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 2019

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 2019, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 April **2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**289,049**	320,396
Cost of sales	*7*	**(250,191)**	(272,873)
Gross profit		**38,858**	47,523
Other income	*5*	**731**	1,100
Other gains, net	*6*	**2,102**	1,987
Selling and distribution expenses	*7*	**(11,593)**	(16,787)
Administrative expenses	*7*	**(34,438)**	(38,852)
Reversal of impairment losses/(impairment losses) on financial assets, net		**731**	(6,656)
Operating loss		**(3,609)**	(11,685)
Finance income		**8**	8
Finance expenses		**(5,231)**	(4,631)
Finance costs, net	*8*	**(5,223)**	(4,623)
Loss before taxation		**(8,832)**	(16,308)
Income tax (expenses)/credits	*9*	**(529)**	2,584
Loss for the year		**(9,361)**	(13,724)
Other comprehensive (loss)/income for the year			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(4,825)**	5,726
Other comprehensive (loss)/income for the year, net of tax		**(4,825)**	5,726
Total comprehensive loss for the year		**(14,186)**	(7,998)
Basic and diluted loss per share (HK cents)	*11*	**(0.9)**	(1.5)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April	
		2019	2018
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Prepaid operating lease		**12,330**	13,204
Property, plant and equipment		**119,333**	107,452
Intangible assets		**11,853**	29,343
Deferred income tax assets		**8,069**	7,136
Prepayment	*12*	**72**	1,064
		151,657	158,199
Current assets			
Inventories		**118,079**	113,533
Trade and bills receivables	*12*	**25,348**	19,276
Other receivables, deposits and prepayments	*12*	**5,433**	2,968
Income tax recoverable		**1,137**	3,750
Cash and bank balances		**19,392**	43,240
		169,389	182,767
Total assets		**321,046**	340,966

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 30 April	
		2019	2018
	Note	***HK$'000***	*HK$'000*
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**100,000**	100,000
Other reserves		**6,242**	4,922
Exchange reserves		**(2,409)**	2,416
Retained earnings		**24,111**	33,472
Total equity		**127,944**	140,810
LIABILITIES			
Non-current liabilities			
Bank borrowings		**—**	5,000
Deferred income tax liabilities		**4,337**	4,159
Other payables		**58**	9,593
		4,395	18,752
Current liabilities			
Bank borrowings		**138,233**	118,160
Trade and bills payables	*13*	**21,240**	20,078
Accruals and other payables		**27,485**	42,137
Contract liabilities		**1,371**	—
Income tax payable		**378**	1,029
		188,707	181,404
Total liabilities		**193,102**	200,156
Total equity and liabilities		**321,046**	340,966

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

Kiddieland International Limited was incorporated in the 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, the Cayman Islands. The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and selling of plastic toy products (the "**Toys Business**").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial information of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial information have been prepared under the historical cost convention.

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

(a) New and amended standards, improvements and interpretations adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretations for the first time for their annual period commencing on 1 May 2018:

Annual Improvements Project — HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15, details of which are set out in changes in accounting policies. Most of the other amendments listed above did not have any material impact on the amounts recognised in prior periods and not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New and amended standards, improvements, interpretations and revised framework to existing standards not yet adopted

The following new and amended standards, improvements, interpretations and revised framework to existing standards are not effective for annual periods commencing on or after 1 May 2018 and have not been early adopted by the Group:

Annual Improvements Project — HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 (Amendments)	Annual Improvements 2015–2017 Cycle[1]
Conceptual Framework for Financial Reporting 2018 (Amendments)	Revised Conceptual Framework for Financial Reporting[2]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]

Notes:

(1) Effective for annual periods commencing on or after 1 January 2019.
(2) Effective for annual periods commencing on or after 1 January 2020.
(3) Effective for annual periods commencing on or after 1 January 2021.
(4) To be determined.

The Group has already commenced an assessment of the impact of these amendments. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New and amended standards, improvements, interpretations and revised framework to existing standards not yet adopted (continued)

(i) HKFRS 16 "Leases"

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 by lessees, 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.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 30 April 2019, the Group's future aggregate minimum lease payments under non-cancellable operating leases is approximately HK$6,755,000 among which less than one year is HK$6,275,000 and more than one year is HK$480,000. HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of assets (for the rights of use) and financial liabilities (for the payment obligations). Short-term leases of less than twelve months and leases of low-value assets are exempted from such reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. Operating expenses under otherwise identical circumstances will decrease, and amortisation of right-of-use assets and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group expects to recognise the right-of-use assets and lease liabilities for the non-cancellable operating lease commitments which are more than one year. The Group expects no material impact to the consolidated statement of comprehensive income.

Date of adoption by the Group

Mandatory for annual periods commencing on or after 1 May 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on any foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial information and also discloses the new accounting policies that have been applied from 1 May 2018, where they are different to those applied in prior periods.

(a) HKFRS 9 "Financial Instruments" — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 May 2018 only resulted in changes in accounting policies. No material adjustments were made to the amounts recognised in the consolidated financial information.

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Group's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised cost as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initial recognised at fair value and subsequently measured at amortised cost. The Group's trade receivables are subject to HKFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under HKFRS 9. The Directors of the Company consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

However, adjustments were made to line items in the consolidated statement of comprehensive income for the comparative financial information related to reclassification of impairment losses on financial assets required as a result of consequential changes made to HKAS 1 "Presentation of Financial Statements".

	Year ended 30 April 2018 *HK$'000*
Increase in impairment losses on financial assets, net	6,656
Decrease in administrative and operating expenses	(6,656)

(b) HKFRS 15 "Revenue from Contracts with Customers" — Impact of adoption

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 May 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial information. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in the retained earnings as of 1 May 2018 and that comparatives will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(b) HKFRS 15 "Revenue from Contracts with Customers" — Impact of adoption (continued)

(i) Timing of revenue recognition

Revenue is recognised when the customer obtains control of the promised good or service in the contract at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. All directly attributable transportation expenses are classified as "cost of sales" in the consolidated statement of comprehensive income for 2019. To ensure consistent presentation, similar reclassification of corresponding transportation expenses has been made to cost of sales for 2018.

(ii) Presentation of contract assets and contract liabilities

The following reclassification was made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 May 2018):

	HKAS 18 carrying amounts 30 April 2018	**Reclassification**	**HKFRS 15 carrying amounts 1 May 2018**
	HK$'000	*HK$'000*	*HK$'000*
Accruals and other payables (Current liabilities)	42,137	(1,314)	40,823
Contract liabilities	—	1,314	1,314

Advance receipts previously recorded in accruals and other payables are now presented as "contract liabilities" under HKFRS 15.

The following describes the Group's updated revenue from contracts with customers' policy to reflect the adoption of HKFRS 15:

Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

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 toy 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 toy products.

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

	2019	2018
	HK$'000	*HK$'000*
America	**157,722**	178,674
Europe	**106,793**	113,836
Asia Pacific and Oceania	**24,085**	27,077
Africa	**449**	809
	289,049	320,396

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:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**394**	453
The PRC	**131,341**	121,267
	131,735	121,720

For the year ended 30 April 2019, there was one (2018: one) customer which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from the customer is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**70,196**	61,405

The five largest customers accounted for approximately 42.8% (2018: 38.7%) of the revenue of the Group for the year ended 30 April 2019.

4 REVENUE

	2019	2018
	HK$'000	*HK$'000*
Sales of goods	**289,049**	320,396

Sales of goods are recognised at a point in time.

The Group has recognised following liabilities related to contracts with customers:

	2019
	HK$'000
Contract liabilities (sales of goods)	**1,371**

Revenue recognised that is included in the contract liabilities balance at the beginning of the year amounted to HK$1,314,000.

5 OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Sales of scrapped materials	**363**	547
Sundry income	**368**	553
	731	1,100

6 OTHER GAINS, NET

	2019	2018
	HK$'000	*HK$'000*
Exchange gain, net	**2,042**	1,987
Net gain on disposal of property, plant and equipment	**60**	—
	2,102	1,987

7 EXPENSES BY NATURE

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration (excluding listing related services)		
— Audit services	**1,130**	1,152
— Non-audit services	**439**	783
Advertising and promotion expenses	**1,849**	6,436
Amortisation of prepaid operating lease	**405**	412
Amortisation of intangible assets	**19,297**	20,900
(Reversal of)/allowance for impairment of inventories	**(3,545)**	3,804
Bank charges	**1,487**	1,598
Commissions	**2,578**	4,065
Consumables	**6,499**	7,824
Cost of inventories sold	**114,021**	110,162
Custom and declaration handling expenses	**1,440**	2,655
Depreciation of property, plant and equipment	**18,159**	19,505
Other taxes and surcharges	**3,359**	4,307
Operating lease expenses	**6,923**	6,926
Product testing expenses	**373**	2,009
Repair and maintenance expenses	**1,434**	1,940
Licenses fees	**6,015**	12,026
Staff costs, including Directors' emoluments	**83,947**	87,680
Share-based payment expenses	**1,320**	–
Subcontracting expenses	**1,442**	1,246
Listing expenses	**–**	6,226
Logistics and warehousing expenses	**14,116**	10,729
Utilities	**10,188**	11,002
Other expenses	**3,346**	5,125
	296,222	328,512

8 FINANCE COSTS, NET

	2019	2018
	HK$'000	*HK$'000*
Finance income:		
Bank interest income	**8**	8
	8	8
Finance expenses:		
Bank overdraft interest	**(296)**	(313)
Other bank borrowing interest	**(4,935)**	(4,318)
	(5,231)	(4,631)
Finance costs, net	**(5,223)**	(4,623)

9 INCOME TAX EXPENSES/(CREDITS)

For the year ended 30 April 2019, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit. The Group's subsidiaries in the PRC are subject to China corporate income tax at a rate of 25% on the estimated assessable profits. The Group's subsidiary in the U.S. is subject to U.S. corporate income tax at progressive tax rates ranged from 5% to 39% on the estimated assessable profit.

	2019	2018
	HK$'000	*HK$'000*
Current taxation		
— Hong Kong profits tax	**(154)**	465
— China corporate income tax	**1,319**	(245)
— U.S. corporate income tax	**119**	212
	1,284	432
Deferred taxation		
— Origination and reversal of temporary differences	**(755)**	(3,016)
	(755)	(3,016)
Income tax expenses/(credits)	**529**	(2,584)

10 DIVIDENDS

For the year ended 30 April 2019, no dividend was declared or paid by the Company.

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 announcement.

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 The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and HK$98,593,000 was net-off with the amounts due from the shareholders and related entities owned by them.

	2019	2018
	HK$'000	*HK$'000*
Declared and paid interim dividend	—	100,000

11 LOSS PER SHARE

(a) Basic loss per share

	2019	2018
Loss attributable to the owners of the Company *(HK$'000)*	**(9,361)**	(13,724)
Weighted average number of ordinary shares in issue *(in thousand)*	**1,000,000**	902,055
Basic loss per share *(HK cents)*	**(0.9)**	(1.5)

Basic loss per share is calculated by dividing the loss attributable to the Company's owners by the weighted average number of ordinary shares in issue during the years ended 30 April 2019 and 2018.

(b) Diluted loss per share

Diluted loss per share for the year ended 30 April 2019 is the same as basic loss per share as the potential ordinary shares in relation to the share options granted to the employees are anti-dilutive and we do not assume any conversation or exercise. Diluted loss per share for the year ended 30 April 2018 is the same as basic loss per share as there were no potentially dilutive ordinary shares issued.

12 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade and bills receivables	**31,273**	25,932
Less: loss allowance	**(5,925)**	(6,656)
Trade and bills receivables, net	**25,348**	19,276
Deposits	**119**	119
Prepayments	**4,286**	2,746
Other receivables	**1,100**	1,167
	5,505	4,032
Less: prepayment for property, plant and equipment classified as non-current asset	**(72)**	(1,064)
Current portion	**5,433**	2,968

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The other classes within trade and bills receivables and other receivables do not contain any impaired assets. The Group does not hold any collateral as security.

As at 30 April 2019, the expected credit losses for other receivables were immaterial thus no loss allowance was made (2018: Nil).

The carrying amounts of trade and bills receivables, other receivables, deposits and prepayments approximate their fair values and are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
US$	**31,848**	26,089
RMB	**3,773**	2,675
HK$	**1,157**	1,200
	36,778	29,964

12 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group grants credit periods to customers ranged from 0 to 180 days. At 30 April 2019, the ageing analysis of trade and bills receivables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Up to 3 months	**24,148**	22,730
Over 3 months	**7,125**	3,202
	31,273	25,932

13 TRADE AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**13,365**	10,435
1–2 months	**6,036**	5,936
2–3 months	**969**	957
Over 3 months	**870**	2,750
	21,240	20,078

Trade and bills payables are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
US$	**5,534**	1,787
HK$	**10,983**	12,313
RMB	**4,723**	5,978
	21,240	20,078

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Financial year 2019 has proven to be another challenging year for the 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 liquidation (the "**TRU Crisis**").

Coupled with the turmoil which TRU has created 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 during the year, plastic prices have elevated significantly which has inevitably eroded our margin. Labour supply in China is also unprecedentedly scarce and wages have been adjusted upwards driven by simple supply and demand factors. On the other hand, the currency RMB has depreciated noticeably against the US$ and as much of our cost is expensed in RMB, this helped the Group to manage part of the cost in a positive way.

The Group's revenue for the year was approximately HK$289.0 million, which has decreased by 9.8% as compared to last year (2018: approximately HK$320.4 million).

The decrease in revenue was mainly attributed to the decrease of revenue generated from North America which decreased by 11.1% to approximately HK$153.6 million (2018: HK$172.7 million) due to the TRU Crisis. At the same time, 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 a result of the stagnant market sentiment and political instability in various places in Europe, mainly Brexit in U.K..

Moreover, the filing of Chapter 11 bankruptcy by TRU in September 2017 and its subsequent liquidation announcement in March 2018 sent additional shockwaves to global toy industry. The resulting overall sentiment of the toy industry dived and many customers had turned particularly conservative in placing orders. Even though some of the subsidiaries of TRU have been purchased by other retailers, the Group also decided to restrain the supply of goods to various former subsidiaries of TRU in the financial year 2019 as payment could potentially be questionable. As a result, the Group's revenue for the financial year 2019 decreased by 9.8%.

Lastly, the trade war between U.S. and China has also created plenty of uncertainties. It hurts the overall economy worldwide as U.S. and China are the two largest economies in the world. Even though toys is not a category that has been affected by the tariffs U.S. has imposed on China imported goods, our Toys Business performance has been adversely affected for the year due to the worsen economic environment.

Business Review (continued)

The Group recorded a net loss of approximately HK$9.4 million for year ended 30 April 2019 (2018: net loss of HK$13.7 million). The decrease in net loss was attributed to the absence of the listing expenses of approximately HK$6.2 million recognised as well as the absence of provision of impairment on trade receivables of approximately HK$6.4 million in relation to bankruptcy filing cases of TRU group, which partially offset with (i) the decrease in revenue; (ii) the increase in production material cost; and (iii) the non-cash share-based payment expenses of approximately HK$1.3 million recognised during the year.

Financial Review

Revenue

As mentioned in Business Review, revenue generated from North America decreased by 11.1% to approximately HK$153.6 million (2018: HK$172.7 million). The decrease was mainly attributed to the cessation of sales to TRU in U.S. which had filed for Chapter 11 bankruptcy order.

On the other hand, revenue generated from Europe also decreased by 6.2% to approximately HK$106.8 million (2018: HK$113.8 million). The decrease was attributed to (i) the decrease in sales to various former subsidiaries of TRU in Europe that also filed for bankruptcy proceeding or being disposed after the end of last year; and (ii) the sluggish economy in Europe.

As a result of the above, the Group's overall revenue decreased by 9.8% to approximately HK$289.0 million (2018: HK$320.4 million).

Gross profit

The Group's gross profit decreased by 18.1% to approximately HK$38.9 million for the year (2018: HK$47.5 million). The decrease was attributed to the decrease in revenue discussed above, which is partially offset by the reversal of the provision of impairment on inventories. The Group's profitability also suffered from the escalating prices in various production materials during the year. On the other hand, the royalty and license fees decreased by 23.1%. The decrease was attributed to the change of the product mix from licensed brand to Kiddieland brand. Therefore, the Group's gross profit margin for the year decreased to 13.4% as compared to 14.8% of last year.

Selling and distribution expenses

Selling and distribution expenses decreased by 31.0% to approximately HK$11.6 million for the year (2018: HK$16.8 million). The decrease was mainly attributable to the decrease in commission and advertising & promotion expenses which were in line with the decrease in revenue.

Financial Review (continued)

Administrative expenses

Administrative expenses, including the net impairment losses on financial assets decreased by 25.9% to approximately HK$33.7 million for the year (2018: HK$45.5 million). The decrease was mainly attributed to the absence of listing expenses of approximately HK$6.2 million and the absence of the provision of impairment on TRU's trade receivables of approximately HK$6.4 million as compared to that in last year. It is partially offset by the non-cash share-based payment expenses of approximately HK$1.3 million recognised regarding the employees' share options granted in the year.

Finance costs

Net finance costs increased by 13.0% to approximately HK$5.2 million for the year (2018: HK$4.6 million). The increase was attributed to the increase in average bank borrowings level.

Income tax expenses/(credits)

The Group recorded income tax expenses of approximately HK$0.5 million for the year whilst the Group recorded income tax credits (net of tax expenses) of HK$2.6 million for last year. The increase in income tax expenses was attributed to the decrease in loss before taxation and the recognition of withholding tax on the unremitted earnings in the PRC subsidiary.

Net loss

As mentioned above, due to the absence of listing expenses and the absence of the provision of impairment on TRU's trade receivables, offset by the decrease in revenue and the non-cash share-based payment expenses recognised, the loss after tax decreased by HK$4.3 million or 31.4% to net loss of approximately HK$9.4 million for the year (2018: net loss of HK$13.7 million).

Inventories

Inventories as at 30 April 2019 were approximately HK$118.1 million, increased from approximately HK$113.5 million as at 30 April 2018. Inventory turnover days for the year were 168.9 days (2018: 147.8 days). The higher stock level was primarily due to arrangement of early production on the Group's products in order to better utilise the Group's production capacity.

Financial Review (continued)

Trade and bills receivables

Trade and bills receivables as at 30 April 2019 were approximately HK$25.3 million, increased from approximately HK$19.3 million as at 30 April 2018. Trade and bills receivables turnover days for the year were 28.2 days (2018: 33.0 days). The decrease was due to the absence of provision of impairment on trade receivables regarding the TRU case.

Trade and bills payables

Trade and bills payables as at 30 April 2019 were approximately HK$21.2 million, increased from approximately HK$20.1 million as at 30 April 2018. Trade and bills payables turnover days for the year were 30.1 days (2018: 25.6 days). The increase was due to the decrease in cost of sales while the trade and bills payables balance remained relatively stable.

Liquidity and financial resources

During the year ended 30 April 2019, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2019, cash and cash equivalents amounted to approximately HK$19.4 million (2018: HK$43.2 million). The decrease was mainly due to the working capital fund used for purchasing raw materials to meet the early production schedule and the utilization of the listing proceeds according to the future plans during the year. The current ratio of the Group, as calculated by total current assets over total current liabilities, was 0.9 as at 30 April 2019 (2018: 1.0).

As at 30 April 2019, the Group's net current liabilities were approximately HK$19.3 million (2018: net current assets of HK$1.4 million). Total bank borrowings were approximately HK$138.2 million (2018: HK$123.2 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 108.0% (2018: 87.5%). All bank borrowings were subject to floating interest rates. The Group will maintain the availability of banking facilities and negotiate with banks to increase the borrowing limits for working capital needs, if necessary. Subsequent to the financial year end, the Group refinanced a borrowing of HK$30 million with a 5-year committed term loan which is repayable over 5 years by monthly equal installment.

Foreign Currency Exposure

The Group's sales and purchases are mainly denominated in Hong Kong and US Dollar. And for production factory located in the PRC, expenses incurred there are denominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required.

As at 30 April 2019, the Group had not entered into any financial instrument for the hedging of foreign currency.

Employees and Remuneration Policy

As at 30 April 2019, the Group employed 1,042 full-time management, administrative and production staff in Hong Kong and the PRC. 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.

The Group has installed solar panels as well as energy saving devices for injection machines at its factory in the PRC. The Group also encourages environmental protection practices such as setting up recycling bins, promoting using recycled papers 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 2019, the commitments of the Group for acquisition of property, plant and equipment amounted to HK$0.7 million which have 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$25.6 million which have been authorised, but not contracted for in the consolidated financial statements.

Contingent Liabilities

As at 30 April 2019, the Group had contingent liabilities in relation to irrevocable standby letter of credit of HK$3.0 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 2019, the Group has utilised HK$64.9 million of the net proceeds from the listing according to the intended purposes, and HK$16.5 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 (the "**Prospectus**"), utilised amount and unutilised amount of the net proceeds as at 30 April 2019.

Use of net proceeds	**Percentage of net proceeds**	**Net proceeds**	**Amount utilised**	**Amount remaining**
	%	*HK$'000*	*HK$'000*	*HK$'000*
Diversification of product offerings by developing new products and further entering into licensing arrangements	51.8%	42,200	(42,200)	–
Strengthening sales and marketing of the Company's co-branded products and Kiddieland branded products	27.2%	22,100	(9,220)	12,880
Acquiring machinery and upgrading existing machinery	9.5%	7,700	(4,115)	3,585
Repair and maintenance of the factory, production tools and machinery	11.5%	9,400	(9,400)	–
Total	100%	81,400	(64,935)	16,465

Outlook/Future Prospects and Strategies

The last two years have proven to be the most challenging two years of the Group's history. The diminishing demand of traditional toys is a true phenomenon as electronic gadgets continue to erode our market. The emergence of internet sales also plays a huge role in replacing the conventional physical store concept, as more brick & mortar retailers are starting to face difficulties with their normal operations.

Market sentiments remain weak in most parts of the world, and even with the strongest U.S. market, there lies the uncertainties with the trade war talks between China and U.S.. In the event that toys does become part of the next wave of tariffed list, the impact on both sales and margin can be adverse and substantial. The supply chain has always been very lean and efficient with U.S. toys sales, and there is unfortunately not much wiggle room, be it from the supplier or retailer side, to absorb the import duties. Despite the majority of the impact will eventually be transferred to the end consumers, the anticipated result to the Group would still be negative in reduced sales and at lower prices.

The Group continues to make inroads in developing its internet business sales, especially with the largest retailer in the world. The Directors see an incredible opportunity in expanding its offerings through online sales but the business model is also much more costly than traditional sales. The management has to make very cautious moves strategically to protect the interest of its shareholders.

From a production standpoint, the Group is glad to report that prices of plastic raw materials are finally dropping back to a more manageable level this year. Unfortunately, labour supply remains unpredictable and scarce and raising wages is the only solution to solicit more workers to come. The Group also continues to upgrade and introduce more automation to the manufacturing process to replace some of the labour intensive procedures.

In order to grow our business, the management will continue to evaluate up and coming animation characters and commit to new licensing partnerships when it sees fit. The 6V rechargeable battery powered ride-ons remains a viable business segment that the Group places a strong emphasis on, and it will continue to develop this category and build on its success. The Group is also revamping its metal tricycles design as it sees an opportunity arising that can lead to more incremental business.

OTHER INFORMATION

Final Dividend

The Board has resolved not to declare any final dividend for the year ended 30 April 2019.

Closure of Register of Members

For the purpose of determining the shareholder's eligibility to attend and vote at the annual general meeting (the "**AGM**") to be held on Friday, 27 September 2019, the register of members of the Company will be closed from Wednesday, 25 September 2019 to Friday, 27 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 24 September 2019.

Annual General Meeting

The AGM will be held on Friday, 27 September 2019. Notice of the AGM will be sent to the shareholders of the Company in due course.

Purchase, Sale or Redemption of Listed Securities

During the year ended 30 April 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Code

Throughout the year ended 30 April 2019, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the 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 (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. 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 throughout the year ended 30 April 2019.

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 2019, 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 2019.

Auditor

The financial figures of the Group's results for the year ended 30 April 2019 in this announcement 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 the Stock Exchange at (www.hkexnews.hk) and that of the Company at (www.kiddieland.com.hk). The 2019 annual report of the Company will be despatched to the shareholders of the Company and made available on the website of the 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, 10 July 2019

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. CHENG Dominic as the Independent Non-executive Directors.