

# INTERIM REPORT 2020



## KIDDIELAND

Kiddieland International Limited  
童園國際有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 3830



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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

Mr. Man Ka Ho Donald  
Mr. Cheng Dominic  
Mr. Leung Kwok Wai Gary  
(appointed on 1 October 2020)  
Ms. Tse Yuen Shan  
(resigned on 30 September 2020)

### AUDIT COMMITTEE

Mr. Leung Kwok Wai Gary (*Chairman*)  
(appointed on 1 October 2020)  
Ms. Tse Yuen Shan (*Chairwoman*)  
(resigned on 30 September 2020)  
Mr. Man Ka Ho Donald  
Mr. Cheng Dominic

### REMUNERATION COMMITTEE

Mr. Cheng Dominic (*Chairman*)  
Mr. Man Ka Ho Donald  
Mr. Leung Kwok Wai Gary  
(appointed on 1 October 2020)  
Ms. Tse Yuen Shan  
(resigned on 30 September 2020)  
Mr. Lo Shiu Kee Kenneth

### NOMINATION COMMITTEE

Mr. Man Ka Ho Donald (*Chairman*)  
Mr. Cheng Dominic  
Mr. Leung Kwok Wai Gary  
(appointed on 1 October 2020)  
Ms. Tse Yuen Shan  
(resigned on 30 September 2020)

### 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

Windward 3, Regatta Office Park  
PO Box 1350, Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
PO Box 1350, 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 2021 continued to be a very challenging year for our Group and even to the whole world in general as the Coronavirus Disease 2019 (“**COVID-19**”) pandemic continues to present severe difficulties to our operating environment in the near term. Fortunately, the Group’s unaudited revenue for the six months ended 31 October 2020 (the “**Review Period**”) was approximately HK\$223.0 million, which was increased by 2.5% as compared to the corresponding period last year (the “**Last Period**”) (2019: HK\$217.5 million). Profit before tax of the Group was approximately HK\$20.3 million, representing an increase of 72.0% as compared to the Last Period (2019: HK\$11.8 million). The profit attributable to equity shareholders for the Review Period amounted to approximately HK\$17.5 million (2019: HK\$15.3 million).

## OPERATING RESULTS

### REVENUE

Revenue generated from North America increased by 16.0% to approximately HK\$146.8 million in the Review Period (2019: HK\$126.6 million). Both average selling price and sales orders had increased. The increase was mainly attributed to revenue from a top developed country in the region and the switching of product mix to products with relatively high unit price.

On the other hand, revenue generated from Europe decreased by 13.5% to approximately HK\$62.2 million in the Review Period (2019: HK\$71.9 million). The sales orders from European markets had decreased while the average selling price had increased due to the change of their product mix to relatively high unit price products. The revenue decrease was mainly attributed to the sluggish economy in Western Europe, especially from those developed countries which kept reporting extremely high confirmed cases of COVID-19. Social distancing policy implementation and city lockdowns stop most of the economic activities in the region.

Fortunately, revenue generated from 6V rechargeable battery powered ride-ons, which are the relatively high unit price products, increased from approximately HK\$13.8 million to approximately HK\$35.2 million in the Review Period. Thus, the average selling price in the Review Period is higher than that in the Last Period.

As a result of the above, the Group’s overall revenue increased by 2.5% to approximately HK\$223.0 million in the Review Period (2019: HK\$217.5 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## GROSS PROFIT

The Group's gross profit increased by 9.7% to approximately HK\$47.5 million in the Review Period (2019: HK\$43.3 million). The increase was attributed to the increase in revenue discussed above while the overall production costs are relatively stable during the Review Period. The depreciation expenses decreased during the Review Period as some of the fixed assets were sold during the disposal of the PRC subsidiary in November 2019 while the cost of primary raw materials was increased. In addition, there was an exemption for making contribution to the social insurance scheme for the employees in the PRC during the Review Period. The gross profit margin of the Review Period increased to 21.3% as compared to 19.9% of the Last Period.

## SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses slightly increased by 1.5% to approximately HK\$13.6 million in the Review Period (2019: HK\$13.4 million). The increase was in line with the increase in revenue.

## ADMINISTRATIVE EXPENSES

Administrative expenses, including the net impairment losses on financial assets, decreased by 22.9% to approximately HK\$13.1 million in the Review Period (2019: HK\$17.0 million). The decrease was mainly attributed to the decrease in staff costs together with the government subsidies received relating to the Employment Support Scheme ("ESS") implemented by the Government of the HKSAR.

## FINANCE COSTS

Net finance costs decreased by 75.0% to approximately HK\$0.9 million in the Review Period (2019: HK\$3.6 million). The decrease was attributed to the dramatic decrease in average bank borrowings level after receiving the cash proceeds from the disposal of the PRC subsidiary at the end of December 2019.

## INCOME TAX EXPENSES/(CREDITS)

The Group recorded income tax expenses of approximately HK\$2.8 million for the Review Period whilst the Group recorded income tax credits (net of tax expenses) of HK\$3.5 million for the Last Period.

The income tax credits for the Last Period was mainly attributable to the deferred tax assets relating to the disposal of the subsidiary in the PRC. It was 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## NET PROFIT

As mentioned above, due to the increase in revenue, together with the reduction in the depreciation expenses, the staff costs and the finance costs, while partially offsetting with the increase in cost of primary raw materials, together with the absence of the income tax credits recognised relating to the tax losses in the PRC subsidiary in the Review Period, the profit after tax increased by HK\$2.2 million or 14.4% from HK\$15.3 million for the Last Period to approximately HK\$17.5 million for the Review Period.

## FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases are mainly denominated in Hong Kong and US Dollar. And for production factory located in the 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 31 October 2020, the Group had not entered into any financial instrument for the hedging of foreign currency.

## OUTLOOK/FUTURE PROSPECTS AND STRATEGIES

The year 2020 has become one of the most memorable years in recent history. The pandemic has caused unimaginable disruptions to the daily lives of our world, in which economies have slowed down significantly, travels have come to a halt, and social interactions are limited.

Many governments have taken different measures to control the spread of COVID-19. The resulting lockdowns have undoubtedly been devastating to the retail industry and the job market. The hope as we approach 2021 is an effective vaccine, and how soon can its production ramp up and be allocated to the general public. Our world evolves around the pandemic and a new normalcy has developed, which will bring new risks as well as opportunities to our future.

As Christmas approaches most retailers have stockpiled for the holidays, and with the surge of new COVID-19 cases limited store activities may result in rather high year-end inventories. Toys being a predominantly seasonal business any slip in sales towards the end of year may adversely affect the Company's business going into the first half of 2021. On contrary, online sales has emerged as the substitute, and subsequent to the lockdowns it has thrived to become a significant piece of our overall business. The Management views its development to be a vital aspect of the Group's strategy, and it places a priority on continuing to invest in nurturing its growth.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK/FUTURE PROSPECTS AND STRATEGIES *(Continued)*

Another challenge created by the new normalcy is the reduction of labor mobility in mainland China. With escalated health risks people are less inclined to travel away from home to work. This phenomenon has already taken place this year, and the behavior will persist in the near future. As a result the Management has decided to shift more emphasis to less labor intensive product lines, such as our battery powered ride-ons, which has a relatively smaller percentage of labor to total cost compared to other products. This should help to elevate the labor productivity given the lesser supply.

From a licensing perspective, the Company has recently acquired the Marvel license for year 2021. The Management is excited as Spiderman represents an evergreen license that has achieved excellent track records in the past. This opportunity is especially forthcoming next year when there is going to be a new Spiderman theatrical release. Another very successful property that the Group owns, Paw Patrol, will also be releasing a new movie next year. Coupled with the product mix shift to higher priced battery powered ride-ons, the new movie licensed opportunities will keep the Company well positioned to embrace 2021 with enthusiasm and optimism.

The most critical uncertainty is whether the pandemic can be contained and the economies will recover in an orderly manner. With more jobless claims and prolonged lockdowns the Company will inevitably face many challenges, in spite of all the efforts the Management has put in to improve the Company's profitability. Nonetheless, the Management remains hopeful that there is going to be light in the tunnel.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2020

	Note	Six months ended 31 October 2020 HK\$'000 (unaudited)	Six months ended 31 October 2019 HK\$'000 (unaudited)
Revenue	6	222,955	217,523
Cost of sales	7	(175,494)	(174,177)
<b>Gross profit</b>		<b>47,461</b>	<b>43,346</b>
Other income		175	804
Other gains, net		243	1,703
Selling and distribution expenses	7	(13,561)	(13,430)
Administrative expenses	7	(12,688)	(16,798)
Impairment losses on financial assets, net		(388)	(239)
<b>Operating profit</b>		<b>21,242</b>	<b>15,386</b>
Finance income		2	23
Finance expenses		(950)	(3,655)
Finance costs, net		(948)	(3,632)
<b>Profit before taxation</b>		<b>20,294</b>	<b>11,754</b>
Income tax (expenses)/credits	8	(2,795)	3,531
<b>Profit for the period</b>		<b>17,499</b>	<b>15,285</b>
<b>Other comprehensive income/(loss)</b> <i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		2,586	(2,929)
<b>Total other comprehensive income/(loss) for the period, net of tax</b>		<b>2,586</b>	<b>(2,929)</b>
<b>Total comprehensive income for the period</b>		<b>20,085</b>	<b>12,356</b>
<b>Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)</b>			
Basic and diluted earnings per share	9	1.7	1.5

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2020

	Note	As at 31 October 2020 HK\$'000 (unaudited)	As at 30 April 2020 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	50,640	47,647
Right-of-use assets	13	5,771	7,370
Intangible assets	12	14,090	19,268
Deferred income tax assets		5,434	7,145
Prepayments		692	1,629
		<b>76,627</b>	<b>83,059</b>
<b>Current assets</b>			
Inventories		71,830	99,537
Trade and bills receivables	14	61,713	16,877
Other receivables, deposits and prepayments		39,438	38,462
Income tax recoverable		—	60
Cash and bank balances		9,540	7,221
		<b>182,521</b>	<b>162,157</b>
<b>Total assets</b>		<b>259,148</b>	<b>245,216</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	15	100,000	100,000
Other reserves		6,242	6,242
Exchange reserves		1,842	(744)
Retained earnings		55,441	37,942
<b>Total equity</b>		<b>163,525</b>	<b>143,440</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2020

	Note	As at 31 October 2020 HK\$'000 (unaudited)	As at 30 April 2020 HK\$'000 (audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		16,634	19,706
Deferred income tax liabilities		2,501	2,189
Lease liabilities	13	2,914	4,028
Other payables		155	2,499
		<b>22,204</b>	<b>28,422</b>
<b>Current liabilities</b>			
Bank borrowings		6,076	23,426
Trade and bills payables	16	24,183	15,889
Accruals and other payables		35,047	28,425
Contract liabilities		995	519
Lease liabilities	13	1,380	638
Income tax payable		5,738	4,457
		<b>73,419</b>	<b>73,354</b>
<b>Total liabilities</b>		<b>95,623</b>	<b>101,776</b>
<b>Total equity and liabilities</b>		<b>259,148</b>	<b>245,216</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2020

	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 2020	100,000	6,242	(744)	37,942	143,440
Profit for the period	—	—	—	17,499	17,499
Other comprehensive income	—	—	2,586	—	2,586
Total comprehensive income	—	—	2,586	17,499	20,085
Balance as at 31 October 2020	100,000	6,242	1,842	55,441	163,525

	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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2020

	Six months ended 31 October 2020 HK\$'000 (unaudited)	Six months ended 31 October 2019 HK\$'000 (unaudited)
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operations	33,808	(14,318)
Interest received	2	23
Interest paid	(879)	(3,492)
Income tax refunded/(paid)	569	(3,685)
<b>Net cash generated from/(used in) operating activities</b>	<b>33,500</b>	<b>(21,472)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(7,003)	(11,442)
Proceeds from disposal of property, plant and equipment	—	37
Settlements of liabilities arising from acquisitions of licenses	(3,195)	(8,618)
<b>Net cash used in investing activities</b>	<b>(10,198)</b>	<b>(20,023)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	33,285	215,938
Repayment of bank borrowings	(53,706)	(174,704)
Repayment of lease liabilities	(641)	—
<b>Net cash (used in)/generated from financing activities</b>	<b>(21,062)</b>	<b>41,234</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,240</b>	<b>(261)</b>
Effect on exchange rate differences	80	(199)
<b>Cash and cash equivalents and bank overdrafts at beginning of the period</b>	<b>7,220</b>	<b>972</b>
<b>Cash and cash equivalents and bank overdrafts at end of the period</b>	<b>9,540</b>	<b>512</b>

# 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 Windward 3, Regatta Office Park, PO Box 1350, 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 2020 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 2020 (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 beginning 1 May 2020.

### (A) NEW AND AMENDED STANDARDS, IMPROVEMENTS AND INTERPRETATIONS OF HKFRSS ADOPTED BY THE GROUP

The Group has adopted the following new standards and amendments to standards which are mandatory for the financial year beginning 1 May 2020 and are relevant to its operation:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 7, HKFRS 9 and HKAS 39 Conceptual Framework for Financial Reporting 2018	Interest Rate Benchmark Reform Revised Conceptual Framework for Financial Reporting

The adoption of new standards and amendments of HKFRSs does not have a material impact to the Group’s financial performance and positions for the current and prior periods and/or on the disclosure set out in these condensed consolidated financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (B) NEW AND AMENDED STANDARDS, IMPROVEMENTS AND INTERPRETATIONS OF HKFRSS NOT YET ADOPTED BY THE GROUP

The following new and amended standards, improvements and interpretations of HKFRSSs are not yet effective for annual periods commencing on or after 1 May 2020 and have not been early adopted by the Group:

		Effective for annual periods commencing on or after
HKFRS 17	Insurance Contracts	1 May 2021
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 May 2022
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 May 2022
HKFRS 16 (Amendments)	COVID-19 related rent concessions	1 May 2021
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 May 2022
Annual Improvements Project	Annual Improvements to HKFRSSs 2018 – 2020 Cycle	1 May 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 expense. 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.

# 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.

There have been no changes in the Group's risk management policies since the year ended 30 April 2020.

### (B) LIQUIDITY RISK

Compared to the year ended 30 April 2020, 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 and bank borrowings. 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 as 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 2020, revenue by geographical areas is as follows:

	Six months ended 31 October 2020 <i>HK\$'000</i> <i>(unaudited)</i>	Six months ended 31 October 2019 <i>HK\$'000</i> <i>(unaudited)</i>
America	147,523	129,084
Europe	62,230	71,872
Asia Pacific and Oceania	12,923	16,353
Africa	279	214
	<b>222,955</b>	<b>217,523</b>

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

For the six months ended 31 October 2020, there was one (six months ended 31 October 2019: 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 2020 <i>HK\$'000</i> <i>(unaudited)</i>	Six months ended 31 October 2019 <i>HK\$'000</i> <i>(unaudited)</i>
Customer A	60,303	53,581

## 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 2020 <i>HK\$'000</i> <i>(unaudited)</i>	Six months ended 31 October 2019 <i>HK\$'000</i> <i>(unaudited)</i>
Auditors' remuneration		
– Audit services	743	734
– Non-audit services	236	1,582
Advertising and promotion expenses	2,262	931
Amortisation of prepaid operating lease	—	199
Amortisation of intangible assets (note 12)	6,081	8,684
Bank charges	708	954
Commissions	3,354	4,620
Consumables	3,706	5,401
Cost of inventories sold	98,986	87,089
Custom and declaration handling expenses	866	1,177
Depreciation of property, plant and equipment (note 11)	5,242	9,422
Depreciation of right-of-use assets (note 13)	1,877	2,688
Expenses for short-term and low-value operating leases (note 13)	2,404	164
Licenses fees	10,780	8,790
Logistics and warehousing expenses	11,574	11,513
Other taxes	1,053	788
Product testing expenses	687	512
Repair and maintenance expenses	1,423	1,176
Staff costs, including Directors' emoluments	41,052	48,868
Subcontracting expenses	620	1,116
Utilities	5,899	6,280
Other expenses	2,190	1,717
	<b>201,743</b>	<b>204,405</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 EXPENSES BY NATURE *(Continued)*

During the six months ended 31 October 2020, the Group received subsidies of HK\$1,710,000 (six month ended 31 October 2019: Nil) from the Hong Kong government for paying wages and salaries of Hong Kong employees. In addition, the government of People Republic of China exempted the employers in the PRC for making contribution for their employees to the government-supervised schemes. The Group incurred and paid contribution of HK\$3,546,000 to the schemes during the period ended 31 October 2019 and recognised as staff costs.

### 8 INCOME TAX EXPENSES/(CREDITS)

For the six months ended 31 October 2020 and 2019, 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 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 charged/(credited) to the condensed consolidated statement of comprehensive income represents:

	Six months ended 31 October 2020 HK\$'000 <i>(unaudited)</i>	Six months ended 31 October 2019 HK\$'000 <i>(unaudited)</i>
Current income tax		
– Current tax on profit for the period	772	3,638
Deferred income tax	2,023	(7,169)
Income tax expenses/(credits)	2,795	(3,531)

## 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 2020 and 2019.

	Six months ended 31 October 2020 <i>(unaudited)</i>	Six months ended 31 October 2019 <i>(unaudited)</i>
Profit attributable to the owners of the Company (HK\$'000)	17,499	15,285
Weighted average number of ordinary shares in issue (in thousand)	1,000,000	1,000,000
Basic earnings per share (HK cents)	1.7	1.5

#### (B) DILUTED EARNINGS PER SHARE

Diluted earnings per share for the period ended 31 October 2020 and 2019 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 2020, no dividend was declared or paid by the Company.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11 PROPERTY, PLANT AND EQUIPMENT

	Factories								Total
	Leasehold	and	Furniture	Office	Motor	Plant and	Moulds and	Moulds	
	improvements	buildings	and fixtures	equipment	vehicles	machinery	tools	work-in-progress	
	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)

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	–	80	–	–	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	(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

Six months ended 31 October 2020

### Net book value

At beginning of the period	2,457	–	311	267	107	6,557	27,286	10,662	–	47,647
Addition	1,725	–	16	35	–	38	352	4,837	–	7,003
Depreciation (note 7)	(631)	–	(56)	(98)	(29)	(690)	(3,738)	–	–	(5,242)
Transfer upon completion	–	–	–	–	–	–	4,968	(4,968)	–	–
Exchange differences	78	–	10	2	4	167	646	325	–	1,232
At end of the period	3,629	–	281	206	82	6,072	29,514	10,856	–	50,640

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 INTANGIBLE ASSETS

	Six months ended 31 October 2020 <i>HK\$'000</i> <i>(unaudited)</i>	Six months ended 31 October 2019 <i>HK\$'000</i> <i>(unaudited)</i>
Licenses	<b>14,090</b>	3,634
Beginning of the period	<b>19,268</b>	11,853
Addition	<b>903</b>	465
Less: amortisation (note 7)	<b>(6,081)</b>	(8,684)
End of the period	<b>14,090</b>	3,634

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 LEASES

The Group has lease contracts for factories and buildings, office premise, warehouse and staff quarter. The movements during the six months ended 31 October 2020 are set out below:

	Office premise <i>HK\$'000</i>	Factories and buildings, warehouse and staff quarter <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 31 October 2020 (unaudited)</b>			
<b>Right-of-use assets</b>			
At beginning of the period	459	6,911	7,370
Addition	—	—	—
Depreciation (note 7)	(459)	(1,418)	(1,877)
Exchange differences	—	278	278
At end of the period	—	5,771	5,771
<b>Lease liabilities</b>			
At beginning of the period	478	4,188	4,666
Addition	—	—	—
Finance cost	2	84	86
Payment	(480)	(161)	(641)
Exchange differences	—	183	183
At end of the period	—	4,294	4,294
Current	—	1,380	1,380
Non-current	—	2,914	2,914

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 LEASES (Continued)

	Office premise HK\$'000	Factories and buildings, warehouse and staff quarter HK\$'000	Total HK\$'000
<b>Six months ended 31 October 2019</b>			
<b>(unaudited)</b>			
<b>Right-of-use assets</b>			
At beginning of the period	5,968	—	5,968
Depreciation (note 7)	(2,688)	—	(2,688)
At end of the period	3,280	—	3,280
<b>Lease liabilities</b>			
At beginning of the period	6,928	—	6,928
Finance cost	192	—	192
Payment	(3,360)	—	(3,360)
At end of the period	3,760	—	3,760
Current	3,760	—	3,760
Non-current	—	—	—

During the six months ended 31 October 2020, the lease contract for the office premise of the Company expired on 31 May 2020. The Group entered into a new lease contract with a lease term of 12 months on 1 June 2020. The new lease contract was not qualified to recognise as a right-of-use asset in accordance with HKFRS 16. Rental payments for the office premise were recognised as expenses for short-term operating leases during the six months ended 31 October 2020.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 TRADE AND BILLS RECEIVABLES

	As at 31 October 2020 <i>HK\$'000</i> <i>(unaudited)</i>	As at 30 April 2020 <i>HK\$'000</i> <i>(audited)</i>
Trade and bills receivables	68,122	22,898
Less: loss allowance	(6,409)	(6,021)
	<b>61,713</b>	<b>16,877</b>

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

	As at 31 October 2020 <i>HK\$'000</i> <i>(unaudited)</i>	As at 30 April 2020 <i>HK\$'000</i> <i>(audited)</i>
US\$	67,454	22,262
RMB	668	636
	<b>68,122</b>	<b>22,898</b>

The Group grants credit periods to customers ranged from 0 to 180 days. As at 31 October 2020, the ageing analysis of trade and bills receivables in gross amount based on invoice date is as follows:

	As at 31 October 2020 <i>HK\$'000</i> <i>(unaudited)</i>	As at 30 April 2020 <i>HK\$'000</i> <i>(audited)</i>
Up to 3 months	53,366	15,851
Over 3 months	14,756	7,047
	<b>68,122</b>	<b>22,898</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15 SHARE CAPITAL

	Number of ordinary shares (in thousand) (unaudited)	Share capital HK\$'000 (unaudited)
Authorised ordinary shares at HK\$0.1 each: As at 31 October 2020 and 31 October 2019	10,000,000	1,000,000
Ordinary shares issued and fully paid: As at 31 October 2020 and 31 October 2019	1,000,000	100,000

### 16 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	As at 31 October 2020 HK\$'000 (unaudited)	As at 30 April 2020 HK\$'000 (audited)
US\$	4,399	3,577
HK\$	15,771	8,983
RMB	4,013	3,329
	24,183	15,889

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 TRADE AND BILLS PAYABLES *(Continued)*

As at 31 October 2020, the ageing analysis of trade and bills payables based on invoice date is as follows:

	As at 31 October 2020 <i>HK\$'000</i> <i>(unaudited)</i>	As at 30 April 2020 <i>HK\$'000</i> <i>(audited)</i>
Within 1 month	7,547	8,981
1 to 2 months	8,526	4,996
2 to 3 months	5,111	808
Over 3 months	2,999	1,104
	<b>24,183</b>	<b>15,889</b>

### 17 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	Executive Director of the Company
Ms. Leung Siu Lin Esther	Executive Director of the Company
Mr. Lo Shiu Kee Kenneth	Executive Director of the Company
Ms. Lo Shiu Shan Suzanne	Executive Director of the Company
Ms. Sin Lo Siu Wai Sylvia	Controlling shareholder and executive Director of the Company
Esther & Victor Limited	Controlled by Mr. Lo Hung and Ms. Leung Siu Lin Esther
Top Dragon Enterprise Investment Limited	Controlled by Mr. Lo Hung and Ms. Leung Siu Lin Esther

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 RELATED PARTY TRANSACTIONS *(Continued)*

#### (A) TRANSACTIONS WITH RELATED PARTIES

	Six months ended 31 October 2020 HK\$'000 <i>(unaudited)</i>	Six months ended 31 October 2019 HK\$'000 <i>(unaudited)</i>
(i) Operating lease expense for office paid or payable to Top Dragon Enterprise Investment Limited	2,880	2,880
	<b>2,880</b>	<b>2,880</b>
(ii) Key management compensation		
Wages, salaries and bonuses	4,552	5,307
Retirement benefits	63	65
Other benefits	120	120
	<b>4,735</b>	<b>5,492</b>

#### (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 approximately HK\$237,663,000.

## OTHER INFORMATION

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

As of 31 October 2020, the interests and/or short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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	Number of shares (ordinary)	Approximate percentage of shareholding in KLH Capital
			As at 31 October 2020	As at 31 October 2020	As at 31 October 2019	As at 31 October 2019
Mr. Lo Shiu Kee Kenneth	Beneficial owner and/or Director	Personal	—	0%	2,500	25%
Ms. Lo Shiu Shan Suzanne	Beneficial owner and/or Director	Personal	—	0%	2,500	25%
Ms. Sin Lo Siu Wai Sylvia	Beneficial owner and Director	Personal	10,000	100%	2,500	25%
Mr. Lo Hung	Beneficial owner and/or Director	Personal and family (note)	—	0%	2,500	25%
Ms. Leung Siu Lin Esther	Beneficial owner and/or Director	Personal and family (note)	—	0%	2,500	25%

Note: As at 31 October 2019, 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.

## OTHER INFORMATION

Save as disclosed above, as at 31 October 2020, none of the Directors or the chief executives 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.

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

As at 31 October 2020, the interests and short positions of substantial shareholders (other than the Directors and the chief executives 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: Ms. Sin Lo Siu Wai Sylvia, being executive Director of the Company, holds 100% of the issued shares in KLH Capital.

Saved as disclosed above, as at 31 October 2020, 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 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## OTHER INFORMATION

### SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment during the six months ended 31 October 2020.

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2020.

### EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, there is no significant event occurring after 31 October 2020.

### 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 the 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 2020, 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 2020	Exercise price per Share HK\$
			Balance as at 1 May 2020	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 (ii))	16,300,000	–	–	–	–	16,300,000	0.280

#### Notes:

- (i) No share option was granted during the six months ended 31 October 2020.
- (ii) The above share options are exercisable from 19 July 2018 to 18 July 2021 (both dates inclusive).
- (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.

## OTHER INFORMATION

### CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 October 2020, 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 to all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 31 October 2020.

### INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES 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 renewal service agreement with the Company on 20 September 2020 for a further term of 3 years.

Mr. Man Ka Ho Donald, being the independent non-executive Director, has signed a renewal letter of appointment with the Company on 20 September 2020 for a further term of 3 years. Mr. Cheng Dominic and Mr. Leung Kwok Wai Gary have signed a letter of appointment with the Company on 18 July 2018 and 30 September 2020 respectively for a term of 3 years. The annual director's fee payable to each of the independent non-executive Directors under the respective letters of appointment is HK\$60,000, effectively from 1 October 2020.

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 2020, 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 2020