into an agreement (the "**Agreement**") with Dongguan Shengtuo Investment Co., Ltd. (東莞市盛托投資股份有限公司), which is independent of the Group, in relation to the disposal of all its equity interest in Dongguan Kiddieland Industrial Co., Ltd. (東莞童園實業有限公司) (the "**Disposal Company**"). As of the date of the Agreement, the Disposal Company was principally engaged in the manufacturing of toy products, with its existing production and ancillary facilities located in Dongguan, Guangdong Province, the PRC. The consideration for the disposal is RMB320,000,000 (approximately HK\$363,000,000). The transaction was subsequently completed on 12 November 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 ASSETS CLASSIFIED AS HELD FOR SALE *(continued)*

The following assets held by the Disposal Company as at 31 October 2019 were reclassified as held for sale:

	As at 31 October 2019 HK\$'000 (unaudited)
Assets classified as held for sale:	
Right-of-use assets	11,791
Property, plant and equipment (note 11)	72,565
Other receivables	3,337
Deferred income tax assets	6,607
	94,300

15 SHARE CAPITAL

	As at 31 October 2019 HK\$'000 (unaudited)	As at 30 April 2019 HK\$'000 (audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.1 each	100,000	100,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



16 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	As at 31 October 2019 HK\$'000 (unaudited)	As at 30 April 2019 HK\$'000 (audited)
US\$	2,303	5,534
HK\$	9,265	10,983
RMB	2,848	4,723
	14,416	21,240

As at 31 October 2019, the ageing analysis of trade and bills payables based on invoice date is as follows:

	As at 31 October 2019 HK\$'000 (unaudited)	As at 30 April 2019 HK\$'000 (audited)
Within 1 month	5,044	13,365
1–2 months	4,137	6,036
2–3 months	3,848	969
Over 3 months	1,387	870
	14,416	21,240

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 SHARE-BASED PAYMENT EXPENSES

On 19 July 2018, the Group granted certain selected employees share options (the “Share Options”) which enable them to subscribe 20,000,000 ordinary shares of the Company at an exercise price of HK\$0.28 per share . The Share Options are fully vested on 19 July 2018 and are exercisable within three years from 19 July 2018 to 18 July 2021 (both dates inclusive).

The weighted average fair value of the Share Options granted determined by using the Binomial Options Pricing Model was HK\$0.066 per share option. The significant inputs into the model were annualised volatility of 44%, exercise multiple of 2.2 and expected dividend yield of 0%. The share-based payment expenses incurred for the Share Options for the six months ended 31 October 2018 were HK\$1,320,000.

18 RELATED PARTY TRANSACTIONS

The Directors are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the period. The related party transactions set out below were carried out on terms mutually agreed between the parties.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



18 RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with related parties

	Six months ended 31 October 2019 HK\$'000 (unaudited)	Six months ended 31 October 2018 HK\$'000 (unaudited)
(i) Operating lease expense for office paid to Top Dragon Enterprise Investment Limited	2,880	2,880
	2,880	2,880
(ii) Key management compensation		
Wages, salaries and bonuses	5,307	5,473
Retirement benefits	65	81
Other benefits	120	120
	5,492	5,674

(b) Other arrangement

During the period, two related companies, Esther & Victor Limited and Top Dragon Enterprise Investment Limited, pledged their properties to banks to make available to the Group's bank facilities of HK\$250,801,000.

19 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's condensed consolidated financial information and the new accounting policies that have been applied from 1 May 2019 in below.

The Group has adopted HKFRS 16 retrospectively from 1 May 2019, but has not restated comparatives for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance of the consolidated statement of financial position on 1 May 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) HKFRS 16 “Leases” — Adjustment recognised on adoption

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 May 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 4.2%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

	HK\$’000 (unaudited)
Operating lease commitments disclosed as at 30 April 2019	6,755
Discounted using the lessee’s incremental borrowing rate at the date of initial application	6,464
Less: short-term leases recognised on a straight-line basis as expenses	(496)
Add: accrued lease payments	960
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Lease liabilities recognised as at 1 May 2019	6,928
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Of which are:	
Current lease liabilities	6,448
Non-current lease liabilities	480
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	6,928
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



19 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) HKFRS 16 “Leases” — Adjustment recognised on adoption *(continued)*

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

	As at 31 October 2019 HK\$'000 (unaudited)	As at 1 May 2019 HK\$'000 (unaudited)
Office premises, warehouses and staff quarters	3,280	5,968
Total right-of-use assets	3,280	5,968

The change in accounting policy affected the following items in the consolidated statement of financial position as at 1 May 2019:

- prepaid operating lease — decrease by HK\$12,330,000
- right-of-use assets — increase by HK\$18,298,000
- accrued lease payments — decrease by HK\$960,000
- lease liabilities — increase by HK\$6,928,000

(b) Practical expedients applied

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

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) The Group's leasing activities and how these are accounted for

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received

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

20 SUBSEQUENT EVENTS

Save as disclosed in note 14, the Group has passed the resolution in the extraordinary general meeting held on 8 November 2019 to dispose all its equity interest in the Disposal Company. The transaction was subsequently completed on 12 November 2019.



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

As of 31 October 2019, 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 The Stock Exchange of Hong Kong Limited (the "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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

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

Name of Directors	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 31 October 2019, 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 the Hong Kong Stock Exchange.

OTHER INFORMATION

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

As at 31 October 2019, 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 31 October 2019, 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 the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 October 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 31 October 2019.



SHARE OPTION SCHEME

The shareholders of the Company approved and adopted a share option scheme on 31 August 2017 (the “**Share Option Scheme**”) to enable the Company to grant share options to our Directors, employees or other selected participants as incentives and rewards for their contribution to the Group. The Share Option Scheme took effect on 21 September 2017 (the “**Listing Date**”). During the six months ended 31 October 2019, the details of the movement of share options granted by the Company to eligible persons are as follows:

Eligible Persons	Date of grant	Exercisable period	Number of shares issuable under the share options granted					Balance as at 31 October 2019	Exercise price per Share HK\$
			Balance as at 1 May 2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
Continuous Contract Employees, excluding Directors	19 July 2018	(note (i))	18,500,000	-	-	(1,500,000)	-	17,000,000	0.280

Notes:

- (i) The above share options are exercisable from 19 July 2018 to 18 July 2021 (both dates inclusive).
- (ii) The closing price per share as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange immediately before the date on which the share options were granted was HK\$0.280.
- (iii) The cash consideration paid by each of the eligible persons for the grant of share options was HK\$1.00.
- (iv) None of the grantees above is a Director, chief executive or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them.
- (v) The fair value of the share options granted during the six months ended 31 October 2018 determined by the Binomial Options Pricing Model was HK\$0.066 per share option. The significant inputs into the model are as follows:

Share price at the grant date	HK\$0.280
Exercise price	HK\$0.280
Dividend yield	0%
Volatility	44%
Annual risk-free interest rate	1.98%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 750 days historical volatilities of comparable companies within the industry.

The aggregate fair value of the share options granted during the six months ended 31 October 2018 amounted to HK\$1,320,000 was recognised as employment benefit expense at the grant date together with a corresponding increase in equity. Such fair value is subject to a number of assumptions and with regard to the limitation of the Binomial Options Pricing Model.

OTHER INFORMATION

CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 October 2019, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

CODE FOR DEALING IN COMPANY'S SECURITIES BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 31 October 2019.

INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE DISCLOSED PURSUANT TO RULE 13.51B OF THE LISTING RULES

Each of the executive Directors, namely 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, has entered into a service agreement with the Company on 31 August 2017. Please refer to the section headed "Particulars of Directors' service agreements and letters of appointment" in Part 3 of Section III of Appendix V in the Company's prospectus dated 11 September 2017 for Global Offering for details of the monthly salary, discretionary bonus and end-of-year bonus of the executive Directors. Effective from July 2019, the monthly salary of each executive Director has increased by HK\$20,000.

Each of the independent non-executive Directors (Ms. Tse Yuen Shan and Mr. Man Ka Ho Donald) has signed a letter of appointment with the Company on 31 August 2017 and Mr. Cheng Dominic has signed a letter of appointment with the Company on 18 July 2018. The annual director's fee payable to each of the independent non-executive Directors under the respective letters of appointment is HK\$50,000.

Save as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the interim report for the six months ended 31 October 2019, the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information.

By Order of the Board
Kiddieland International Limited
Lo Hung
Chairman

Hong Kong, 18 December 2019