



Interim Report
2022



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

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

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

STOCK CODE

3830

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As mentioned in 2021 and 2022 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 lower value in term of physical size. While the freight rates have been decreased a bit from the peak during the Review Period, however, the current rates are still at a high level when comparing to the normal situation in the past few years. Under this circumstance, our customers do not have the luxury to absorb the cost increase from their end. At the same time, poor economy and weaken currencies against USD from countries outside U.S. have lower the demands of our goods too. The Group's unaudited revenue for the six months ended 31 October 2022 (the "Review Period") was approximately HK\$124.6 million, which was decreased by 27.5% as compared to the corresponding period last year (the "Last Period") (2021: HK\$171.9 million). The loss attributable to equity shareholders for the Review Period amounted to approximately HK\$36.2 million (2021: net loss of HK\$3.3 million).

OPERATING RESULTS

Revenue

Revenue generated from North America decreased by 47.6% to approximately HK\$55.3 million in the Review Period (2021: HK\$105.6 million). Both average selling price and sales orders had decreased. The decrease was mainly attributed to revenue decrease from a top developed country in the region and the switching of product mix to products with relatively lower unit price. In addition, with the late arrival of goods due to the shipment delay and the backlogs at U.S. ports in the last year, the retailers have a high stock level in the year 2022 and thus preferred not to place as many orders as that in the last year. Therefore, it mostly hurt the sales performance to North America.

On the other hand, revenue generated from Europe decreased by 32.7% to approximately HK\$37.4 million in the Review Period (2021: HK\$55.6 million). Both average selling price and sales orders had decreased. The revenue decrease was mainly attributed to (i) the sluggish economy in several developing countries in Eastern Europe, especially Ukraine due to the war against Russia; and (ii) the currency appreciation of USD which hurt the purchasing power in the European region.

Revenue generated from the Laboratory Equipment Business during the Review Period was approximately HK\$19.0 million. Since it is a new business invested in January 2022, so there was no comparative figure in the Last Period.

As a result of the above, the Group's overall revenue decreased by 27.5% to approximately HK\$124.6 million in the Review Period (2021: HK\$171.9 million).

Gross (Loss)/Profit

The Group recorded a gross loss of approximately HK\$13.4 million in the Review Period whilst the Group recorded a gross profit of approximately HK\$16.6 million in the Last Period. The gross loss recorded in the Review Period was mainly attributed to (i) the 27.5% decrease in revenue discussed above, while factory overheads kept incurred; (ii) the one-off severance payment incurred due to change of operation model of the Toy Business. Most of the staffs in the Dongguan factory have been terminated during the Review Period; and (iii) the realised loss incurred from re-sales of production materials related to the Toy Business to third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and Gains

Other income and gains of the Group dramatically increased by around 10 times to approximately HK\$3.2 million in the Review Period (2021: HK\$0.3 million). The significant increase was mainly attributed to (i) the gain on disposal of the property, plant and equipment related to the Toy Business due to the transition of the operation model; and (ii) the currency appreciation of USD against HKD during the Review Period since our billings to customers under the Toy Business are in USD.

Selling and Distribution Expenses

Selling and distribution expenses dramatically increased by 73.2% to approximately HK\$7.1 million in the Review Period (2021: HK\$4.1 million). The increase was mainly attributed to the increase in the amortization of intangible assets and staff costs booked under selling expenses of the Laboratory Equipment Business that we have newly invested in January 2022.

Administrative Expenses

Administrative expenses increased by 20.1% to approximately HK\$17.9 million in the Review Period (2021: HK\$14.9 million). The increase was mainly attributed to the increase in administrative staff costs of the Laboratory Equipment Business that we have newly invested in January 2022.

Finance Costs

Net finance costs increased by 133.3% to approximately HK\$0.7 million in the Review Period (2021: HK\$0.3 million). The increase was attributed to the increase in average bank borrowings level and global interest rate level during the Review Period.

Income Tax Expenses/(Credits)

The Group recorded income tax expenses of HK\$1.7 million for the Review Period whilst the Group recorded income tax credits (net of tax expenses) of HK\$0.3 million for the Last Period.

The income tax expenses recorded for the Review Period were mainly attributable to the derecognition of deferred tax assets of Dongguan factory in the Review Period. On the other hand, the income tax credits for the Last Period were attributable to the operation loss recorded in the last year.

Net Loss

As mentioned above, due to (i) the dramatic decrease in revenue of approximately HK\$47.3 million; (ii) the one-off severance payment incurred in the Dongguan factory; (iii) the realised loss incurred from re-sales of production materials related to the Toy Business to third parties; and (iv) the derecognition of deferred tax assets of Dongguan factory, the Group recorded a net loss of approximately HK\$36.2 million for the Review Period (2021: net loss of HK\$3.3 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 October 2022, the Group had not entered into any financial instrument for the hedging of foreign currency.

Outlook/Future Prospects and Strategies

The aftereffect of the pandemic has caused substantial global inflation across many countries. Coupled that with the Ukrainian war Europe is generally suffering from significant currency depreciation against the USD. The phenomenon results in a lowered purchasing power of goods coming from the Orient.

The US market is equally going through some rough moments. Demand has reduced as people anticipate a recession-like slowdown is on its way. Customers across the board are looking for price reductions during this inflationary period, which makes business even more difficult to manage. Based on the global weakening economy the future prospects are anticipated to be filled with uncertainties.

The Company has hence transitioned to a new business model in which outsourcing its production to qualified subcontractors is believed to be more cost efficient. Instead of maintaining a high overhead fixed cost in running a factory, the Company can now better project its cash outlays and sustain profitability.

The restructuring process is not without hiccups. The biggest challenge remained is to find qualified and reliable suppliers, and now the Management has designated significant time in achieving so. Fortunately it is the Company's belief that with the abundant experience accumulated over 20+ years of manufacturing, it is in the position to partner with a group of dependable and qualified subcontractors. In the long term the benefits of the improved business model would be apparent.

While business is expected to continue to suffer in the near term due to factors beyond the Company's control, one major task of the Management is to cut costs to a minimum. Headcount has been kept as low as possible, and R&D investment is also closely monitored so that no excessive spending will take place. The goal is to ride through the tough times and emerge healthily and financially sound when the market recovers and business surges.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2022

	Note	Six months ended 31 October 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
Revenue	6	124,604	171,897
Cost of sales	7	(137,984)	(155,274)
Gross (loss)/profit		(13,380)	16,623
Other income		469	458
Other gains/(losses), net		2,730	(110)
Impairment losses on property, plant and equipment		–	(1,670)
Selling and distribution expenses	7	(7,051)	(4,131)
Administrative expenses	7	(17,859)	(14,921)
Reversals of impairment losses on financial assets, net		14	423
Operating loss		(35,077)	(3,328)
Finance income		9	16
Finance expenses		(679)	(287)
Finance costs, net		(670)	(271)
Loss before taxation		(35,747)	(3,599)
Income tax (expenses)/credits	8	(1,699)	285
Loss for the period		(37,446)	(3,314)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2022

	Note	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	8,458	12,472
Right-of-use assets	13	7,582	11,247
Intangible assets	12	8,377	13,433
Deferred income tax assets		9,658	11,357
Deposits and prepayments		765	830
		34,840	49,339
Current assets			
Inventories		23,786	93,423
Trade receivables	14	20,173	18,260
Other receivables, deposits and prepayments		8,344	10,415
Income tax recoverable		1,336	1,336
Cash and bank balances		7,036	8,643
		60,675	132,077
Total assets		95,515	181,416
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	15	100,000	100,000
Other reserves		6,242	6,242
Exchange reserves		(317)	1,380
Accumulated losses		(57,189)	(21,000)
		48,736	86,622
Non-controlling interests	18	5,593	7,272
Total equity		54,329	93,894

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2022

	Note	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	4,707	6,780
		4,707	6,780
Current liabilities			
Bank borrowings		13,442	44,624
Trade and bills payables	16	1,648	14,280
Accruals and other payables		8,736	14,666
Contract liabilities		9,546	2,530
Lease liabilities	13	3,107	4,642
		36,479	80,742
Total liabilities		41,186	87,522
Total equity and liabilities		95,515	181,416

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2022

	Attributable to owners of the Company (unaudited)					
	Share capital HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance as at 1 May 2022	100,000	6,242	1,380	(21,000)	7,272	93,894
Loss for the period	-	-	-	(36,189)	(1,257)	(37,446)
Other comprehensive loss	-	-	(1,697)	-	(422)	(2,119)
Total comprehensive loss	-	-	(1,697)	(36,189)	(1,679)	(39,565)
Balance as at 31 October 2022	100,000	6,242	(317)	(57,189)	5,593	54,329

	Attributable to owners of the Company (unaudited)					
	Share capital HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Retained earnings HK\$'000	Non-controlling interests 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2022

	Six months ended 31 October 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
Cash flows from operating activities		
Net cash generated from/(used in) operations	34,554	(2,130)
Interest received	9	16
Interest paid	(330)	(168)
Income tax paid	–	(74)
Net cash generated from/(used in) operating activities	34,233	(2,356)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,664)	(3,051)
Proceeds from disposal of property, plant and equipment	5,578	113
Settlements of liabilities arising from acquisitions of licenses	(6,278)	(2,486)
Purchase of intangible assets	(164)	–
Net cash used in investing activities	(2,528)	(5,424)
Cash flows from financing activities		
Proceeds from bank borrowings	84,000	40,698
Repayment of bank borrowings	(128,624)	(34,500)
Repayment of principal element of lease liabilities	(2,727)	(1,398)
Repayment of interest element of lease liabilities	(349)	(134)
Net cash (used in)/generated from financing activities	(47,700)	4,666
Net decrease in cash and cash equivalents	(15,995)	(3,114)
Effect on exchange rate differences	946	24
Cash and cash equivalents and bank overdrafts at beginning of the period	8,643	16,124
Cash and cash equivalents and bank overdrafts at end of the period	(6,406)	13,034

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 and laboratory equipment.

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 2022 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 2022 (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 commencing on 1 May 2022.

(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 commencing on 1 May 2022 and are relevant to its operation:

Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018–2020 Cycle
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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 2022 and have not been early adopted by the Group:

		Effective for annual periods commencing on or after
HKFRS 17	Insurance Contracts	1 May 2023
HKFRS 4 (Amendments)	Expiry Date of the Deferral Approach	1 May 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 May 2023
HKAS 1 (Revised) (Amendments)	Disclosure of Accounting Policies	1 May 2023
HKFRS Practice Statement 2 (Amendments)	Making Materiality Judgements	1 May 2023
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors	1 May 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 May 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC) – Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	When an entity applies Classification of Liabilities as Current or Non-current — Amendments to HKAS 1

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 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.

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 2022.

(b) Liquidity risk

Compared to the year ended 30 April 2022, 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.

On 29 January 2022, the Group invested and started a new business which is related to manufacturing and selling of laboratory equipment for primary and secondary school. Subsequent to the investment, the Group engaged in two operating segments namely, Toy business and Laboratory equipment business. The chief operating decision-makers assess the business performance based on a measure of operating results. 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 related revenue and results of the operating segments of Toy business and Laboratory equipment business are presented for the six months ended 31 October 2022. The segment information for the six months ended 31 October 2021 is not presented as there is only one segment in the prior period. The related assets and liabilities of the operating segments as at 31 October 2022 and 30 April 2022 are presented as below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the six months ended 31 October 2022 (unaudited)

	Toy business HK\$'000	Laboratory equipment business HK\$'000	Total HK\$'000
Revenue	105,631	18,973	124,604
Cost of sales	(122,613)	(15,371)	(137,984)
Gross profit/(loss)	(16,982)	3,602	(13,380)
Segment results	(32,193)	(6,083)	(38,276)
Unallocated:			
Other income			469
Other gains, net			2,730
Finance costs, net			(670)
Loss before income tax			(35,747)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 October 2022 (unaudited)

	Toy business HK\$'000	Laboratory equipment business HK\$'000	Total HK\$'000
Assets			
Segment assets	54,516	40,949	95,465
Unallocated:			
Property, plant and equipment			36
Cash and bank balances			14
Total assets			95,515
Liabilities			
Segment liabilities	9,165	18,579	27,744
Unallocated:			
Bank borrowings			13,442
Total liabilities			41,186

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 30 April 2022 (audited)

	Toy business HK\$'000	Laboratory equipment business HK\$'000	Total HK\$'000
Assets			
Segment assets	139,247	42,018	181,265
Unallocated:			
Property, plant and equipment			136
Cash and bank balances			15
Total assets			181,416
Liabilities			
Segment liabilities	29,969	12,929	42,898
Unallocated:			
Bank borrowings			44,624
Total liabilities			87,522

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

For the six months ended 31 October 2022, revenue by geographical areas is as follows:

	Six months ended 31 October 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
America	56,283	107,068
Europe	37,356	55,592
Asia Pacific and Oceania	30,965	9,237
	124,604	171,897

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

For the six months ended 31 October 2022, there were two (six months ended 31 October 2021: one) customers which individually contributed over 10% of the Group's total revenue. During the period, the revenue contributed from the customers is as follows:

	Six months ended 31 October 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
Customer A	19,551	10,938
Customer B	14,709	8,980

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 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
Auditor's remuneration		
— Audit services	748	725
— Non-audit services	177	208
Advertising and promotion expenses	1,153	1,258
Amortisation of intangible assets (note 12)	5,869	6,082
Bank charges	205	407
Commissions	957	1,093
Consumables	966	3,017
Cost of inventories sold	90,815	83,629
Custom and declaration handling expenses	686	969
Depreciation of property, plant and equipment (note 11)	2,083	6,460
Depreciation of right-of-use assets (note 13)	2,913	1,519
Expenses for short-term and low-value operating leases (note 13)	2,582	2,488
Licenses fees	3,904	6,826
Logistics and warehousing expenses	1,811	4,617
Product testing expenses	765	1,075
Repair and maintenance expenses	838	1,226
Other taxes	693	1,085
Staff costs, including Directors' emoluments	38,833	43,061
Subcontracting expenses	679	784
Utilities	3,008	5,817
Other expenses	3,209	1,980
	162,894	174,326

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE *(Continued)*

During the six months ended 31 October 2022, the Group received subsidies of approximately HK\$520,000 (six months ended 31 October 2021: Nil) from the Hong Kong government for paying wages and salaries of Hong Kong employees. In addition, due to the change of operation model of the Toy Business, one of the subsidiary in the PRC has incurred one-off severance payment of approximately HK\$7,816,000.

8 INCOME TAX EXPENSES/(CREDITS)

For the six months ended 31 October 2022 and 2021, 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 interim statement of comprehensive income represents:

	Six months ended 31 October 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
Current income tax		
— Current tax on profit for the period	—	66
Deferred income tax	1,699	(351)
Income tax expenses/(credits)	1,699	(285)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 31 October 2022 and 2021.

	Six months ended 31 October 2022 (unaudited)	Six months ended 31 October 2021 (unaudited)
Loss attributable to owners of the Company (HK\$'000)	(36,189)	(3,314)
Weighted average number of ordinary shares in issue (in thousand)	1,000,000	1,000,000
Basic loss per share (HK cents)	(3.6)	(0.3)

(b) Diluted loss per share

Diluted loss per share for the period ended 31 October 2022 is the same as basic loss per share as there was no potential dilutive ordinary share issued. Diluted loss per share for the period ended 31 October 2021 are the same as basic loss 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 or exercise.

10 DIVIDENDS

For the six months ended 31 October 2022, 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 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 and written off	-	-	(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
Six months ended 31 October 2022								
Net book value								
At beginning of the period	876	329	623	67	3,670	5,507	1,400	12,472
Addition	-	11	45	-	145	-	1,463	1,664
Depreciation (note 7)	(830)	(47)	(183)	(29)	(241)	(753)	-	(2,083)
Transfer upon completion	-	-	-	-	-	2,076	(2,076)	-
Disposal and written off	-	(9)	-	(32)	(2,046)	(2)	(745)	(2,834)
Exchange differences	(28)	(21)	(41)	(4)	(243)	(382)	(42)	(761)
At end of the period	18	263	444	2	1,285	6,446	-	8,458

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 INTANGIBLE ASSETS

	Six months ended 31 October 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
Software	5,976	–
Licenses	2,401	2,442
	8,377	2,442
Beginning of the period	13,433	8,330
Addition	1,365	194
Less: amortisation (note 7)	(5,869)	(6,082)
Exchange differences	(552)	–
End of the period	8,377	2,442

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 2022 are set out below:

	Six months ended 31 October 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
Right-of-use assets		
At beginning of the period	11,247	4,480
Addition	–	–
Depreciation (Note 7)	(2,913)	(1,519)
Exchange differences	(752)	47
At end of the period	7,582	3,008
Lease liabilities		
At beginning of the period	11,422	4,376
Addition	–	–
Finance cost	349	134
Payment	(3,188)	(1,532)
Exchange differences	(769)	47
At end of the period	7,814	3,025
Current	3,107	2,947
Non-current	4,707	78

During the six months ended 31 October 2022, the lease contract for the office premise of the Company in Hong Kong expired on 31 May 2022. The Group entered into a new lease contract with a lease term of 5 months on 2 June 2022. 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 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE RECEIVABLES

	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
Trade receivables	20,534	18,635
Less: loss allowance	(361)	(375)
	20,173	18,260

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

	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
US\$	20,259	18,635
RMB	275	–
	20,534	18,635

The Group grants credit periods to customers ranged from 0 to 180 days. As at 31 October 2022, the ageing analysis of trade receivables in gross amount based on invoice date is as follows:

	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
Up to 3 months	19,691	9,504
Over 3 months	843	9,131
	20,534	18,635

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL

	Number of shares (in thousand) (unaudited)	Nominal value HK\$'000 (unaudited)
Authorised ordinary shares at HK\$0.1 each: As at 31 October 2022 and 30 April 2022	10,000,000	1,000,000
Ordinary shares issued and fully paid: As at 31 October 2022 and 30 April 2022	1,000,000	100,000

16 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
US\$	632	3,647
HK\$	144	7,280
RMB	872	3,353
	1,648	14,280

As at 31 October 2022, the ageing analysis of trade and bills payables based on invoice date is as follows:

	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
Within 1 month	917	7,728
1 to 2 months	345	4,877
2 to 3 months	345	1,391
Over 3 months	41	284
	1,648	14,280

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 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
(i) Operating lease expense for office paid or payable to Top Dragon Enterprise Investment Limited	2,400	2,480
	2,400	2,480
(ii) Key management compensation:		
Wages, salaries and bonuses	3,420	4,044
Retirement benefits	45	45
Other benefits	231	223
	3,696	4,312

(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\$215,050,000 (six months ended 31 October 2021: HK\$215,100,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 NON-CONTROLLING INTERESTS

Set out below are the summarised financial information of Guangdong Kiddieland Technology Co., Ltd. that have non-controlling interests in which are material to the Group:

Summarised statement of financial position

	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
Current		
Assets	21,774	19,494
Liabilities	(13,872)	(6,149)
Total net current assets	7,902	13,345
Non-current		
Assets	19,175	22,524
Liabilities	(4,707)	(6,780)
Total net non-current assets	14,468	15,744
Net assets	22,370	29,089
Accumulated non-controlling interests	5,593	7,272

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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2022.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, there is no significant event occurring after 31 October 2022.

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**”). Details of the Share Option Scheme are set out in the Company’s annual report 2022. Since its adoption, 20,000,000 share options had been granted on 19 July 2018 and expired on 18 July 2021 (both dates inclusive). No share option has been granted under the Share Option Scheme during the six months ended 31 October 2022.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 October 2022, 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 2022.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the interim report for the six months ended 31 October 2022, 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, 19 December 2022