

KIDDIELAND

Kiddieland International Limited
童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3830

2017

INTERIM REPORT



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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

Ms. Tse Yuen Shan
Mr. Man Ka Ho Donald
Mr. Szeto Chi Yan Stanley

AUDIT COMMITTEE

Ms. Tse Yuen Shan *(Chairwoman)*
Mr. Man Ka Ho Donald
Mr. Szeto Chi Yan Stanley

REMUNERATION COMMITTEE

Mr. Szeto Chi Yan Stanley *(Chairman)*
Ms. Tse Yuen Shan
Mr. Man Ka Ho Donald
Mr. Lo Shiu Kee Kenneth

NOMINATION COMMITTEE

Mr. Man Ka Ho Donald *(Chairman)*
Ms. Tse Yuen Shan
Mr. Szeto Chi Yan Stanley

AUTHORISED REPRESENTATIVES

Mr. Lo Shiu Kee Kenneth
Mr. Cheung Ka Cheong

COMPANY SECRETARY

Mr. Cheung Ka Cheong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F, Bank of America Tower
12 Harcourt Road, Central, Hong Kong

REGISTERED OFFICE

PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISOR

WAG Worldsec Corporate Finance Limited
Suite 1101, 11/F, Champion Tower
3 Garden Road, Central
Hong Kong

COMPANY WEBSITE

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

STOCK CODE

3830

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's unaudited revenue for the six months ended 31 October 2017 (the "Review Period") was approximately HK\$239.7 million, which was decreased by 4.0% as compared to the corresponding period last year (the "Last Period") (2016: HK\$249.8 million). Profit before tax of the Group was approximately HK\$20.9 million, representing a decrease of 19.6% as compared to the Last Period (2016: HK\$26.0 million). The profit attributable to equity shareholders for the Review Period amounted to approximately HK\$17.0 million.

OPERATING RESULTS

REVENUE

Thanks to the well reception of new animated movie "Cars 3" in North America and improving economy of U.S., we have achieved a strong growth in the U.S. market during the Review Period as compared to the Last Period, notwithstanding the slight decrease in average selling price of sales to our major customers in North America which was mainly attributable to the change in procurement arrangement of a major customer in U.S., revenue generated from North America increased by 25.4% to approximately HK\$135.2 million in the Review Period (2016: HK\$107.8 million).

On the other hand, revenue generated from Europe decreased by 30.1% to approximately HK\$81.4 million in the Review Period (2016: HK\$116.4 million). Both average selling price and orders from various customers in the European markets had decreased because most of our customers in the region have adopted tightened procurement program as a result of the stagnant market sentiment and political instability in various places in Europe such as Brexit in U.K. and Catalan crisis in Spain.

As a result of the above, the Group's overall revenue decreased by 4.0% to approximately HK\$239.7 million in the Review Period (2016: HK\$249.8 million)

GROSS PROFIT

The Group's gross profit decreased by 11.5% to approximately HK\$59.9 million in the Review Period (2016: HK\$67.7 million) mainly due to the decrease in revenue discussed above. The decrease in labor costs and production overhead in the Review Period was partially offset by the increase in cost of primary raw materials and license fee and resulted in decrease in cost of sales of approximately HK\$2.3 million. The gross profit margin of the Review Period slightly decreased to 25.0% (2016: 27.1%) compared to the Last Period.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 23.9% to approximately HK\$13.4 million in the Review Period (2016: HK\$17.6 million). The decrease was mainly attributable to the decrease in freight charges to U.S. due to change in procurement arrangement of a major U.S. customer as the Group no longer had to bear the freight charges for sales to such major customer in the Review Period.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 3.6% to approximately HK\$23.1 million in the Review Period (2016: HK\$22.3 million) which was attributable to the increase of listing expenses from HK\$4.1 million in the Last Period to HK\$6.2 million in the Review Period.

FINANCE COSTS

Net finance costs slightly increased by 3.3% to approximately HK\$3.1 million in the Review Period (2016: HK\$3.0 million). The increase was due to the slight increase in floating interest rate.

INCOME TAX EXPENSES/(CREDITS)

The Group recorded income tax credits (net of tax expenses) of HK\$4.6 million for Last Period and income tax expenses of HK\$3.9 million for the Review Period.

The tax credits for Last Period was attributable to the reversal of over-provision of Hong Kong profits tax in prior years, utilisation of previously unrecognised tax losses of a subsidiary in PRC and reversal of temporary difference on deferred taxation, with an aggregated amount of HK\$9.9 million. All such tax credits for Last Period were non-recurring in nature. Details of which was disclosed in the section headed "Financial Information" in the Company's prospectus dated 11 September 2017.

NET PROFIT

In the absence of tax credits and reversal of HK\$9.9 million in gross recognised in the Last Period and the increase in listing expenses of HK\$2.1 million recognised in the Review Period, the profit after tax decreased by HK\$13.5 million or 44.3% from HK\$30.5 million for the Last Period to HK\$17.0 million for the Review Period.

When excluding the one-off tax credits and reversal recognised in the Last Period and the listing expenses for both periods, the adjusted profit after tax for the Review Period would have decreased by 6.1% only as compared with that for the Last Period.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK/FUTURE PROSPECTS AND STRATEGIES

As the Group approaches the end of year 2017, the selling season has effectively commenced in which our sales teams meet and greet our customers from around the world. New product previews are being conducted as an ongoing process until the second quarter of year 2018. While no official orders for next year has been placed at this moment, our experienced sales professionals would be able to obtain a good understanding based on negotiations and discussions with buyers to formulate a reasonable expectation of sales in year 2018.

FY2018 remains a challenging year in most European countries as their markets continue to suffer from an economy downturn. U.K. stands out in particular as the deflated currency hindered any possible growth. Based on our discussions with buyers, however, going forward the Directors expect outlook in Europe to turn positive and sales will start to climb in FY2019.

The U.S. market has been booming in FY2018, and sales will continue to be strong in the foreseeable future. Any concerns on the financial situation of Toys R Us in the U.S. have been alleviated now after the company has officially filed for bankruptcy protection in September 2017.

The introduction of a new license this fall has received overall very good reactions from many major customers in the U.S. market, and the Directors expect promising sales results of this new product line in year 2018. The Group is equally excited about lining up or in the process of negotiating other new licensing opportunities with reputable licensors from around the world. Our product development team is now developing a new line of motorised wheel products that the management is very excited about. The Directors are satisfied with all these new opportunities and look forward to a new and challenging year 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2017

	Note	Six months ended 31 October 2017 HK\$'000 (unaudited)	Six months ended 31 October 2016 HK\$'000 (unaudited)
Revenue	6	239,721	249,762
Cost of sales	7	(179,813)	(182,077)
Gross profit		59,908	67,685
Other income		639	452
Other gains, net		51	688
Selling and distribution expenses	7	(13,441)	(17,568)
Administrative expenses	7	(23,121)	(22,323)
Operating profit		24,036	28,934
Finance income		4	13
Finance expenses		(3,100)	(2,974)
Finance costs, net		(3,096)	(2,961)
Profit before taxation		20,940	25,973
Income tax (expenses)/credits	8	(3,918)	4,562
Profit for the period		17,022	30,535
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
Basic earnings per share	9	2.1	4.1
Diluted earnings per share	9	2.1	4.1
Profit for the period		17,022	30,535
Other comprehensive income/(loss): <i>Item that may be reclassified to profit or loss</i>			
Currency translation difference		2,478	(1,655)
Total other comprehensive income/(loss) for the period, net of tax		2,478	(1,655)
Total comprehensive income for the period		19,500	28,880

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2017

		As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
	Note		
ASSETS			
Non-current assets			
Prepaid operating lease		12,999	12,896
Property, plant and equipment	10	102,207	100,221
Intangible assets	11	38,676	29,009
Deferred income tax assets		3,122	3,737
Prepayment		87	1,637
		157,091	147,500
Current assets			
Inventories		92,712	107,478
Trade and bills receivables	12	102,835	38,714
Other receivables, deposits and prepayments		4,541	7,218
Amounts due from a related company		—	90,194
Amounts due from a shareholder		—	169
Income tax recoverable		2,962	2,962
Cash and bank balances		19,071	7,878
		222,121	254,613
Total assets		379,212	402,113
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	14	100,000	1
Other reserves		4,922	45
Exchange reserves		(832)	(3,310)
Retained earnings		64,218	147,196
Total equity		168,308	143,932

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2017

		As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
	Note		
LIABILITIES			
Non-current liabilities			
Bank borrowings		10,000	13,000
Deferred income tax liabilities		3,815	3,776
Other payables		16,498	10,549
		30,313	27,325
Current liabilities			
Bank borrowings		100,558	161,010
Trade and bills payables	15	22,894	18,139
Accruals and other payables		47,273	42,232
Income tax payable		9,866	9,475
		180,591	230,856
Total liabilities		210,904	258,181
Total equity and liabilities		379,212	402,113

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2017

	Attributable to owners of the Company (unaudited)				
	Share capital HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance as at 1 May 2017	1	45	(3,310)	147,196	143,932
Comprehensive income					
– Profit for the period	–	–	–	17,022	17,022
Other comprehensive income					
– Currency translation difference	–	–	2,478	–	2,478
Total comprehensive income	–	–	2,478	17,022	19,500
Total transactions with owners					
– Issuance of ordinary shares upon capitalisation issue	74,999	(74,999)	–	–	–
– Issuance of ordinary shares upon initial public offering	25,000	95,000	–	–	120,000
– Dividends paid (Note 13)	–	–	–	(100,000)	(100,000)
– Share issuance costs	–	(15,124)	–	–	(15,124)
	99,999	4,877	–	(100,000)	4,876
Balance as at 31 October 2017	100,000	4,922	(832)	64,218	168,308

	Attributable to owners of the Company (unaudited)				
	Share capital HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance as at 1 May 2016	–*	46	(1,027)	184,612	183,631
Comprehensive income					
– Profit for the period	–	–	–	30,535	30,535
Other comprehensive loss					
– Currency translation difference	–	–	(1,655)	–	(1,655)
Total comprehensive income	–	–	(1,655)	30,535	28,880
Balance as at 31 October 2016	–*	46	(2,682)	215,147	212,511

* Denoted 1 ordinary share at HK\$0.1 in issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2017

	Six months ended 31 October 2017 <i>HK\$'000</i> (unaudited)	Six months ended 31 October 2016 <i>HK\$'000</i> (unaudited)
Cash flows from operating activities		
Net cash (used in)/generated from operations	(1,686)	4,998
Interest received	4	13
Interest paid	(3,548)	(2,696)
Income tax paid	(2,884)	(135)
Net cash (used in)/generated from operating activities	(8,114)	2,180
Cash flows from investing activities		
Purchases of property, plant and equipment	(8,116)	(7,994)
Settlements of liabilities arising from acquisitions of licenses	(7,930)	(10,227)
Repayment from related companies	49	—
Advances to related companies	(8,399)	(20,107)
Net cash used in investing activities	(24,396)	(38,328)
Cash flows from financing activities		
Proceeds from bank borrowings	197,864	177,337
Repayment of bank borrowings	(254,641)	(112,011)
Dividends paid	(1,407)	—
Advance from/(Repayment to) controlling shareholders	169	(40)
Proceeds from issuance of shares	120,000	—
Listing costs paid (equity portion)	(11,694)	(867)
Net cash generated from financing activities	50,291	64,419
Net increase in cash and cash equivalents	17,781	28,271
Effect on exchange rate difference	87	(180)
Cash and cash equivalents and bank overdrafts at beginning of the period	1,203	(21,838)
Cash and cash equivalents and bank overdrafts at end of the period	19,071	6,253

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

Kiddieland International Limited (the “Company”) was incorporated in Cayman Islands on 3 June 2016 as an exempted company with limited liability. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, 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 toys products.

On 11 September 2017, the Company issued a prospectus and launched a public offering of 250,000,000 shares at a price of HK\$0.48 per share (the “Offer Price”). The Company’s ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 21 September 2017.

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 2017 is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the accountant’s report included as Appendix I (the “Accountant’s Report”) of the Company’s prospectus dated 11 September 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the Accountant's Report, except for adoption of amendments to HKFRSs effective for the financial year ending 30 April 2018.

- (a) Amendments to HKFRSs effective for the financial year ending 30 April 2018 do not have a material impact on the Group.
- (b) New standards and amendments to existing standards have been issued but not yet effective and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
HKAS 40 (Amendments)	Transfers of Investment Property	1 May 2019
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 May 2019
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 May 2019
HKFRS 9	Financial Instruments	1 May 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 May 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 May 2018
HKFRS 16	Leases	1 May 2019
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 May 2018
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 May 2019
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle	1 May 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires 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 management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Accountant's Report.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(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 financial statements, and should be read in conjunction with the Accountant's Report.

There have been no changes in the risk management policies since the year ended 30 April 2017.

(B) LIQUIDITY RISK

Compared to the year ended 30 April 2017, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

(C) FAIR VALUE ESTIMATION

The carrying amounts of 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 financial assets and liabilities approximate their fair values due to their short maturities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION

The Executive Directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in the manufacturing and selling of plastic toys products. The chief operating decision-makers assess the performance of the business based on a measure of operating results and consider the business in 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 toys products.

For the six months ended 31 October 2017, revenue by geographical areas is as follows:

	Six months ended 31 October 2017 <i>HK\$'000</i> (unaudited)	Six months ended 31 October 2016 <i>HK\$'000</i> (unaudited)
America	140,091	113,494
Europe	81,401	116,429
Asia Pacific and Oceania	17,420	19,183
Africa	809	656
	239,721	249,762

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(continued)*

The geographical analysis of the Group's non-current assets (excluding deferred income tax assets and intangible assets) is as follows:

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
Hong Kong	332	91
The PRC	114,961	114,663
	115,293	114,754

For the six months ended 31 October 2017, there was one (six months ended 31 October 2016: 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 2017 <i>HK\$'000</i> (unaudited)	Six months ended 31 October 2016 <i>HK\$'000</i> (unaudited)
Customer A	54,093	35,630

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Six months ended 31 October 2017 <i>HK\$'000</i> (unaudited)	Six months ended 31 October 2016 <i>HK\$'000</i> (unaudited)
Auditors' remuneration		
– Audit services	550	260
– Non-audit services	300	—
Advertising and promotion expenses	2,046	1,645
Amortisation of prepaid operating lease	203	76
Amortisation of intangible assets (Note 11)	10,730	12,062
Allowance for impairment of slow moving inventories	—	77
Bank charges	1,067	1,256
Commissions	3,507	2,304
Consumables	4,642	4,799
Cost of inventories sold	86,234	78,208
Custom and declaration handling expenses	1,661	1,981
Depreciation of property, plant and equipment (Note 10)	9,178	10,736
Other taxes and surcharges	2,695	3,960
Operating lease expenses	3,032	3,600
Product testing expenses	1,153	1,115
Repair and maintenance expenses	1,609	1,597
Licenses fee	13,715	9,089
Staff costs, including directors' remuneration	49,706	59,098
Subcontracting expenses	892	2,395
Listing expenses	6,226	4,089
Logistics and warehousing expenses	8,003	12,918
Utilities	6,555	7,470
Other expenses	2,671	3,233
	216,375	221,968

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 INCOME TAX EXPENSES/(CREDITS)

For the six months ended 31 October 2017 and 2016, 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 US is subject to US corporate income tax at progressive tax rates ranged from 5% to 39% on estimated assessable profits.

The amount of income tax expenses charged/(credited) to the condensed consolidated interim statement of comprehensive income represents:

	Six months ended 31 October 2017 <i>HK\$'000</i> (unaudited)	Six months ended 31 October 2016 <i>HK\$'000</i> (unaudited)
Current income tax		
– Current tax on profit for the period	3,264	2,500
– Over-provision in prior years	—	(2,570)
Deferred income tax	654	(4,492)
Income tax expenses/(credits)	3,918	(4,562)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 EARNINGS PER SHARE

(A) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the six months ended 31 October 2017 and 2016. The weighted average number of ordinary shares are determined as follows:

- (i) the 1 ordinary share of the Company issued on 3 June 2016 (date of incorporation) was treated as if it had been issued since 1 May 2016;
- (ii) the 9,999 ordinary shares of the Company issued in January 2017 as a result of the reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange were treated as if they had been issued since 1 May 2016;
- (iii) the 749,990,000 ordinary shares of the Company issued on 21 September 2017 under the capitalisation issue were treated as if they had been issued since 1 May 2016; and
- (iv) the 250,000,000 ordinary shares offered to the public were issued on 21 September 2017.

	Six months ended 31 October 2017 (unaudited)	Six months ended 31 October 2016 (unaudited)
Net profit attributable to the owners of the Company (HK\$'000)	17,022	30,535
Weighted average number of ordinary shares in issue (in thousand)	804,645	750,000
Basic earnings per share in HK cents	2.1	4.1

(B) DILUTED EARNINGS PER SHARE

Diluted earnings per share for the period ended 31 October 2017 and 2016 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Factories and buildings	Furniture and fixtures	Office equipment	Motor vehicles	Plant and machinery	Moulds and tools	Moulds work-in-progress	Construction-in-progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended										
31 October 2016										
Net book value										
At beginning of the period	21,376	41,108	1,501	396	691	11,102	28,924	4,253	–	109,351
Addition	94	–	102	–	–	120	110	5,690	–	6,116
Depreciation (note 7)	(2,350)	(551)	(405)	(110)	(418)	(1,383)	(5,519)	–	–	(10,736)
Exchange difference	(209)	–	(13)	(1)	(10)	(136)	(218)	(247)	–	(834)
At end of the period	18,911	40,557	1,185	285	263	9,703	23,297	9,696	–	103,897
Six months ended										
31 October 2017										
Net book value										
At beginning of the period	17,035	40,005	1,038	215	189	8,708	26,050	6,981	–	100,221
Addition	534	–	–	313	121	747	26	4,742	3,612	10,095
Depreciation (note 7)	(1,952)	(551)	(233)	(92)	(15)	(1,118)	(5,217)	–	–	(9,178)
Transfer upon completion	–	–	–	–	–	–	3,844	(3,844)	–	–
Exchange difference	179	–	17	1	12	119	444	297	–	1,069
At end of the period	15,796	39,454	822	437	307	8,456	25,147	8,176	3,612	102,207

As at 31 October 2017, the Group was in the process of obtaining the property ownership certificates of the leasehold improvements and factories and buildings in the PRC with carrying amounts of approximately HK\$55,250,000 (30 April 2017: HK\$57,040,000). In the opinion of the Directors, based on the advice from the Group's external legal adviser, the absence of the property ownership certificates of these properties does not affect the right of use of these factories and buildings. The Directors considered that the absence of the property ownership certificates does not impair their carrying values to the Group as the Group were permitted for construction on the leased land and the probability of being evicted on the ground of an absence of property ownership certificate was remote.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 INTANGIBLE ASSETS

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 31 October 2016 <i>HK\$'000</i> (unaudited)
Licenses	38,676	17,583

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 31 October 2016 <i>HK\$'000</i> (unaudited)
Beginning of the period	29,009	29,145
Addition	20,397	500
Less: amortisation (note 7)	(10,730)	(12,062)
End of the period	38,676	17,583

Licenses represent minimum payments under license arrangement for non-exclusive rights of manufacturing toys 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

12 TRADE AND BILLS RECEIVABLES

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

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
US\$	102,506	37,442
RMB	329	1,272
	102,835	38,714

The credit period granted to customers are ranging from 0 to 150 days. The ageing analysis of trade and bills receivables based on invoice date, before provision for impairment, as at 31 October 2017 and 30 April 2017 is as follows:

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
Trade and bills receivables – gross		
– Up to 3 months	96,159	33,442
– Over 3 months	6,676	5,272
	102,835	38,714

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 TRADE AND BILLS RECEIVABLES *(continued)*

As of 31 October 2017, trade and bills receivables of HK\$3,986,000 (30 April 2017: HK\$5,166,000) were past due but not considered to be impaired because these mainly related to customers from whom there were no history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of trade and bills receivables that are past due is as follows:

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
Past due by:		
Up to 3 months	3,657	4,605
Over 3 months	329	561
	3,986	5,166

The maximum exposures to credit risk as at 31 October 2017 were the carrying amounts of trade and bills receivables. The Group did not hold any collateral as security. The carrying amounts of trade and bills receivables approximate their fair values.

During the period, one of the Group's customers filed for bankruptcy protection in the United States. With effect of the bankruptcy protection, the customer is granted a protection period of 180 days to restructure and refinance its debts. As at 31 October 2017, the Group had a balance of HK\$20,622,000 due from this customer of which, HK\$11,377,000 has been recovered subsequent to 31 October 2017 as the Group agreed to continue its business with the customer during the bankruptcy protection period. After consulting the legal advisor and based on the recent negotiation with this customer, the management is optimistic that the amount will be recovered in full without discount and no provision for impairment is made.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 DIVIDENDS

At the Board meeting held on 15 September 2017, the Company's Board of Directors declared an interim dividend of HK\$10,000 per share amounting to HK\$100,000,000 before the listing on the Main Board of The Stock Exchange of Hong Kong Limited and HK\$98,593,000 was net-off with the amounts due from the controlling shareholders and related entities owned by them.

14 SHARE CAPITAL

	(Unaudited) As at 31 October 2017		(Audited) As at 30 April 2017	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares of HK\$0.1 each as at the end of the period/year	10,000,000,000	1,000,000,000	3,800,000	380,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At beginning of the period/year	10,000	1,000	—	—
Issuance of ordinary shares at date of incorporation	—	—	1	—
Issuance of ordinary shares under reorganisation	—	—	9,999	1,000
Issuance of ordinary shares upon capitalisation issue (Note (i))	749,990,000	74,999,000	—	—
Issuance of ordinary shares upon initial public offering (Note (ii))	250,000,000	25,000,000	—	—
At end of the period/year	1,000,000,000	100,000,000	10,000	1,000

Notes:

- (i) On 21 September 2017, an amount of HK\$74,999,000 was capitalised from share premium to share capital of the Company.
- (ii) On 21 September 2017, 250,000,000 ordinary shares of HK\$0.1 each were issued at an offer price of HK\$0.48 per share for a total consideration of HK\$120,000,000 with HK\$79,876,000 credited to the share premium account of the Company, after taking into account of the issuance costs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
US\$	3,770	6,408
HK\$	14,113	7,930
RMB	5,011	3,801
	22,894	18,139

As at 31 October 2017, the ageing analysis of trade and bills payables based on invoice date is as follows:

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
Trade and bills payables – gross		
– Within 1 month	8,939	7,080
– 1-2 months	4,661	10,036
– 2-3 months	6,873	307
– Over 3 months	2,421	716
	22,894	18,139

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 COMMITMENTS

(A) CAPITAL COMMITMENTS

Capital commitments contracted for at the end of each reporting period but not yet incurred are as follows:

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
Authorised but not contracted for:		
– Land use right	25,796	24,784
Contracted but not provided for:		
– Leasehold improvement	869	1,747

(B) OPERATING LEASE COMMITMENTS - AS LESSEE

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
Within 1 year	3,584	6,258
Between 2 to 5 years	—	480
	3,584	6,738

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the condensed interim financial information, the following transactions took place between the Group and related parties at terms agreed between the parties.

Name of principal related parties	Relationship with the Group
Mr. Lo Hung	Controlling shareholder and Executive director
Ms. Leung Siu Lin Esther	Controlling shareholder and Executive director
Mr. Lo Shiu Kee Kenneth	Controlling shareholder and Executive director
Ms. Lo Shiu Shan Suzanne	Controlling shareholder and Executive director
Ms. Sin Lo Siu Wai Sylvia	Controlling shareholder and Executive director
Esther & Victor Limited	Controlled by the Controlling shareholders
Top Dragon Enterprise Investment Limited	Controlled by the Controlling shareholders

(a) The following transactions were carried out with related parties:

	Six months ended 31 October 2017 HK\$'000 (unaudited)	Six months ended 31 October 2016 HK\$'000 (unaudited)
(i) Rental expenses		
Operating lease expense for office paid to Top Dragon Enterprise Investment Limited	2,880	2,880
	2,880	2,880
(ii) Key management compensation		
Wages, salaries and bonus	4,132	3,293
Retirement benefits	81	72
Other benefits	120	120
	4,333	3,485

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 RELATED PARTY TRANSACTIONS *(continued)*

- (a) The following transactions were carried out with related parties: *(continued)*

The related party transactions as set out under (i) to (ii) above were carried out on terms mutually agreed between the parties. In the opinion of the Directors of the Company, these transactions are in the ordinary course of business of the Group and in accordance with the term of the underlying agreements.

- (b) Balances with related parties:

	As at 31 October 2017 <i>HK\$'000</i> (unaudited)	As at 30 April 2017 <i>HK\$'000</i> (audited)
<u>Amounts due from a related company</u>		
Esther & Victor Limited	—	90,194
	—	90,194
<u>Amounts due from a shareholder</u>		
Mr. Lo Shiu Kee Kenneth	—	169
	—	169

OTHER INFORMATION

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

As of 31 October 2017, the interests and/or short positions of the Directors and/or the chief executive 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 Hong Kong Stock Exchange 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 Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long position in shares of associated corporation - KLH Capital Limited ("KLH Capital")

Name of Director	Capacity	Nature of interests	Number of shares (ordinary)	Approximate percentage of shareholding in KLH Capital
Mr. Lo Shiu Kee Kenneth	Beneficial owner	Personal	2,500	25%
Ms. Lo Shiu Shan Suzanne	Beneficial owner	Personal	2,500	25%
Ms. Sin Lo Siu Wai Sylvia	Beneficial owner	Personal	2,500	25%
Mr. Lo Hung	Beneficial owner	Personal and family (<i>Note</i>)	2,500	25%
Ms. Leung Siu Lin Esther	Beneficial owner	Personal and family (<i>Note</i>)	2,500	25%

Note: Each of Mr. Lo Hung and Ms. Leung Siu Lin Esther holds 1,250 ordinary shares in KLH Capital representing 12.5% of the issued share capital of KLH Capital. As each of them is the spouse of the other of them, each of them is deemed under the SFO to be interested in such 1,250 shares in KLH Capital held by the other of them.

Save as disclosed above, as at 31 October 2017, none of the Directors or the chief executive 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 2017, the interests and short positions of substantial shareholders (other than the Directors and the chief executive 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 <i>(note)</i>	75%

Note: 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, all being Executive Directors of the Company, hold 25%, 25%, 25%, 12.5% and 12.5% respectively of the issued shares in KLH Capital.

Saved as disclosed above, as at 31 October 2017, 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 SFO.

INITIAL PUBLIC OFFERING

The Company issued 250,000,000 ordinary shares (“Share(s)”) in the Global Offering at the offer price of HK\$0.48 per Share. The net proceeds of approximately HK\$81.4 million and the Shares were listed on the Main Board of the Hong Kong Stock Exchange on 21 September 2017 (the “Listing Date”).

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date and up to 31 October 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

At the Board meeting held on 15 September 2017, the Company's Board of Directors declared an interim dividend of HK\$10,000 per share amounting to HK\$100,000,000 before the listing on the Main Board of Hong Kong Stock Exchange and HK\$98,593,000 was net-off with the amounts due from the controlling shareholders and related entities owned by them. The Board has today resolved not to declare any further interim dividend for the six months ended 31 October 2017.

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 options to our Directors, employees or other selected participants as incentives and rewards for their contribution to the Group. The Share Option Scheme took effect on the Listing Date, and no option has been granted up to the date of this report.

CORPORATE GOVERNANCE CODE

Since the Listing Date and up to 31 October 2017, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of 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 of the Listing Rules. Having made specific enquiry of all Directors, the Company's Directors confirmed that they have complied with the required standard as set out in the Model Code since the Listing Date and up to 31 October 2017.

OTHER INFORMATION

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

Mr. Szeto Chi Yan Stanley, an Independent Non-executive Director, was redesignated as the executive Chairman of Lever Style Inc. with effect from January 2017.

Each of the Executive Directors, namely Mr. Lo Shiu Kee Kenneth, Ms. Lo Shiu Shan Suzanne, Ms. Sin Lo Siu Wai Sylvia, Mr. Lo Hung and Ms. Leung Siu Lin Esther, has entered into a service agreement with the Company on 31 August 2017. Please refer to the section headed “Particulars of Directors’ service agreements and letters of appointment” in Part 3 of Section III of Appendix V in the Prospectus dated 11 September 2017 for Global Offering for details of the monthly salary, discretionary bonus and end-of-year bonus of the Executive Directors.

Each of the Independent Non-executive Directors has signed a letter of appointment with the Company on 31 August 2017. The initial annual director’s fee payable to each of the Independent Non-executive Directors under the respective letters of appointment is HK\$50,000.

Save as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the interim report for the six months ended 31 October 2017, 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, 15 December 2017