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 2017

INTERIM RESULTS

The board of directors (the "**Board**") 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 2017 together with the comparative unaudited figures for the corresponding period in 2016.

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	5	**239,721**	249,762
Cost of sales	6	**(179,813)**	(182,077)
Gross profit		**59,908**	67,685
Other income		**639**	452
Other gains, net		**51**	688
Selling and distribution expenses	6	**(13,441)**	(17,568)
Administrative expenses	6	**(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	7	**(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	8	**2.1**	4.1
Diluted earnings per share	8	**2.1**	4.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
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)
Profit for the period		**17,022**	30,535
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss			
Currency translation difference		**2,478**	(1,655)
Total other comprehensive profit/(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

	Note	As at 31 October 2017 *HK$'000* (unaudited)	As at 30 April 2017 *HK$'000* (audited)
ASSETS			
Non-current assets			
Prepaid operating lease		**12,999**	**12,896**
Property, plant and equipment		**102,207**	**100,221**
Intangible assets		**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	9	**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			
Equity attributable to owners of the Company			
Share capital		**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 (CONTINUED)
AS AT 31 OCTOBER 2017

	Note	As at 31 October 2017 *HK$'000* (unaudited)	As at 30 April 2017 *HK$'000* (audited)
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	10	**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**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

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**").

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

		Effective for accounting periods beginning on or after
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

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 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	Six months ended 31 October 2016
	HK$'000	*HK$'000*
	(unaudited)	(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.

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	**As at 30 April 2017**
	HK$’000	***HK$’000***
	(unaudited)	(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	Six months ended 31 October 2016
	HK$’000	*HK$’000*
	(unaudited)	(unaudited)
Customer A	**54,093**	35,630

6 EXPENSES BY NATURE

	Six months ended 31 October 2017	Six months ended 31 October 2016
	HK$'000	*HK$'000*
	(unaudited)	(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	**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	**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

7 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 amounts of income tax expenses charged/(credited) to the condensed consolidated interim statement of comprehensive income represent:

	Six months ended 31 October 2017	Six months ended 31 October 2016
	HK$'000	*HK$'000*
	(unaudited)	(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)

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 2017 and 2016. The weighted average number of ordinary shares are determined as follow:

(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.

9 TRADE AND BILLS RECEIVABLES

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

	As at 31 October 2017 *HK$'000* (unaudited)	As at 30 April 2017 *HK$'000* (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 *HK$'000* (unaudited)	As at 30 April 2017 *HK$'000* (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

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 *HK$'000* (unaudited)	**As at 30 April 2017** *HK$'000* (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.

10 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	As at 31 October 2017 *HK$'000* (unaudited)	As at 30 April 2017 *HK$'000* (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 *HK$'000* (unaudited)	As at 30 April 2017 *HK$'000* (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

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.

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, utilization of previously recognized 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 recognized in the Last Period and the increase in listing expenses of HK$2.1 million recognized 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 recognized 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.

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 new 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 motorized 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.

OTHER INFORMATION

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 Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on 21 September 2017 (the "**Listing Date**").

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.

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 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 of the Listing Rules (the "**Model Code**"). 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.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management 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 2017 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, 15 December 2017

As at the date of this announcement, the Board of Directors of the Company 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 Ms. TSE Yuen Shan, Mr. MAN Ka Ho Donald and Mr. SZETO Chi Yan Stanley as the Independent Non-executive Directors.