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KIDDIELAND

Kiddieland International Limited

童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3830)

**ANNOUNCEMENT OF INTERIM RESULTS FOR
THE SIX MONTHS ENDED 31 OCTOBER 2020**

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kiddieland International Limited (“**Kiddieland**” or the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 October 2020 together with the comparative unaudited figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2020

		Six months ended 31 October 2020 <i>HK\$'000</i> (unaudited)	Six months ended 31 October 2019 <i>HK\$'000</i> (unaudited)
Revenue	5	222,955	217,523
Cost of sales	6	<u>(175,494)</u>	<u>(174,177)</u>
Gross profit		47,461	43,346
Other income		175	804
Other gains, net		243	1,703
Selling and distribution expenses	6	(13,561)	(13,430)
Administrative expenses	6	(12,688)	(16,798)
Impairment losses on financial assets, net		<u>(388)</u>	<u>(239)</u>
Operating profit		21,242	15,386
Finance income		2	23
Finance expenses		<u>(950)</u>	<u>(3,655)</u>
Finance costs, net		<u>(948)</u>	<u>(3,632)</u>
Profit before taxation		20,294	11,754
Income tax (expenses)/credits	7	<u>(2,795)</u>	<u>3,531</u>
Profit for the period		<u>17,499</u>	<u>15,285</u>
Other comprehensive income/(loss)			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		<u>2,586</u>	<u>(2,929)</u>
Total other comprehensive income/(loss) for the period, net of tax		<u>2,586</u>	<u>(2,929)</u>
Total comprehensive income for the period		<u>20,085</u>	<u>12,356</u>
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
Basic and diluted earnings per share	8	<u>1.7</u>	<u>1.5</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As as 31 October 2020

		As at 31 October 2020	As at 30 April 2020
	<i>Note</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		50,640	47,647
Right-of-use assets		5,771	7,370
Intangible assets		14,090	19,268
Deferred income tax assets		5,434	7,145
Prepayments		692	1,629
		76,627	83,059
Current assets			
Inventories		71,830	99,537
Trade and bills receivables	9	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
		182,521	162,157
Total assets		259,148	245,216
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	10	100,000	100,000
Other reserves		6,242	6,242
Exchange reserves		1,842	(744)
Retained earnings		55,441	37,942
Total equity		163,525	143,440

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

As as 31 October 2020

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

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	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	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.

(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 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 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.

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 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 2020, revenue by geographical areas is as follows:

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

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> (unaudited)	Six months ended 31 October 2019 <i>HK\$'000</i> (unaudited)
Customer A	<u>60,303</u>	<u>53,581</u>

6 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> (unaudited)	Six months ended 31 October 2019 <i>HK\$'000</i> (unaudited)
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	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	5,242	9,422
Depreciation of right-of-use assets	1,877	2,688
Expenses for short-term and low-value operating leases	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
	201,743	204,405

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.

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

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

(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.

9 TRADE AND BILLS RECEIVABLES

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

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

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

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

10 SHARE CAPITAL

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

11 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

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

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> (unaudited)	As at 30 April 2020 <i>HK\$'000</i> (audited)
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
	<u>24,183</u>	<u>15,889</u>

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).

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.

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.

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.

OTHER INFORMATION

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.

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 in respect of 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.

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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

Code for Dealing in Company's Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). Having made specific enquiry of 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.

Audit Committee

The Audit Committee of the Company has reviewed with the management the interim results for the six months ended 31 October 2020, the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information.

Publication of Interim Results Announcement and Interim Report

This announcement is published on the website of the Hong Kong Stock Exchange at (www.hkexnews.hk) and that of the Company at (www.kiddieland.com.hk). The interim report of the Company for the six months ended 31 October 2020 will be despatched to the shareholders of the Company and made available on the website of the Hong Kong Stock Exchange and that of the Company in due course.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, business partners, customers, suppliers, bankers, the management and staff for their support and contribution to the Group and its business throughout the period.

By Order of the Board

Kiddieland International Limited

Lo Hung

Chairman

Hong Kong, 18 December 2020

As at the date of this announcement, the Board comprises 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 as the Executive Directors and Mr. MAN Ka Ho Donald, Mr. CHENG Dominic and Mr. LEUNG Kwok Wai Gary as the Independent Non-executive Directors.