

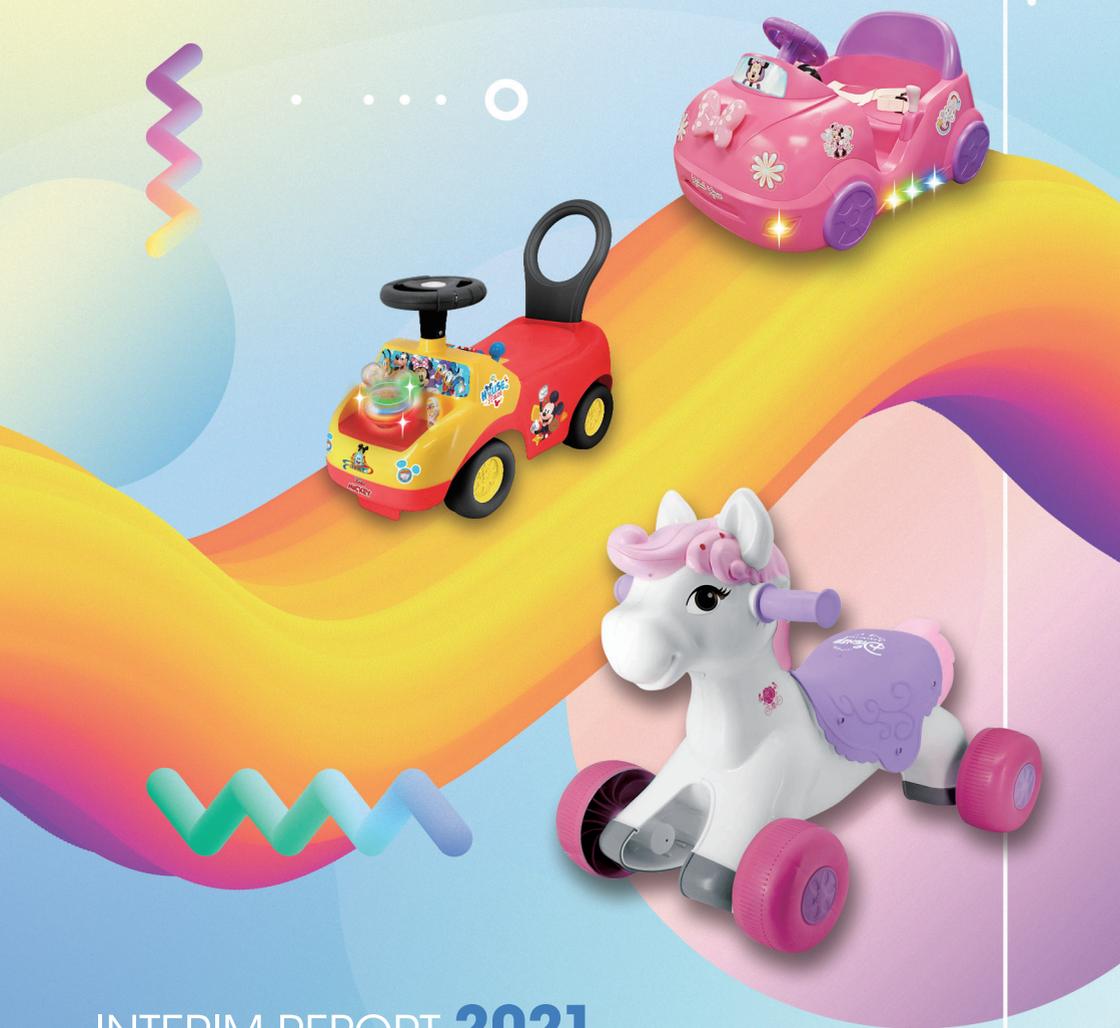
KIDDIELAND

Kiddieland International Limited

童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3830



INTERIM REPORT **2021**

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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

AUDIT COMMITTEE

Mr. Leung Kwok Wai Gary *(Chairman)*
Mr. Man Ka Ho Donald
Mr. Cheng Dominic

REMUNERATION COMMITTEE

Mr. Cheng Dominic *(Chairman)*
Mr. Man Ka Ho Donald
Mr. Leung Kwok Wai Gary
Mr. Lo Shiu Kee Kenneth

NOMINATION COMMITTEE

Mr. Man Ka Ho Donald *(Chairman)*
Mr. Cheng Dominic
Mr. Leung Kwok Wai Gary

AUTHORISED REPRESENTATIVES

Mr. Lo Shiu Kee Kenneth
Mr. Cheung Ka Cheong

COMPANY SECRETARY

Mr. Cheung Ka Cheong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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

As mentioned in “Outlook/future Prospects and Strategies” section in 2021 annual report, transportation cost has become as one of the biggest concerns of the importers around the world, especially to our target customers as our ride-on toys are relative bulky in nature or relatively lower value in term of physical size. Ocean freight costs on certain routes have risen by as much as 500% during year 2021. With such high freight rates and shipping congestion issues caused customers hanging back from placing bulk orders and shipping schedule delay during the six months ended 31 October 2021. Accompanying with the continuing impacts of COVID outbreak, Financial year 2022 would be an even much more challenging year for our Group. The Group’s unaudited revenue for the six months ended 31 October 2021 (the “**Review Period**”) was approximately HK\$171.9 million, which was decreased by 22.9% as compared to the corresponding period last year (the “**Last Period**”) (2020: HK\$223.0 million). The loss attributable to equity shareholders for the Review Period amounted to approximately HK\$3.3 million (2020: net profit of HK\$17.5 million).

OPERATING RESULTS

Revenue

Revenue generated from North America decreased by 28.1% to approximately HK\$105.6 million in the Review Period (2020: HK\$146.8 million). Both average selling price and sales orders had decreased. The decrease was mainly attributed to the decrease in revenue from a top developed country in the region and the switching of product mix to products with relatively lower unit price. In addition, as the shipping crisis, namely, the high freight rates, the backlogs at U.S. ports, rail yards and trucking companies expected to derail the holiday toy sales, thus, it mostly hurt the sales performance to North America.

On the other hand, revenue generated from Europe decreased by 10.6% to approximately HK\$55.6 million in the Review Period (2020: HK\$62.2 million). The sales orders from European markets had decreased while the average selling price was relatively stable. The revenue decrease was mainly attributed to the sluggish economy in several developing countries in Eastern Europe.

Revenue generated from 6V rechargeable battery powered ride-ons, which are the relatively high unit price products, decreased from approximately HK\$35.2 million to approximately HK\$27.0 million in the Review Period. Thus, the average selling price in the Review Period is lower than that in the Last Period.

As a result of the above, the Group’s overall revenue decreased by 22.9% to approximately HK\$171.9 million in the Review Period (2020: HK\$223.0 million).



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group's gross profit decreased by 65.1% to approximately HK\$16.6 million in the Review Period (2020: HK\$47.5 million). The decrease was attributed to (i) the 22.9% decrease in revenue discussed above; (ii) the currency appreciation of RMB against US\$. As much of our cost is expensed in RMB, our overall production costs increased in the Review Period; (iii) the raw material price inflation affected by the aggressive monetary and fiscal policies from Western countries; and (iv) the absence of social insurance exemption from the government of People's Republic of China as compared to the Last Period. The gross profit margin of the Review Period decreased to 9.7% as compared to 21.3% of the Last Period.

Selling and Distribution Expenses

Selling and distribution expenses dramatically decreased by 69.9% to approximately HK\$4.1 million in the Review Period (2020: HK\$13.6 million). The decrease was in line with the decrease in revenue. In addition, with such an unreasonable and extremely high freight cost mentioned above, the Group decided to stop the domestic business with one of the largest retailer in the U.S. and switching back the shipment to FOB term, i.e., title of goods is transferred to customers once the goods are on board, during the Review Period. Thus, our Group does not have to bear the ocean freight costs for the sales. Therefore, the logistics and warehousing expenses dramatically decreased by 60.3% during the Review Period.

Administrative Expenses

Administrative expenses, including the net impairment losses on financial assets and property, plant and equipment, increased by 23.7% to approximately HK\$16.2 million in the Review Period (2020: HK\$13.1 million). The increase was mainly attributed (i) the increase in staff costs; (ii) the absence of government subsidies received relating the Employment Support Scheme ("ESS") implemented by the Government of the HKSAR; and (iii) the impairment losses on property, plant and equipment.

Finance Costs

Net finance costs decreased by 66.7% to approximately HK\$0.3 million in the Review Period (2020: HK\$0.9 million). The decrease was attributed to the decrease in average bank borrowings level after receiving the cash proceeds from the disposal of the PRC subsidiary on March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

The Group recorded income tax credits (net of tax expenses) of approximately HK\$0.3 million for the Review Period whilst the Group recorded income tax expenses of HK\$2.8 million for the Last Period.

The income tax credits for the Review Period were mainly attributable to the operating loss recorded in the Review Period. On the other hand, the income tax expenses for the Last Period were attributable to the operating profit recorded in the Last Period.

Net Profit

As mentioned above, due to the dramatic decrease in revenue of approximately HK\$51.1 million, together with the 8.0% currency appreciation of RMB and absence of government subsidies from the Hong Kong government and the government of PRC, the Group recorded a net loss of approximately HK\$3.3 million for the Review Period (2020: net profit of HK\$17.5 million).

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 2021, the Group had not entered into any financial instrument for the hedging of foreign currency.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK/FUTURE PROSPECTS AND STRATEGIES

While the pandemic continues to linger around the globe, in the past few months a new after effect has emerged that has taken many by surprise. Freight rates have escalated substantially and the availability of containers has become extremely scarce and hard to get. The Company, like many others, rely on containers and sea freight as the only viable means to export the goods to the overseas customers. Although the Group is not responsible to either obtain the containers or pay for the freight, this new shipping disruption phenomenon has adversely impacted the sales since the beginning of the summer.

Many countries outside of China are still dealing with restrictions, a reduced workforce and minimal production. The consequence is that many containers are not turned around fast enough. Massive workforce disruptions due to coronavirus restrictions in North America affected not only ports, but cargo depots all across the country as well as inland transport lines. Without adequate staffing, containers started to pile up.

With difficulties obtaining containers, customers had reduced their shipping demands and many orders were deferred during the peak production season this year. Shipping was generally delayed by a few months and the filling of retail shelves was less than efficient. As the bottleneck has eventually eased and shipments beginning to flow again, with the elevated freight rates many retailers would have no choice but to raise retail prices. The late arrival of goods coupled with the higher retail prices will only translate to heavier than expected inventories as the Management anticipates many of the customers will be sitting on after the Christmas holidays.

Freight rates are not believed to come down any time soon, and with the excessive inventory that retailers have accumulated this year, the Company will be embracing a very challenging 2022. The strong RMB against US\$ and the price increase in many of the raw materials are going to remain obstacles that the Group faces. Business will largely depend on how the shipping crisis develops and remains unpredictable. The Management views the new year as a time to primarily manage cost savings and exploit some new targeted markets where opportunities may still be present.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2021

| | Note | Six months ended 31 October 2021 HK\$'000 (unaudited) | Six months ended 31 October 2020 HK\$'000 (unaudited) |
|--|------|---|---|
| Revenue | 6 | 171,897 | 222,955 |
| Cost of sales | 7 | (155,274) | (175,494) |
| Gross profit | | 16,623 | 47,461 |
| Other income | | 458 | 175 |
| Other (losses)/gains, net | | (110) | 243 |
| Selling and distribution expenses | 7 | (4,131) | (13,561) |
| Administrative expenses | 7 | (14,921) | (12,688) |
| Impairment losses on property, plant and equipment | | (1,670) | – |
| Reversals of impairment losses/(impairment losses) on financial assets, net | | 423 | (388) |
| Operating (loss)/profit | | (3,328) | 21,242 |
| Finance income | | 16 | 2 |
| Finance expenses | | (287) | (950) |
| Finance costs, net | | (271) | (948) |
| (Loss)/profit before taxation | | (3,599) | 20,294 |
| Income tax credits/(expenses) | 8 | 285 | (2,795) |
| (Loss)/profit for the period | | (3,314) | 17,499 |
| Other comprehensive income | | | |
| <i>Item that may be reclassified to profit or loss:</i> | | | |
| Currency translation differences | | 517 | 2,586 |
| Total other comprehensive income for the period, net of tax | | 517 | 2,586 |
| Total comprehensive (loss)/income for the period | | (2,797) | 20,085 |
| (Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period (expressed in HK cents per share) | | | |
| Basic and diluted (loss)/earnings per share | 9 | (0.3) | 1.7 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2021

| | Note | As at 31 October 2021 HK\$'000 (unaudited) | As at 30 April 2021 HK\$'000 (audited) |
|---|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 46,011 | 50,822 |
| Right-of-use assets | 13 | 3,008 | 4,480 |
| Intangible assets | 12 | 2,442 | 8,330 |
| Deferred income tax assets | | 6,723 | 6,731 |
| Deposits and prepayments | | 731 | 720 |
| | | 58,915 | 71,083 |
| Current assets | | | |
| Inventories | | 73,899 | 95,541 |
| Trade and bills receivables | 14 | 58,662 | 24,935 |
| Other receivables, deposits and prepayments | | 2,198 | 4,376 |
| Cash and bank balances | | 13,034 | 17,559 |
| | | 147,793 | 142,411 |
| Total assets | | 206,708 | 213,494 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Share capital | 15 | 100,000 | 100,000 |
| Other reserves | | 6,242 | 6,242 |
| Exchange reserves | | 3,465 | 2,948 |
| Retained earnings | | 41,227 | 44,541 |
| Total equity | | 150,934 | 153,731 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2021

| | Note | As at 31 October 2021 HK\$'000 (unaudited) | As at 30 April 2021 HK\$'000 (audited) |
|-------------------------------------|------|--|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 1,618 | 1,977 |
| Lease liabilities | 13 | 78 | 1,533 |
| | | 1,696 | 3,510 |
| Current liabilities | | | |
| Bank borrowings | | 16,198 | 11,435 |
| Trade and bills payables | 16 | 13,376 | 20,862 |
| Accruals and other payables | | 19,118 | 18,914 |
| Contract liabilities | | 1,103 | 855 |
| Lease liabilities | 13 | 2,947 | 2,843 |
| Income tax payable | | 1,336 | 1,344 |
| | | 54,078 | 56,253 |
| Total liabilities | | 55,774 | 59,763 |
| Total equity and liabilities | | 206,708 | 213,494 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2021

| | 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 2021 | 100,000 | 6,242 | 2,948 | 44,541 | 153,731 |
| Loss for the period | – | – | – | (3,314) | (3,314) |
| Other comprehensive income | – | – | 517 | – | 517 |
| Total comprehensive loss | – | – | 517 | (3,314) | (2,797) |
| Balance as at 31 October 2021 | 100,000 | 6,242 | 3,465 | 41,227 | 150,934 |

| | 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 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2021

| | Six months ended 31 October 2021 HK\$'000 (unaudited) | Six months ended 31 October 2020 HK\$'000 (unaudited) |
|---|---|---|
| Cash flows from operating activities | | |
| Net cash (used in)/generated from operations | (2,130) | 33,808 |
| Interest received | 16 | 2 |
| Interest paid | (168) | (879) |
| Income tax (paid)/refunded | (74) | 569 |
| Net cash (used in)/generated from operating activities | (2,356) | 33,500 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (3,051) | (7,003) |
| Proceeds from disposal of property, plant and equipment | 113 | – |
| Settlements of liabilities arising from acquisitions of licenses | (2,486) | (3,195) |
| Net cash used in investing activities | (5,424) | (10,198) |
| Cash flows from financing activities | | |
| Proceeds from bank borrowings | 40,698 | 33,285 |
| Repayment of bank borrowings | (34,500) | (53,706) |
| Repayment of lease liabilities | (1,532) | (641) |
| Net cash generated from/(used in) financing activities | 4,666 | (21,062) |
| Net (decrease)/increase in cash and cash equivalents | (3,114) | 2,240 |
| Effect on exchange rate differences | 24 | 80 |
| Cash and cash equivalents and bank overdrafts at beginning of the period | 16,124 | 7,220 |
| Cash and cash equivalents and bank overdrafts at end of the period | 13,034 | 9,540 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

Kiddieland International Limited (the “**Company**”) was incorporated in 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 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 2021 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 2021 (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 2021.

(a) **New and amended standards, improvements and interpretation 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 2021 and are relevant to its operation:

| | |
|--|--|
| HKFRS 16 (Amendments) | COVID-19-Related Rent Concession |
| HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) | Interest Rate Benchmark Reform — Phase 2 |

The adoption of new standards, amendments and interpretations 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 HKFRSs are not yet effective for annual periods commencing on or after 1 May 2021 and have not been early adopted by the Group:

| | | Effective for annual periods commencing on or after |
|--|---|--|
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 May 2023 |
| HKAS 1 and HKFRS Practice Statement 2 (Amendments) | Disclosure of Accounting Policies | 1 May 2023 |
| HKAS 8 (Amendments) | Definition of Accounting Estimates | 1 May 2023 |
| HKAS 12 (Amendments) | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 May 2023 |
| HKAS 16 (Amendments) | Property, Plant and Equipment — Proceeds before Intended Use | 1 May 2022 |
| HKAS 37 (Amendments) | Onerous Contracts — Cost of Fulfilling a Contract | 1 May 2022 |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework | 1 May 2022 |
| HKFRS 17 | Insurance Contracts | 1 May 2023 |
| Annual Improvements Project | Annual Improvements to HKFRSs 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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

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 2021.

(b) Liquidity risk

Compared to the year ended 30 April 2021, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

For the six months ended 31 October 2021, revenue by geographical areas is as follows:

| | Six months ended 31 October 2021 HK\$'000 (unaudited) | Six months ended 31 October 2020 HK\$'000 (unaudited) |
|--------------------------|---|---|
| America | 107,068 | 147,523 |
| Europe | 55,592 | 62,230 |
| Asia Pacific and Oceania | 9,237 | 12,923 |
| Africa | – | 279 |
| | 171,897 | 222,955 |

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

For the six months ended 31 October 2021, there was one (six months ended 31 October 2020: 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 2021 HK\$'000 (unaudited) | Six months ended 31 October 2020 HK\$'000 (unaudited) |
|------------|---|---|
| Customer A | 48,797 | 60,303 |

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 2021 HK\$'000 (unaudited) | Six months ended 31 October 2020 HK\$'000 (unaudited) |
|--|--|--|
| Auditor's remuneration | | |
| — Audit services | 725 | 743 |
| — Non-audit services | 208 | 236 |
| Advertising and promotion expenses | 1,258 | 2,262 |
| Amortisation of intangible assets (note 12) | 6,082 | 6,081 |
| Bank charges | 407 | 708 |
| Commissions | 1,093 | 3,354 |
| Consumables | 3,017 | 3,706 |
| Cost of inventories sold | 83,629 | 98,986 |
| Custom and declaration handling expenses | 969 | 866 |
| Depreciation of property, plant and equipment (note 11) | 6,460 | 5,242 |
| Depreciation of right-of-use assets (note 13) | 1,519 | 1,877 |
| Expenses for short-term and low-value operating leases | 2,488 | 2,404 |
| Licenses fees | 6,826 | 10,780 |
| Logistics and warehousing expenses | 4,617 | 11,574 |
| Other taxes | 1,085 | 1,053 |
| Product testing expenses | 1,075 | 687 |
| Repair and maintenance expenses | 1,226 | 1,423 |
| Staff costs, including Directors' emoluments | 43,061 | 41,052 |
| Subcontracting expenses | 784 | 620 |
| Utilities | 5,817 | 5,899 |
| Other expenses | 1,980 | 2,190 |
| | 174,326 | 201,743 |

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 HK\$1,710,000 from the Hong Kong government for paying wages and salaries of Hong Kong employees. In addition, the government of People's Republic of China exempted the employers in the PRC for making contribution for their employees to the government-supervised schemes.

During the six months ended 31 October 2021, no similar government subsidies mentioned above has been received.

8 INCOME TAX (CREDITS)/EXPENSES

For the six months ended 31 October 2021 and 2020, 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 (credited)/charged to the condensed consolidated interim statement of comprehensive income represents:

| | Six months ended 31 October 2021 HK\$'000 (unaudited) | Six months ended 31 October 2020 HK\$'000 (unaudited) |
|--|---|---|
| Current income tax | | |
| — Current tax on profit for the period | 66 | 772 |
| Deferred income tax | (351) | 2,023 |
| Income tax (credits)/expenses | (285) | 2,795 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 31 October 2021 and 2020.

| | Six months ended 31 October 2021 (unaudited) | Six months ended 31 October 2020 (unaudited) |
|--|--|--|
| (Loss)/profit attributable to the owners of the Company (HK\$'000) | (3,314) | 17,499 |
| Weighted average number of ordinary shares in issue (in thousand) | 1,000,000 | 1,000,000 |
| Basic (loss)/earnings per share (HK cents) | (0.3) | 1.7 |

(b) Diluted (loss)/earnings per share

Diluted loss per share for the period ended 31 October 2021 is the same as basic loss per share as there were no potentially dilutive ordinary shares issued.

Diluted earnings per share for the period ended 31 October 2020 is 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 conversion or exercise.

10 DIVIDENDS

For the six months ended 31 October 2021, no dividend was declared or paid by the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Furniture and fixtures | Office equipment | Motor vehicles | Plant and machinery | Moulds and tools | Moulds work-in- progress | Total |
|---|---------------------------|---------------------------|---------------------|-------------------|------------------------|---------------------|--------------------------------|-------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| 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 |
| Six months ended 31 October 2021 | | | | | | | | |
| Net book value | | | | | | | | |
| At beginning of the period | 2,958 | 237 | 136 | 60 | 5,495 | 32,105 | 9,831 | 50,822 |
| Addition | 715 | 14 | - | - | - | - | 2,322 | 3,051 |
| Depreciation (note 7) | (1,145) | (47) | (56) | (12) | (466) | (4,734) | - | (6,460) |
| Transfer upon completion | - | - | - | - | - | 4,900 | (4,900) | - |
| Impairment losses | (90) | - | - | - | (175) | (1,146) | (259) | (1,670) |
| Disposal | - | - | (3) | - | (110) | - | - | (113) |
| Exchange differences | 33 | 2 | 1 | 1 | 44 | 213 | 87 | 381 |
| At end of the period | 2,471 | 206 | 78 | 49 | 4,788 | 31,338 | 7,081 | 46,011 |

The suppressed sales coupled with a reduced gross profit margin have brought in decline financial results for the Group for the six months ended 31 October 2021. The Group performed an impairment assessment and identified the recoverable amounts of property, plant and equipment fell below the carrying amounts. Accordingly, the Group recognised an impairment loss of property, plant and equipment for approximately HK\$1,670,000 to the interim condensed consolidated statement of comprehensive income for the six months ended 31 October 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 INTANGIBLE ASSETS

| | Six months ended 31 October 2021 HK\$'000 (unaudited) | Six months ended 31 October 2020 HK\$'000 (unaudited) |
|-----------------------------|--|--|
| Licenses | 2,442 | 14,090 |
| Beginning of the period | 8,330 | 19,268 |
| Addition | 194 | 903 |
| Less: amortisation (note 7) | (6,082) | (6,081) |
| End of the period | 2,442 | 14,090 |

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 AND RIGHT-OF-USE ASSETS

The Group has lease contracts for factories and buildings, office premise, warehouse and staff quarter. The movements during the six months ended 31 October 2021 are set out below:

| | Office premise HK\$'000 | Factories and buildings, warehouse and staff quarter HK\$'000 | Total HK\$'000 |
|---|-------------------------------|--|-------------------|
| Six months ended 31 October 2021 (unaudited) | | | |
| Right-of-use assets | | | |
| At beginning of the period | – | 4,480 | 4,480 |
| Addition | – | – | – |
| Depreciation (Note 7) | – | (1,519) | (1,519) |
| Exchange differences | – | 47 | 47 |
| At end of the period | – | 3,008 | 3,008 |
| Lease liabilities | | | |
| At beginning of the period | – | 4,376 | 4,376 |
| Addition | – | – | – |
| Finance cost | – | 134 | 134 |
| Payment | – | (1,532) | (1,532) |
| Exchange differences | – | 47 | 47 |
| At end of the period | – | 3,025 | 3,025 |
| Current | – | 2,947 | 2,947 |
| Non-current | – | 78 | 78 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 LEASES AND RIGHT-OF-USE ASSETS (Continued)

| | Office premise HK\$'000 | Factories and buildings, warehouse and staff quarter HK\$'000 | Total HK\$'000 |
|---|-------------------------------|--|-------------------|
| Six months ended 31 October 2020 | | | |
| (unaudited) | | | |
| Right-of-use assets | | | |
| 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 |
| Lease liabilities | | | |
| 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 |

During the six months ended 31 October 2021, the lease contract for the office premise of the Company expired on 31 May 2021. The Group entered into a new lease contract with a lease term of 12 months on 1 June 2021. 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 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE AND BILLS RECEIVABLES

| | As at 31 October 2021 HK\$'000 (unaudited) | As at 30 April 2021 HK\$'000 (audited) |
|-----------------------------|--|--|
| Trade and bills receivables | 59,092 | 26,061 |
| Less: loss allowance | (430) | (1,126) |
| | 58,662 | 24,935 |

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

| | As at 31 October 2021 HK\$'000 (unaudited) | As at 30 April 2021 HK\$'000 (audited) |
|------|--|--|
| US\$ | 59,092 | 25,366 |
| RMB | – | 695 |
| | 59,092 | 26,061 |

The Group grants credit periods to customers ranged from 0 to 180 days. As at 31 October 2021, the ageing analysis of trade and bills receivables in gross amount based on invoice date is as follows:

| | As at 31 October 2021 HK\$'000 (unaudited) | As at 30 April 2021 HK\$'000 (audited) |
|----------------|--|--|
| Up to 3 months | 56,562 | 23,800 |
| Over 3 months | 2,530 | 2,261 |
| | 59,092 | 26,061 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL

| | Number of ordinary shares (in thousand) (unaudited) | Nominal value HK\$'000 (unaudited) |
|--|---|---|
| Authorised ordinary shares at HK\$0.1 each: As at 31 October 2021 and 30 April 2021 | 10,000,000 | 1,000,000 |
| Ordinary shares issued and fully paid: As at 31 October 2021 and 30 April 2021 | 1,000,000 | 100,000 |

16 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

| | As at 31 October 2021 HK\$'000 (unaudited) | As at 30 April 2021 HK\$'000 (audited) |
|------|--|--|
| US\$ | 424 | 7,669 |
| HK\$ | 9,953 | 9,943 |
| RMB | 2,999 | 3,250 |
| | 13,376 | 20,862 |

As at 31 October 2021, the ageing analysis of trade and bills payables based on invoice date is as follows:

| | As at 31 October 2021 HK\$'000 (unaudited) | As at 30 April 2021 HK\$'000 (audited) |
|----------------|--|--|
| Within 1 month | 3,470 | 10,545 |
| 1 to 2 months | 4,731 | 9,445 |
| 2 to 3 months | 4,860 | 430 |
| Over 3 months | 315 | 442 |
| | 13,376 | 20,862 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2021 HK\$'000 (unaudited) | Six months ended 31 October 2020 HK\$'000 (unaudited) |
|--|--|--|
| (i) Operating lease expense for office paid or payable to Top Dragon Enterprise Investment Limited | 2,480 | 2,880 |
| | 2,480 | 2,880 |
| (ii) Key management compensation: | | |
| Wages, salaries and bonuses | 4,044 | 4,552 |
| Retirement benefits | 45 | 63 |
| Other benefits | 223 | 120 |
| | 4,312 | 4,735 |

(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\$215,100,000 (six months ended 31 October 2020: 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 2021, 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 |
|---------------------------|------------------|---------------------|-----------------------------|---|
| Ms. Sin Lo Siu Wai Sylvia | Beneficial owner | Personal | 10,000 | 100% |

Save as disclosed above, as at 31 October 2021, 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.

OTHER INFORMATION

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

As at 31 October 2021, 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 2021, 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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment during the six months ended 31 October 2021.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2021.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, there is no significant event occurring after 31 October 2021.

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 2021, 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 2021 | Exercise price per Share HK\$ |
|------------------|---------------|--------------------|---|---------------------------|-----------------------------|--------------------------|-----------------------------|-------------------------------|-------------------------------|
| | | | Balance as at 1 May 2021 | 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 (iii)) | 14,100,000 | - | | |

Notes:

- (i) No share option was granted during the six months ended 31 October 2021.
- (ii) The above share options are exercisable from 19 July 2018 to 18 July 2021 (both dates inclusive) and have already been expired on 19 July 2021.
- (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 2021, 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 each of the Directors, all 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 2021.

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

Mr. Cheng Dominic, being the independent non-executive Director, has signed a renewal letter of appointment with the Company on 18 July 2021 for a further term of 3 years. The current annual director's fee payable to each of the independent non-executive Directors under the respective letters of appointment is HK\$60,000.

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 2021, 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, 17 December 2021