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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 ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2018

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kiddieland International Limited (the "**Company**") hereby announces the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 April 2018, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 April 2018 HK$'000	2017 HK$'000
Revenue	*3*	**320,396**	367,146
Cost of sales	*6*	**(267,555)**	(266,682)
Gross profit		**52,841**	100,464
Other income	*4*	**1,100**	893
Other gains, net	*5*	**1,987**	290
Selling and distribution expenses	*6*	**(22,105)**	(28,392)
Administrative expenses	*6*	**(45,508)**	(47,895)
Operating (loss)/profit		**(11,685)**	25,360
Finance income		**8**	18
Finance expenses		**(4,631)**	(5,904)
Finance costs, net	*7*	**(4,623)**	(5,886)
(Loss)/profit before taxation		**(16,308)**	19,474
Income tax credits	*8*	**2,584**	3,110
(Loss)/profit for the year		**(13,724)**	22,584
Other comprehensive income/(loss) for the year			
Item that may be reclassified to profit or loss:			
Currency translation differences		**5,726**	(2,283)
Other comprehensive income/(loss) for the year, net of tax		**5,726**	(2,283)
Total comprehensive (loss)/income for the year		**(7,998)**	20,301
Basic and diluted (loss)/earnings per share (HK cents)	*10*	**(1.5)**	3.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April	
		2018	2017
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Prepaid operating lease		**13,204**	12,896
Property, plant and equipment		**107,452**	100,221
Intangible assets		**29,343**	29,009
Deferred income tax assets		**7,136**	3,737
Prepayment		**1,064**	1,637
		158,199	147,500
Current assets			
Inventories		**113,533**	107,478
Trade and bills receivables	*11*	**19,276**	38,714
Other receivables, deposits and prepayments		**2,968**	7,218
Amounts due from a related company		**–**	90,194
Amounts due from a shareholder		**–**	169
Income tax recoverable		**3,750**	2,962
Cash and bank balances		**43,240**	7,878
		182,767	254,613
Total assets		**340,966**	402,113
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**100,000**	1
Other reserves		**4,922**	45
Exchange reserves		**2,416**	(3,310)
Retained earnings		**33,472**	147,196
Total equity		**140,810**	143,932

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 30 April	
		2018	2017
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**5,000**	13,000
Deferred income tax liabilities		**4,159**	3,776
Other payables		**9,593**	10,549
		18,752	27,325
Current liabilities			
Bank borrowings		**118,160**	161,010
Trade and bills payables	*12*	**20,078**	18,139
Accruals and other payables		**42,137**	42,232
Income tax payable		**1,029**	9,475
		181,404	230,856
Total liabilities		**200,156**	258,181
Total equity and liabilities		**340,966**	402,113

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Kiddieland International Limited 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 (the "**Toys Business**").

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 Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on 21 September 2017.

The financial information is presented in Hong Kong Dollars ("**HK$**") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial information, contained in this announcement, has been based on the audited consolidated financial statements of the Group for the year ended 30 April 2018 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "**Listing Rules**").

The preparation of the financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Basis of preparation

(i) Going concern basis

During the year ended 30 April 2018, the Group incurred a net loss of HK$13,724,000. As at 30 April 2018, the Group had current bank borrowings of HK$118,160,000 and non-current bank borrowings of HK$5,000,000, totalling HK$123,160,000. As at 30 April 2018, the Group had total banking facilities of approximately HK$199,124,000, of which approximately HK$123,160,000 was drawn down as bank borrowings. The banking facilities granted by banks to the Group are subject to annual review for renewal and contain certain covenant requirements. As of 30 April 2018, the Group failed to comply with one of the covenant requirements of one of the Group's banking facilities amounting to HK$44,167,000, of which HK$41,966,000 has been drawn down as bank borrowings.

In July 2018, the Group obtained a one-time waiver from compliance with the relevant breached covenant requirement from the relevant bank for the year ended 30 April 2018 and no early repayment has been demanded by the bank up to the date of approval of these consolidated financial statements. In addition, the Group has also successfully renewed the banking facilities with various banks and revised or removed certain restrictive undertaking requirements.

Furthermore, the significant inflation of production costs, the shrinking gross profit margin, the bankruptcy of a major customer and the appreciation of RMB against USD have exerted pressure on the Group's continuing profitability. To handle with these situations, management plans to implement numerous measures to stimulate the Group's revenue and to improve the profit margin. These measures include, but not limited to, increase selling price, development of new distribution channels and strengthening cost control.

Management has prepared a cash flow projection covering a period of twelve months from 30 April 2018 based on the anticipated cash flows generated from the Group's operations after taking into account the above measures and plans and the continuous availability of the banking facilities. Based on the cash flow projection, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2018. Accordingly, the Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and requirements of the Hong Kong Companies Ordinance Cap. 622.

(iii) Historical cost convention

The financial statements have been prepared under the historical cost convention.

(iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2017:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	Disclosure of interest in other entities

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(v) New standards and interpretations not yet adopted

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 May 2018 or later periods, but have not been early adopted by the Group.

		Effective for the Group's accounting periods beginning on or after
HKAS 28 (Amendments)	Investment in Associates and Joint Ventures	1 May 2018
HKAS 40 (Amendments)	Investment Property	1 May 2018
HKFRS 1 (Amendments)	First Time Adoption of HKFRS	1 May 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 May 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance contracts	1 May 2018
HKFRS 9	Financial Instruments	1 May 2018
HKFRS 15	Revenue from Contracts with Customers	1 May 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 May 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 May 2018
HKFRS 16	Leases	1 May 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 May 2019
HKFRS 17	Insurance Contracts	1 May 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between Investor	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations not yet adopted (continued)

Except as disclosed below, the Group is in the process of commencing an assessment of the impact of these new standards, amendments and interpretations to the existing standards, but is not yet in a position to state whether these new standards, amendments and interpretations would have a significant impact on its results of operation and financial position.

HKFRS 9 Financial instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for the Group's accounting periods commencing on or after 1 May 2018. The Group will apply the new rules retrospectively from 1 May 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New standards and interpretations not yet adopted (continued)

Impact

The Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Date of adoption by the Group

Mandatory for the Group's accounting periods commencing on or after 1 May 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 May 2018 and that comparatives will not be restated.

HKFRS 16 Lease

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group is a lessee of certain properties which are currently classified as operating leases. The Group's current accounting policy for such leases is to record the rental expenses in the Group's consolidated statements of comprehensive income for the current year with the related operating lease commitments. As at 30 April 2018, the Group's total non-cancellable operating lease commitments amounted to HK$1,317,000. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allow lessees to recognise leases outside of the consolidated statements of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in increase in right-of-use assets and increase in lease liabilities in the consolidated statements of financial position. In the consolidated statements of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while amortisation of right of use of assets and interest expense arising from the financial liabilities will increase.

Date of adoption by the Group

Mandatory for the Group's accounting periods commencing on or after 1 May 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3 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 Toys Business based on a measure of operating results and consider the Toys 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.

The Group's revenue by geographical location, which is determined by the continent where the goods were delivered, is as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
America	**178,674**	172,031
Europe	**113,836**	158,960
Asia Pacific and Oceania	**27,077**	35,212
Africa	**809**	943
	320,396	367,146

The Group's non-current assets (excluding deferred income tax assets and intangible assets) by geographical location, which is determined by the city/country in which the asset is located, are as follows:

	As at 30 April	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**453**	91
The PRC	**121,267**	114,663
	121,720	114,754

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Customer A	**61,405**	64,316

The five largest customers accounted for approximately 38.7% (2017: 38.4%) of the revenue of the Group for the year ended 30 April 2018.

4 OTHER INCOME

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Sales of scrapped materials	**547**	510
Sundry income	**553**	383
	1,100	893

5 OTHER GAINS, NET

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Exchange gain, net	**1,987**	245
Net gain on disposal of property, plant and equipment	**–**	45
	1,987	290

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Auditors' remuneration (excluding listing related services)		
— Audit services	**1,152**	327
— Non-audit services	**783**	–
Advertising and promotion expenses	**6,436**	4,975
Amortisation of prepaid operating lease	**412**	234
Amortisation of intangible assets	**20,900**	23,208
Allowance for impairment of inventories	**3,804**	77
Allowance for impairment of trade receivables *(note 11)*	**6,656**	–
Bank charges	**1,598**	2,043
Commissions	**4,065**	3,100
Consumables	**7,824**	6,926
Cost of inventories sold	**110,162**	102,651
Custom and declaration handling expenses	**2,655**	3,265
Depreciation of property, plant and equipment	**19,505**	21,234
Other taxes and surcharges	**4,307**	4,920
Operating lease expenses	**6,926**	7,276
Product testing expenses	**2,009**	1,553
Repair and maintenance expenses	**1,940**	2,460
Licenses fee	**12,026**	9,893
Staff costs, including directors' remuneration	**87,680**	95,706
Subcontracting expenses	**1,246**	2,917
Listing expenses	**6,226**	12,992
Logistics and warehousing expenses	**10,729**	18,045
Utilities	**11,002**	12,021
Other expenses	**5,125**	7,146
	335,168	342,969

7 FINANCE COSTS, NET

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Finance income:		
Bank interest income	**8**	18
	8	18

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Finance expenses:		
Bank overdraft interest	**(313)**	(1,253)
Other bank borrowing interest	**(4,318)**	(4,651)
	(4,631)	(5,904)
Finance costs, net	**(4,623)**	(5,886)

8 INCOME TAX CREDITS

For the year ended 30 April 2018, 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.

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**465**	(1,120)
China enterprise income tax	**(245)**	1,730
US corporate income tax	**212**	109
	432	719
Deferred taxation		
— Reversal of recognised temporary difference for the change of applicable tax rate	**–**	(3,970)
— Origination and reversal of temporary difference	**(3,016)**	141
	(3,016)	(3,829)
	(2,584)	(3,110)

8 INCOME TAX CREDITS (CONTINUED)

The difference between the actual income tax expenses charged to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to (loss)/profit before taxation can be reconciled as follows:

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(16,308)**	19,474
Tax calculated at domestic tax rates applicable to profits in respective countries	**(1,580)**	5,006
Income not subject to tax	**(155)**	(1,298)
Expenses not deductible for tax purpose	**188**	1,916
Tax losses not recognised	**256**	718
Over-provision in prior years	**(1,588)**	(2,564)
Utilisation of previously unrecognised tax losses	**–**	(3,310)
Reversal of recognised temporary difference for the change of applicable tax rate *(note(i))*	**–**	(3,970)
Reversal of temporary difference of capital injection *(note (ii))*	**–**	392
Others	**295**	–
Income tax credits	**(2,584)**	(3,110)

For the year ended 30 April 2018, the weighted average applicable tax rates was 15.8% (2017: negative 16.0%).

Notes:

(i) During the year ended 30 April 2016, the Group was in the process of transformation back to contract processing. Income tax is provided for under import processing at 16.5%. During the year ended 30 April 2017, the Group completed its transformation and successfully resumed back to contract processing operation. In the opinion of the Directors, the completion of the manufacturing arrangement transformation from import processing to contract processing allows the Group to claim for the deduction under contract processing for the year ended 30 April 2018.

(ii) In the prior years, the Group injected certain machineries into Dongguan Kiddieland Industrial Co., Ltd. According to the relevant rules in the PRC, the machineries are recognised at fair values at the time of the injection for tax reporting purpose. Deferred tax assets are recognised for the temporary differences arose.

Management considered the Group will be entitled to the deduction allowance under contract processing and be liable to a lower applicable tax rate.

A reversal of income tax expense was recognised due to the temporary difference provided at a lower applicable tax rate.

9 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends during the year ended 30 April 2018 represented dividends declared by Kiddieland Industrial Limited to its then equity holders. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

At the Board meeting held on 15 September 2017, the Board 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 shareholders and related entities owned by them.

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Declared and paid interim dividend	**100,000**	60,000

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

	Year ended 30 April	
	2018	2017
	HK$'000	*HK$'000*
Net (loss)/profit attributable to the owners of the Company	**(13,724)**	22,584
Weighted average number of ordinary shares in issue	**902,055**	750,000
Basic (loss)/earnings per share (HK cents)	**(1.5)**	3.0

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the year ended 30 April 2018. The weighted average number of ordinary shares in issue 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 Hong Kong 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.

(b) Diluted (loss)/earnings per share

For the year ended 30 April 2018, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no potential dilutive share.

11 TRADE AND BILLS RECEIVABLES

	As at 30 April	
	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**19,276**	38,714

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

	As at 30 April	
	2018	2017
	HK$'000	*HK$'000*
US$	**18,583**	37,442
RMB	**693**	1,272
	19,276	38,714

The Group grants credit periods to customers ranged from 0 to 180 days. As at 30 April 2018, the ageing analysis of the trade and bills receivables based on invoice date is as follows:

	As at 30 April	
	2018	2017
	HK$'000	*HK$'000*
Up to 3 months	**17,702**	33,442
Over 3 months	**1,574**	5,272
	19,276	38,714

During the year ended 30 April 2018, one of the Group's customers filed for the bankruptcy protection in September 2017 and made a subsequent liquidation announcement in March 2018. The Group has made a provision of impairment of HK$6,383,000 as at 30 April 2018. In addition, a provision of impairment of HK$273,000 were made for overdue receivables from other customers which management considered the chance of recovery was remote.

As of 30 April 2018, trade and bills receivables of HK$1,997,000 (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 are of the opinion that no provision of 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 these trade and bills receivables is as follows:

	As at 30 April	
	2018	2017
	HK$'000	*HK$'000*
Past due by:		
Up to 3 months	**1,907**	4,605
Over 3 months	**90**	561
	1,997	5,166

11 TRADE AND BILLS RECEIVABLES (CONTINUED)

Movements on the Group's allowance for impairment of trade receivables are as follows:

	As at 30 April	
	2018	2017
	HK$'000	*HK$'000*
Beginning of the year	**–**	–
Provision of impairment recognised during the year *(note 6)*	**6,656**	–
End of the year	**6,656**	–

The maximum exposure to credit risk as at 30 April 2018 were the carrying amounts of the 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.

12 TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 30 April	
	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**10,435**	7,080
1–2 months	**5,936**	10,036
2–3 months	**957**	307
Over 3 months	**2,750**	716
	20,078	18,139

Trade and bills payables are denominated in the following currencies:

	As at 30 April	
	2018	2017
	HK$'000	*HK$'000*
US$	**1,787**	6,408
HK$	**12,313**	7,930
RMB	**5,978**	3,801
	20,078	18,139

The carrying amounts of the trade and bills payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Financial year 2018 has proven to be a very challenging year for our Group and the toy industry in general. Arguably the largest toy retailer in the world, Toys "R" Us Inc. ("**TRU**") had filed for Chapter 11 bankruptcy in September 2017, followed by an announcement made in March 2018 to declare that the company in U.S. will go through a gradual liquidation. Its many international subsidiaries have followed suit as some have already closed down, others are sold, and some are still looking for potential buyers (the "**TRU Crisis**").

Coupled with the turmoil which TRU has created which has proven to have a rather long term effect, since the beginning of the second half of financial year 2018, several major raw materials are seeing substantial price increases. Plastic material accounts for the Group's largest raw material usage and as oil prices are slowly escalating, plastic prices have elevated significantly which has inevitably eroded our margin. Paper/cardboard prices have also shown a major increase since October 2017. These components constitute a large percentage of our overall cost, and the rise in price has affected our Group's profitability. Labour supply is also unprecedentedly scarce and wages have been adjusted upwards driven by simple supply and demand factors. Finally, the currency RMB has appreciated noticeably against US$ and as much of our cost is expensed in RMB, this also affected our bottom line.

The Group's revenue for the year was approximately HK$320.4 million, which has decreased by 12.7% as compared to last year (2017: approximately HK$367.1 million).

The decrease in revenue was mainly attributed to (i) the decrease of revenue generated from Europe which decreased by 28.4% to approximately HK$113.8 million (2017: HK$159.0 million). Orders from various customers in European markets had decreased during the year because most of our customers in the region have adopted tightened procurement program as 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; (ii) the decrease in average selling price of products sold to U.S., which was primarily due to a major customer in the region having changed its procurement arrangement from POE terms to FOB terms since June 2017.

Moreover, the TRU Crisis sent additional shockwaves to global toy industry. The resulting overall sentiment of the toy industry, especially in Europe, dived and many customers had turned particularly conservative in placing orders since the TRU development. The Group also decided to restrain the supply of goods to various subsidiaries of TRU in the second half of financial year 2018 as payment could potentially be questionable. As a result, revenue for the second half of financial year 2018 has decreased to HK$80.7 million as compared to HK$117.4 million for the corresponding period last year.

The Group recorded a net loss of HK$13.7 million for year ended 30 April 2018 (2017: net profit HK$22.6 million). The loss was attributed to the decrease in revenue as well as the provision of impairment on trade receivable and inventory of HK$8.2 million totally in related to bankruptcy filing cases of TRU and the absence of non-recurring tax credits for the year (2017: approximately HK$7.3 million). Moreover, the Group's profitability also suffered from the absurd appreciation of RMB against HK$ and the escalating prices in various production materials during the second half of the financial year.

Financial Results

Revenue

As mentioned in Business Review, revenue generated from Europe decreased by 28.4% to approximately HK$113.8 million (2017: HK$159.0 million). Both average selling price and orders from various European customers had decreased because most of customers in the region have adopted tightened procurement program as a result of the sluggish economy and political instability in various place in Europe as well as the market turbulence evoked by TRU.

On the other hand, notwithstanding the encouraging growth of revenue from North America during first half of the year, revenue generated in second half from North America substantially affected by the bankruptcy filing of TRU and revenue generated from North America for the year only increased by 4.6% to approximately HK$172.7 million (2017: HK$165.1 million).

As a result of the above, the Group's overall revenue decreased by 12.7% to approximately HK$320.4 million (2017: HK$367.1 million).

Gross Profit

The Group's gross profit decreased by 47.4% to approximately HK$52.8 million for the year (2017: HK$100.5 million). The decrease was attributed to the decrease in revenue discussed above as well as the provision of impairment on inventory of HK$3.8 million. The Group's profitability also suffered from the absurd appreciation of RMB against HK$ and the escalating prices in various production materials during second half of the financial year. The gross profit margin for the year decreased to 16.5% as compared to 27.4% of last year.

Selling and Distribution Expenses

Selling and Distribution expenses decreased by 22.1% to approximately HK$22.1 million for the year (2017: HK$28.4 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 customer for the year.

Administrative Expenses

Administrative expenses decreased by 5.0% to approximately HK$45.5 million for the year (2017: HK$47.9 million). The decrease was mainly attributed to the decrease in listing fee recognised as compared to that in last year and with the offsetting effect of the provision of impairment on trade receivables of HK$6.4 million for TRU.

Finance Costs

Net finance costs decreased by 21.5% to approximately HK$4.6 million for the year (2017: HK$5.9 million). The decrease was attributed to decrease in bank borrowings.

Financial Results (continued)

Income Tax Credits

Income tax credits (net of tax expenses) of the Group was HK$2.6 million for the year whilst the Group recorded income tax credits (net of tax expenses) of HK$3.1 million for last year.

The tax credits for last year was attributable to the 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$7.3 million. All such tax credits for last year 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 (Loss)/profit

In the absence of the non-recurring tax credits of HK$7.3 million recognised in last year and the decrease in listing expenses of HK$6.8 million recognised for the year, which coupled with provision of HK$8.2 million for TRU for the year, the Group recorded a net loss of HK$13.7 million for the year (2017: net profit of HK$22.6 million).

When excluding the provision for TRU in the current year and one-off tax credits and reversal recognised in last year and the listing expenses for both years, the adjusted profit after tax for the year would be HK$0.7 million as compared to adjusted profit after tax of HK$28.3 million for last year.

Inventories

Inventories as at 30 April 2018 were HK$113.5 million, increased from HK$107.5 million as at 30 April 2017. Inventory turnover days for the year were 150.8 days (2017: 136.1 days). The higher stock level was primarily due to the arrangement of early production on the Group's products in order to better utilise the Group's production capacity.

Trade and Bills Receivables

Trade and bills receivables as at 30 April 2018 were HK$19.3 million, decreased from HK$38.7 million as at 30 April 2017. Trade and bills receivables turnover days for the year were 33.0 days (2017: 35.7 days). The decrease was due to the decrease in revenue, especially for second half of the year.

Trade and Bills Payables

Trade and bills payables as at 30 April 2018 were HK$20.1 million, increased from HK$18.1 million as at 30 April 2017. Trade and bills payables turnover days for the year remained relatively stable at 26.1 days (2017: 27.9 days).

Financial Results (continued)

Liquidity and Financial Resources

During the year ended 30 April 2018, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2018, cash and cash equivalents amounted to HK$43.2 million. (2017: HK$7.9 million). The increase was mainly due to the additional capital of HK$81.4 million raised from the Global Offering with an offsetting effect from less bank borrowings drawn during the year. The current ratio of the Group, as calculated by total current assets over total current liabilities, was 1.0 as at 30 April 2018 (2017: 1.1).

As at 30 April 2018, the Group's net current assets was HK$1.4 million (2017: HK$23.8 million). Total bank borrowings were HK$123.2 million (2017: HK$174.0 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 87.5% (2017: 120.9%). All bank borrowings were subject to floating interest rates. The Group will negotiate with banks to increase the bank borrowings limit for working capital needs, if necessary.

Foreign Currency Exposure

The Group's sales and purchases are mainly denominated in Hong Kong and US Dollar. And for production factory located in 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 30 April 2018, the Group had not entered into any financial instrument for the hedging of foreign currency.

Employees and Remuneration Policy

As at 30 April 2018, the Group employed 1,234 full time management, administrative and production staff in Hong Kong Special Administrative Region and Mainland China. The Group has seasonal fluctuations in the number of workers employed in its production plant while the number of management and administrative staff remains stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices.

Environmental, Social and Corporate Responsibility

The Group is committed to achieving environmental sustainability and has implemented its Corporate Social Responsibility strategy across the organisation by embedding social responsibility into daily operations. The Group's production plant substantially complied with all applicable local and international environmental regulations.

Environmental, Social and Corporate Responsibility (continued)

The Group has installed solar panels as well as energy saving devices for injection machines at its factory in PRC. The Group also encourages environmental protection practices such as setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances. The Group resolves to adopt and encourages practices that prevent or minimise pollution and optimise efficient use of energy and natural resources in order to provide employees with a safe and healthy working and living environment.

Significant Investment Held

Except for investments in subsidiaries, the Group did not hold any significant investment during the year.

Capital Commitments

As at 30 April 2018, the commitments of the Group for acquisition of property, plant and equipment amounted to HK$1.1 million which has been contracted, but not provided for in the consolidated financial statements. In addition, the commitments of the Group for acquisition of land use right amounted to HK$27.2 million which has been authorised, but not contracted for in the consolidated financial statements.

Contingent Liabilities

As at 30 April 2018, the Group had contingent liabilities in relation to irrevocable standby letter of credit of HK$4.4 million. Save as aforesaid, the Group did not have any other significant contingent liabilities.

Use of Proceeds

In September 2017, the Company completed the Global Offering and raised total net proceeds of HK$81.4 million after deducting the listing expenses. As at 30 April 2018, the Group has utilised HK$46.0 million of the net proceeds from the listing according to the intended purposes, and HK$35.4 million of the unused net proceeds were deposited in licensed banks in Hong Kong. Set out below is the intended use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 11 September 2017 ("**Prospectus**"), utilised amount and unutilised amount of net proceeds as at 30 April 2018.

Use of net proceeds	**Percentage of net proceeds** *%*	**Net proceeds** *HK$'000*	**Amount utilised** *HK$'000*	**Amount remaining** *HK$'000*
Diversification of product offerings by developing new products and further entering into licensing arrangements	51.8%	42,200	(33,072)	9,128
Strengthening sales and marketing of the company's co-branded products and Kiddieland branded products	27.2%	22,100	(5,734)	16,366
Acquiring machinery and upgrading existing machinery	9.5%	7,700	(1,745)	5,955
Repair and maintenance of the factory, production tools and machinery	11.5%	9,400	(5,429)	3,971
Total	100.0%	81,400	(45,980)	35,420

Outlook/Future Prospects and Strategies

The collapse of the TRU empire is going to create an adverse impact on the Company. While some of the lost business is expected to be picked up by other existing retailers, there will remain a certain market share that will not find a new home and be gone forever. To counter this phenomenon, the Group will look into two different means to grow its business. One is to expand into untapped or underexploited customer base, and the other is to broaden our product range and compete in new marketplace.

At the end of 2017, the Company has decided to invest into enhancing its logistics capabilities in U.S. by partnering up with a third-party warehouse so that the Group's internet sales can grow more rapidly with major dotcom customers. The result is a direct ship program in which Kiddieland would become responsible in shipping goods directly to consumers once orders have been placed on different retail websites. This new arrangement simplifies business transactions for internet customers, and it subsequently opens doors to more business opportunities. The Directors believe the investment is going to pay off handsomely in the long-term as internet business is growing at exponential rates all over the world.

During the last 6 months, the Company has successfully developed a range of 6V rechargeable motorised ride-ons. This represents a brand new category which the Company had never attempted before. On average, the selling price of these new products is more than double compared to the regular foot-to-floor ride-ons which the Company has made in the last 20 years. So far the sales results have been encouraging and the Directors believe this new category is going to contribute significantly to the growth going forward. The Company will continue to develop this line and broaden its product offerings.

Other challenges the Group was faced with this past year were the raw materials price increase, labour wages escalating and the continuing currency appreciation of RMB against US$. The Company is acknowledging an erosion of gross profit margin which is unhealthy and needs to find ways to rectify these negative effects. The Directors believes imposing a price increase is the first step so that the cost increase can be transferred back to the customers. At the same time, the introduction of more automation in the manufacturing process and a study to reengineer some of our product lines may also yield savings on production fronts. Such strategy should help manage the cost side.

With all these measures taken, the Directors trust that the performance of the Group will gradually turn around in the near future and revert back to profitability.

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 are approximately HK$81.4 million and the Shares were listed on the Main Board of Hong Kong Stock Exchange on 21 September 2017 (the "**Listing Date**").

Final Dividend

The Board has resolved not to declare any final dividend for the year ended 30 April 2018.

Closure of Register of Members

For the purpose of determining the shareholder's eligibility to attend and vote at the Annual General Meeting ("**AGM**"), the register of members of the Company will be closed from Wednesday, 10 October 2018 to Friday, 12 October 2018, both days inclusive. In order to qualify for attending and voting at the AGM, shareholder should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 9 October 2018.

Annual General Meeting

The AGM will be held on Friday, 12 October 2018. Notice of the AGM will be sent to the shareholders of the Company in due course.

Purchase, Sale or Redemption of Listed Securities

Since the Listing Date and up to 30 April 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Code

Since the Listing Date and up to 30 April 2018, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Code for Dealing in Company's Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard as set out in the Model Code since the Listing Date and up to 30 April 2018.

Audit Committee and Review of Results

The Audit Committee of the Company has reviewed with the management the consolidated financial statements of the Group for the year ended 30 April 2018, accounting principles and practices adopted by the Group, and discussed auditing, internal controls, risk management and financial reporting matters relating to the preparation of the annual results of the Group for the year ended 30 April 2018.

Auditor

The financial figures in this announcement of the Group's results for the year ended 30 April 2018 have been agreed by the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PwC on this announcement.

Publication of Annual Results Announcement and Annual Report

This announcement is published on the website of Hong Kong Stock Exchange at (www.hkexnews.hk) and that of the Company at (www.kiddieland.com.hk). The 2018 annual report of the Company will be despatched to the shareholders of the Company and made available on the website of 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 year.

By Order of the Board
Kiddieland International Limited
Lo Hung
Chairman

Hong Kong, 18 July 2018

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 Ms. TSE Yuen Shan, Mr. MAN Ka Ho Donald and Mr. SZETO Chi Yan Stanley as the Independent Non-executive Directors.