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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 2022**

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kiddieland International Limited (“**Kiddieland**” or the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 October 2022 together with the comparative unaudited figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2022

	<i>Note</i>	Six months ended 31 October 2022 HK\$’000 (unaudited)	Six months ended 31 October 2021 HK\$’000 (unaudited)
Revenue	5	124,604	171,897
Cost of sales	6	(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	6	(7,051)	(4,131)
Administrative expenses	6	(17,859)	(14,921)
Reversals of impairment losses on financial assets, net		14	423

		Six months ended 31 October 2022 HK\$'000 (unaudited)	Six months ended 31 October 2021 HK\$'000 (unaudited)
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	7	(1,699)	285
Loss for the period		(37,446)	(3,314)
Other comprehensive (loss)/income <i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		(2,119)	517
Other comprehensive (loss)/income for the period, net of tax		(2,119)	517
Total comprehensive loss for the period		(39,565)	(2,797)
Loss for the period attributable to:			
Owners of the Company		(36,189)	(3,314)
Non-controlling interests		(1,257)	–
		(37,446)	(3,314)
Total comprehensive loss attributable to:			
Owners of the Company		(37,886)	(2,797)
Non-controlling interests		(1,679)	–
		(39,565)	(2,797)
Loss per share for loss attributable to owners of the Company during the period (expressed in HK cents per share)			
Basic and diluted loss per share	8	(3.6)	(0.3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2022

	<i>Note</i>	As at 31 October 2022 <i>HK\$'000</i> (unaudited)	As at 30 April 2022 <i>HK\$'000</i> (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	8,458	12,472
Right-of-use assets		7,582	11,247
Intangible assets		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	10	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	11	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		5,593	7,272
Total equity		54,329	93,894

	<i>Note</i>	As at 31 October 2022 HK\$'000 (unaudited)	As at 30 April 2022 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>4,707</u>	<u>6,780</u>
		<u>4,707</u>	<u>6,780</u>
Current liabilities			
Bank borrowings		13,442	44,624
Trade and bills payables	12	1,648	14,280
Accruals and other payables		8,736	14,666
Contract liabilities		9,546	2,530
Lease liabilities		<u>3,107</u>	<u>4,642</u>
		<u>36,479</u>	<u>80,742</u>
Total liabilities		<u><u>41,186</u></u>	<u><u>87,522</u></u>
Total equity and liabilities		<u><u>95,515</u></u>	<u><u>181,416</u></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 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.

(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.

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 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 <i>HK\$'000</i>	Laboratory equipment business <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)

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

At 30 April 2022 (audited)

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

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

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

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 <i>HK\$'000</i> (unaudited)	Six months ended 31 October 2021 <i>HK\$'000</i> (unaudited)
Customer A	19,551	10,938
Customer B	14,709	8,980
	<u>14,709</u>	<u>8,980</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 2022 <i>HK\$'000</i> (unaudited)	Six months ended 31 October 2021 <i>HK\$'000</i> (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	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 (<i>note 9</i>)	2,083	6,460
Depreciation of right-of-use assets	2,913	1,519
Expenses for short-term and low-value operating leases	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
	<u>162,894</u>	<u>174,326</u>

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.

7 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	<u>1,699</u>	<u>(351)</u>
Income tax expenses/(credits)	<u><u>1,699</u></u>	<u><u>(285)</u></u>

8 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)	<u><u>(36,189)</u></u>	<u><u>(3,314)</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 loss per share (HK cents)	<u><u>(3.6)</u></u>	<u><u>(0.3)</u></u>

(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.

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i> (unaudited)	Furniture and fixtures <i>HK\$'000</i> (unaudited)	Office equipment <i>HK\$'000</i> (unaudited)	Motor vehicles <i>HK\$'000</i> (unaudited)	Plant and machinery <i>HK\$'000</i> (unaudited)	Moulds and tools <i>HK\$'000</i> (unaudited)	Moulds work-in- progress <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (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 (<i>note 6</i>)	(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	<u>2,471</u>	<u>206</u>	<u>78</u>	<u>49</u>	<u>4,788</u>	<u>31,338</u>	<u>7,081</u>	<u>46,011</u>
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 (<i>note 6</i>)	(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	<u>18</u>	<u>263</u>	<u>444</u>	<u>2</u>	<u>1,285</u>	<u>6,446</u>	<u>-</u>	<u>8,458</u>

10 TRADE RECEIVABLES

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

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	–
	<u>20,534</u>	<u>18,635</u>

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
	<u>20,534</u>	<u>18,635</u>

11 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

12 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

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

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 <i>HK\$'000</i> (unaudited)	As at 30 April 2022 <i>HK\$'000</i> (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
	<hr/> 1,648 <hr/>	<hr/> 14,280 <hr/>

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 Toys Business to third parties.

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 Toys 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.

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.

OTHER INFORMATION

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 in respect of the six months ended 31 October 2022.

Events after the Reporting Period

As of the date of this announcement, there is no significant event occurring after 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 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 to each of the Directors, all the Directors have 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 results for the six months ended 31 October 2022, 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 2022 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, 19 December 2022

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.