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 2019

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") 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 2019 together with the comparative unaudited figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2019

	Note	**Six months ended 31 October 2019 *HK$'000* (unaudited)**	Six months ended 31 October 2018 *HK$'000* (unaudited)
Revenue	*5*	**217,523**	203,077
Cost of sales	*6*	**(174,177)**	(163,666)
Gross profit		**43,346**	39,411
Other income		**804**	394
Other gains, net		**1,703**	1,548
Selling and distribution expenses	*6*	**(13,430)**	(7,251)
Administrative expenses	*6*	**(16,798)**	(18,528)
Impairment losses on financial assets, net		**(239)**	(484)
Operating profit		**15,386**	15,090
Finance income		**23**	4
Finance expenses		**(3,655)**	(2,558)
Finance costs, net		**(3,632)**	(2,554)
Profit before taxation		**11,754**	12,536
Income tax credits/(expenses)	*7*	**3,531**	(1,519)
Profit for the period		**15,285**	11,017
Other comprehensive loss			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(2,929)**	(6,702)
Total other comprehensive loss for the period, net of tax		**(2,929)**	(6,702)
Total comprehensive income for the period		**12,356**	4,315
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
Basic and diluted earnings per share	*8*	**1.5**	1.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Note	**As at 31 October 2019** *HK$'000* **(unaudited)**	As at 30 April 2019 *HK$'000* (audited)
ASSETS			
Non-current assets			
Prepaid operating lease		**–**	12,330
Property, plant and equipment		**45,694**	119,333
Right-of-use assets		**3,280**	–
Intangible assets		**3,634**	11,853
Deferred income tax assets		**6,909**	8,069
Prepayment		**–**	72
		59,517	151,657
Current assets			
Inventories		**91,805**	118,079
Trade and bills receivables	*9*	**93,360**	25,348
Other receivables, deposits and prepayments		**8,061**	5,433
Income tax recoverable		**740**	1,137
Cash and bank balances		**6,962**	19,392
		200,928	169,389
Assets classified as held for sale	*10*	**94,300**	–
		295,228	169,389
Total assets		**354,745**	321,046
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**100,000**	100,000
Other reserves		**6,242**	6,242
Exchange reserves		**(5,338)**	(2,409)
Retained earnings		**39,396**	24,111
Total equity		**140,300**	127,944

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 October 2019

	Note	**As at 31 October 2019** ***HK$'000*** **(unaudited)**	As at 30 April 2019 *HK$'000* (audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		**22,605**	–
Deferred income tax liabilities		**2,615**	4,337
Other payables		**29**	58
		25,249	4,395
Current liabilities			
Bank borrowings		**144,892**	138,233
Trade and bills payables	*11*	**14,416**	21,240
Accruals and other payables		**22,343**	27,485
Contract liabilities		**514**	1,371
Lease liabilities		**3,760**	–
Income tax payable		**3,271**	378
		189,196	188,707
Total liabilities		**214,445**	193,102
Total equity and liabilities		**354,745**	321,046

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

Kiddieland International Limited (the "**Company**") was incorporated in the Cayman Islands on 3 June 2016 as an exempted company with limited liability. The address of its registered office is 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 toy products (the "**Toys Business**").

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 2019 is prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting". It should be read in conjunction with the annual report for the year ended 30 April 2019 (the "**Annual Report**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the Annual Report, except for the adoption of new standards, amendments and interpretations of HKFRSs effective for the financial year ending 30 April 2020. In addition, the Group adopted the following accounting policies in relation to assets classified as held for sale during the current interim period:

Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered to be highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal company classified as held for sale continue to be recognised.

Assets classified as held for sale and the assets of a disposal company classified as held for sale are presented separately from other assets in the consolidated statement of financial position. The liabilities of a disposal company classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

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

The Group has adopted the following new and amended standard, improvements and interpretations which are mandatory for the annual periods commencing on 1 May 2019 and are relevant to its operation:

Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group has assessed the impact of the adoption of these new standards and amendments to existing standards. The impact of the adoption of HKFRS 16 "Leases" is disclosed in note 12. The other new standards or amendments to existing standards did not have any impact on the Group's results.

(b) New and amended standards, improvements and interpretations have been issued but not yet effective and have not been early adopted by the Group:

		Effective for annual periods commencing on or after
HKFRS 3 (Amendments)	Definition of a Business	1 May 2020
HKFRS 17	Insurance Contracts	1 May 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 May 2020

None of the above new standards and amendments to existing standards is expected to have a significant effect on the consolidated financial statements of the Group.

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual report for the year ended 30 April 2019.

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 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.

For the six months ended 31 October 2019, revenue by geographical areas is as follows:

	Six months ended 31 October 2019	Six months ended 31 October 2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
America	**129,084**	121,157
Europe	**71,872**	68,165
Asia Pacific and Oceania	**16,353**	13,363
Africa	**214**	392
	217,523	203,077

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

For the six months ended 31 October 2019, there was one (six months ended 31 October 2018: 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 2019	Six months ended 31 October 2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	**53,581**	50,647

6 EXPENSES BY NATURE

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

	Six months ended 31 October 2019 *HK$'000* **(unaudited)**	Six months ended 31 October 2018 *HK$'000* (unaudited)
Auditor's remuneration		
— Audit services	**734**	733
— Non-audit services	**1,582**	383
Advertising and promotion expenses	**931**	930
Amortisation of prepaid operating lease	**199**	203
Amortisation of intangible assets	**8,684**	9,852
Amortisation of lease assets	**2,688**	–
Bank charges	**954**	910
Commissions	**4,620**	2,463
Consumables	**5,401**	3,916
Cost of inventories sold	**87,089**	77,057
Custom and declaration handling expenses	**1,177**	1,230
Depreciation of property, plant and equipment	**9,422**	9,049
Other taxes and surcharges	**788**	1,643
Operating lease expenses	**164**	3,044
Product testing expenses	**512**	496
Repair and maintenance expenses	**1,176**	1,026
Licenses fees	**8,790**	6,289
Staff costs, including Directors' emoluments	**48,868**	50,580
Share-based payment expenses	**–**	1,320
Subcontracting expenses	**1,116**	924
Logistics and warehousing expenses	**11,513**	9,791
Utilities	**6,280**	6,288
Other expenses	**1,717**	1,318
	204,405	189,445

7 INCOME TAX (CREDITS)/EXPENSES

For the six months ended 31 October 2019 and 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 corporate income tax at a rate of 25% on estimated assessable profits. The Group's subsidiary in the U.S. is subject to U.S. corporate income tax at progressive tax rates ranged from 5% to 39% on the estimated assessable profit.

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

	Six months ended 31 October 2019 *HK$'000* **(unaudited)**	Six months ended 31 October 2018 *HK$'000* (unaudited)
Current income tax		
— Current tax on profit for the period	**3,638**	301
Deferred income tax	**(7,169)**	1,218
Income tax (credits)/expenses	**(3,531)**	1,519

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 2019 and 2018.

	Six months ended 31 October 2019 (unaudited)	Six months ended 31 October 2018 (unaudited)
Profit attributable to the owners of the Company (HK$'000)	**15,285**	11,017
Weighted average number of ordinary shares in issue (in thousand)	**1,000,000**	1,000,000
Basic earnings per share (HK cents)	**1.5**	1.1

(b) Diluted earnings per share

Diluted earnings per share for the period ended 31 October 2019 and 2018 are the same as basic earnings 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 and exercise.

9 TRADE AND BILLS RECEIVABLES

	As at 31 October 2019 *HK$'000* (unaudited)	As at 30 April 2019 *HK$'000* (audited)
Trade and bills receivables	**99,524**	31,273
Less: loss allowance	**(6,164)**	(5,925)
	93,360	25,348

Trade and bills receivables are denominated in the following currencies:

	As at 31 October 2019 *HK$'000* (unaudited)	As at 30 April 2019 *HK$'000* (audited)
US$	**93,174**	25,147
RMB	**186**	201
	93,360	25,348

The Group grants credit periods to customers ranged from 0 to 180 days. As at 31 October 2019, the ageing analysis of trade and bills receivables based on invoice date is as follows:

	As at 31 October 2019 *HK$'000* (unaudited)	As at 30 April 2019 *HK$'000* (audited)
Up to 3 months	**87,190**	24,148
Over 3 months	**6,170**	1,200
	93,360	25,348

10 ASSETS CLASSIFIED AS HELD FOR SALE

On 5 August 2019, Kiddieland Industrial Limited, a wholly-owned subsidiary of the Company, entered into an agreement (the "**Agreement**") with Dongguan Shengtuo Investment Co., Ltd. (東莞市盛托投資股份有限公司), which is independent of the Group, in relation to the disposal of all its equity interest in Dongguan Kiddieland Industrial Co., Ltd. (東莞童園實業有限公司) (the "**Disposal Company**"). As of the date of the Agreement, the Disposal Company was principally engaged in the manufacturing of toy products, with its existing production and ancillary facilities located in Dongguan, Guangdong Province, the PRC. The consideration for the disposal is RMB320,000,000 (approximately HK$363,000,000). The transaction was subsequently completed on 12 November 2019.

10 ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

The following assets held by the Disposal Company as at 31 October 2019 were reclassified as held for sale:

	As at 31 October 2019 ***HK$'000*** **(unaudited)**
Assets classified as held for sale:	
Right-of-use assets	**11,791**
Property, plant and equipment	**72,565**
Other receivables	**3,337**
Deferred income tax assets	**6,607**
	94,300

11 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	As at 31 October 2019 ***HK$'000*** **(unaudited)**	As at 30 April 2019 *HK$'000* (audited)
US$	**2,303**	5,534
HK$	**9,265**	10,983
RMB	**2,848**	4,723
	14,416	21,240

As at 31 October 2019, the ageing analysis of trade and bills payables based on invoice date is as follows:

	As at 31 October 2019 ***HK$'000*** **(unaudited)**	As at 30 April 2019 *HK$'000* (audited)
Within 1 month	**5,044**	13,365
1–2 months	**4,137**	6,036
2–3 months	**3,848**	969
Over 3 months	**1,387**	870
	14,416	21,240

12 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's condensed consolidated financial information and the new accounting policies that have been applied from 1 May 2019 in below.

The Group has adopted HKFRS 16 retrospectively from 1 May 2019, but has not restated comparatives for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance of the consolidated statement of financial position on 1 May 2019.

(a) HKFRS 16 "Leases" — Adjustment recognised on adoption

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 May 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 4.2%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

	HK$'000 (unaudited)
Operating lease commitments disclosed as at 30 April 2019	6,755
Discounted using the lessee's incremental borrowing rate at the date of initial application	6,464
Less: short-term leases recognised on a straight-line basis as expenses	(496)
Add: accrued lease payments	960
Lease liabilities recognised as at 1 May 2019	6,928
Of which are:	
Current lease liabilities	6,448
Non-current lease liabilities	480
	6,928

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

12 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) HKFRS 16 "Leases" — Adjustment recognised on adoption (Continued)

The recognised right-of-use assets relate to the following types of assets:

	As at 31 October 2019 *HK$'000* **(unaudited)**	As at 1 May 2019 *HK$'000* (unaudited)
Office premises, warehouses and staff quarters	**3,280**	5,968
Total right-of-use assets	**3,280**	5,968

The change in accounting policy affected the following items in the consolidated statement of financial position as at 1 May 2019:

- prepaid operating lease — decrease by HK$12,330,000
- right-of-use assets — increase by HK$18,298,000
- accrued lease payments — decrease by HK$960,000
- lease liabilities — increase by HK$6,928,000

(b) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

12 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) The Group's leasing activities and how these are accounted for

From 1 May 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as expenses in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

13 SUBSEQUENT EVENTS

Save as disclosed in note 10, the Group has passed the resolution in the extraordinary general meeting held on 8 November 2019 to dispose all its equity interest in the Disposal Company. The transaction was subsequently completed on 12 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Financial year 2020 continued to be a very challenging year for our Group, the toy industry and even the whole world in general. The Group's unaudited revenue for the six months ended 31 October 2019 (the "**Review Period**") was approximately HK$217.5 million, which was increased by 7.1% as compared to the corresponding period last year (the "**Last Period**") (2018: HK$203.1 million). Profit before tax of the Group was approximately HK$11.8 million, representing a decrease of 5.6% as compared to the Last Period (2018: HK$12.5 million). The profit attributable to equity shareholders for the Review Period amounted to approximately HK$15.3 million.

OPERATING RESULTS

Revenue

Revenue generated from North America increased by 8.2% to approximately HK$126.6 million in the Review Period (2018: HK$117.0 million). Both average selling price and orders had increased. The increase was mainly attributed to revenue from a developing country due to the change in the commission calculation basis.

On the other hand, revenue generated from Europe also increased by 5.4% to approximately HK$71.9 million in the Review Period (2018: HK$68.2 million). Both average selling price and orders from European markets had recovered slightly due to the change of their product mix. The increase was also attributed to the increase in sales to various Eastern European countries.

As a result of the above, the Group's overall revenue increased by 7.1% to approximately HK$217.5 million in the Review Period (2018: HK$203.1 million).

Gross Profit

The Group's gross profit increased by 9.9% to approximately HK$43.3 million in the Review Period (2018: HK$39.4 million). The increase was attributed to the increase in revenue discussed above while the production costs are relatively stable during the Review Period. The gross profit margin of the Review Period increased to 19.9% as compared to 19.4% of the Last Period.

Selling and Distribution Expenses

Selling and distribution expenses increased by 83.6% to approximately HK$13.4 million in the Review Period (2018: HK$7.3 million). The increase was mainly attributable to (i) the change in commission calculation basis in the view of pushing up the sales volume in some specific countries; and (ii) the increase in logistics and warehousing expenses. As there are plenty of uncertainties arising from the trade war between U.S. and China, the Group has executed an early shipment plan to ship extra inventories to our warehouse in U.S. in order to avoid paying potential additional import duties.

Administrative Expenses

Administrative expenses, including the net impairment losses on financials assets decreased by 10.5% to approximately HK$17.0 million in the Review Period (2018: HK$19.0 million). The decrease was attributed to the absence of non-cash share-based payment expenses of HK$1.3 million as compared to that in the Last Period and the decrease in staff costs due to the retirement of senior management.

Finance Costs

Net finance costs increased by 38.5% to approximately HK$3.6 million in the Review Period (2018: HK$2.6 million). The increase was attributed to the increase in average bank borrowings level and the recognition of interest expenses regarding the right-of-use assets.

Income Tax Credits/(Expenses)

The Group recorded income tax credits (net of tax expenses) of approximately HK$3.5 million for the Review Period whilst the Group recorded income tax expenses of HK$1.5 million for the Last Period.

The income tax credits for the Review Period was mainly attributable to the deferred tax assets recognised relating to the tax losses in the subsidiary in the PRC. It is partially offset by the Hong Kong profits tax expenses in respect of clawback of depreciation allowance claimed in prior years regarding the intra-group transfer of fixed assets in the disposal transaction.

Net Profit

As mentioned above, due to the increase in revenue, together with the income tax credits recognised relating to the tax losses in the subsidiary and the absence of share-based payment expenses recognised in the Review Period, while partially offsetting with the increase in commissions and logistics and warehousing expenses, together with the increase in finance costs, the profit after tax increased by HK$4.3 million or 39.1% from HK$11.0 million for the Last Period to approximately HK$15.3 million for the Review Period.

Outlook/Future Prospects and Strategies

The outlook of the toy industry in general remains rather undesirable. The challenges which have existed in the last two years have remained lively and prominent. Economies in Europe and many parts of Asia remain sluggish and the Group does not anticipate significant recoveries to take place any time soon. The U.S. market is somewhat more stable but lacking any new major Disney animation movie releases next year, the Group's sales will probably stay rather stagnant. There are also inevitable uncertainties stemmed from the trade war between U.S. and China, which at this moment is still quite unpredictable. As a result, the Directors do not believe demand of toys will grow considerably in the short term.

The management's focus has subsequently been shifted to cost control as means to improve the overall profitability. In 2019, the Group had introduced more automation into the production processes in hope of reducing the labour cost which is noticeably becoming more expensive every year. The management has also bargained for more competitive electricity rates which will very likely take into effect in early 2020. Further restructuring has taken place in streamlining some redundant management staff at the factory in Dongguan whereby certain positions have now been eliminated. The result is a leaner organisation with a lower headcount and higher productivity. These are just some of the effective measures that are slowing taking place at the moment.

Moreover, the disposal of Dongguan Kiddieland Industrial Co., Ltd. has provided the Group with more liquidity, hence the reliance on outside funding sources and subsequent finance expenses will be reduced. In the longer term, the Group will also be looking into relocating its manufacturing facilities from its current location, which is a rather expensive area, to a more remote location where labour supply is more abundant and affordable. These will also constitute to a cost reduction, and turn the Group's bottom line into profitability.

While next year in 2020 sales will likely continue to struggle, the Directors are excited to reap the benefits from the various cost cutting measures the Group has invested in. The Directors are confident that the payoffs will be positive as the Group is now steered towards the right direction.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

During the six months ended 31 October 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 31 October 2019.

Corporate Governance Code

Throughout the six months ended 31 October 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 Hong Kong Stock Exchange (the "**Listing Rules**").

Code for Dealing in Company's Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 31 October 2019.

Audit Committee

The Audit Committee of the Company has reviewed with the management the interim results for the six months ended 31 October 2019, 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 2019 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, 18 December 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.