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KIDDIELAND

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 2021**

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kiddieland International Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 April 2021, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 30 April	
		2021	2020
		HK\$'000	HK\$'000
Revenue	4	301,901	276,321
Cost of sales	7	(248,739)	(231,423)
Gross profit		53,162	44,898
Other income	5	686	1,180
Other gains, net	6	2,819	199,165
Selling and distribution expenses	7	(18,682)	(20,600)
Administrative expenses	7	(29,860)	(32,376)
Impairment losses on financial assets, net		(55)	(96)
Operating profit		8,070	192,171
Finance income		56	503
Finance expenses		(1,200)	(5,414)
Finance costs, net	8	(1,144)	(4,911)
Profit before taxation		6,926	187,260
Income tax expenses	9	(327)	(23,429)
Profit for the year		6,599	163,831
Other comprehensive income for the year			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		3,692	(4,498)
Reclassification of exchange reserves upon disposal of a subsidiary		–	6,163
Other comprehensive income for the year, net of tax		3,692	1,665
Total comprehensive income for the year		10,291	165,496
Basic and diluted earnings per share (HK cents)	<i>11</i>	0.7	16.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		50,822	47,647
Right-of-use assets		4,480	7,370
Intangible assets		8,330	19,268
Deferred income tax assets		6,731	7,145
Deposits and prepayments	<i>12</i>	720	1,629
		<u>71,083</u>	<u>83,059</u>
Current assets			
Inventories		95,541	99,537
Trade receivables	<i>12</i>	24,935	16,877
Other receivables, deposits and prepayments	<i>12</i>	4,376	38,462
Income tax recoverable		–	60
Cash and bank balances		17,559	7,221
		<u>142,411</u>	<u>162,157</u>
Total assets		<u>213,494</u>	<u>245,216</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 April	
<i>Note</i>	2021	2020
	HK\$'000	HK\$'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	100,000	100,000
Other reserves	6,242	6,242
Exchange reserves	2,948	(744)
Retained earnings	44,541	37,942
	153,731	143,440
LIABILITIES		
Non-current liabilities		
Bank borrowings	–	19,706
Deferred income tax liabilities	1,977	2,189
Lease liabilities	1,533	4,028
Other payables	–	2,499
	3,510	28,422
Current liabilities		
Bank borrowings	11,435	23,426
Trade and bills payables	20,862	15,889
Accruals and other payables	18,914	28,425
Contract liabilities	855	519
Lease liabilities	2,843	638
Income tax payable	1,344	4,457
	56,253	73,354
Total liabilities	59,763	101,776
Total equity and liabilities	213,494	245,216

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing and selling of plastic toy products.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and interpretations adopted by the Group

The Group has applied the following new and amended standards and interpretations for the first time for its annual period commencing on 1 May 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform

The new and amended standards and interpretations listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2020 and have not been early adopted by the Group:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions ¹
Annual Improvements to HKFRSs 2018–2020	Interest Rate Benchmark Reform — Phase 2 ¹
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ²
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use ²
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract ²
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ³
HKFRS 17	Insurance Contracts ³
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ³
HKAS 1 (Amendments)	Disclosure of Accounting Policies ³
HKAS 8 (Amendments)	Definition of Accounting Estimates ³
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

Notes:

- (1) Effective for annual periods commencing on or after 1 May 2021
- (2) Effective for annual periods commencing on or after 1 May 2022
- (3) Effective for annual periods commencing on or after 1 May 2023
- (4) To be determined

The above accounting standards and interpretations have been published but are not mandatory for 30 April 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 manufacturing and selling of plastic toy products. The chief operating decision-makers assess the business performance based on a measure of operating results. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
America	193,765	164,818
Europe	87,743	88,180
Asia Pacific and Oceania	20,114	23,109
Africa	279	214
	<u>301,901</u>	<u>276,321</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	1,006	2,398
The PRC	55,016	54,248
	<u>56,022</u>	<u>56,646</u>

For the year ended 30 April 2021, there was one (2020: 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	84,502	74,293

The five largest customers accounted for approximately 51.1% (2020: 43.0%) of the revenue of the Group for the year ended 30 April 2021.

4 REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of goods	<u>301,901</u>	<u>276,321</u>

Sales of goods are recognised at the point that the control of the goods have passed to the customers, which is primary upon the acceptance of the products by the customers.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract liabilities (sales of goods)	<u>855</u>	<u>519</u>

Revenue recognised that is included in the contract liabilities balance at the beginning of the year amounted to HK\$519,000.

5 OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of scrapped materials	524	344
Sundry income	<u>162</u>	<u>836</u>
	<u>686</u>	<u>1,180</u>

6 OTHER GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Exchange gain, net	2,767	1,726
Gain on disposal of a subsidiary, before taxation	–	197,208
Net gain on disposal of property, plant and equipment	<u>52</u>	<u>231</u>
	<u>2,819</u>	<u>199,165</u>

7 EXPENSES BY NATURE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
— Audit services	1,080	1,130
— Non-audit services	429	465
Advertising and promotion expenses	3,192	2,362
Amortisation of intangible assets	12,112	15,770
Bank charges	1,189	1,300
Commissions	4,912	6,731
Consumables	6,384	7,355
Cost of inventories sold	121,864	107,032
Custom and declaration handling expenses	1,380	1,557
Depreciation of property, plant and equipment	11,297	14,232
Depreciation of right-of-use assets	3,375	6,898
Expenses for short-term and low-value operating leases	7,083	1,211
Licenses fees	12,040	7,246
Logistics and warehousing expenses	15,412	15,601
Other taxes	2,504	1,903
Product testing expenses	1,013	823
Provision for impairment of inventories	317	516
Repair and maintenance expenses	2,323	1,554
Staff costs, including Directors' emoluments	72,888	75,511
Subcontracting expenses	1,015	1,456
Utilities	9,729	9,546
Other expenses	5,743	4,200
	<u>297,281</u>	<u>284,399</u>

During the year ended 30 April 2021, the Group received subsidies of HK\$2,052,000 (2020: Nil) from the Hong Kong government for paying wages and salaries of Hong Kong employees. In addition, the government of People's Republic of China exempted the employers in the PRC for making contribution for their employees to the government-supervised schemes in several months during the year.

8 FINANCE COSTS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income:		
Bank interest income	<u>56</u>	<u>503</u>
Finance expenses:		
Bank overdraft interest	(7)	(198)
Other bank borrowing interest	(1,023)	(4,885)
Interest on lease liabilities	<u>(170)</u>	<u>(331)</u>
	<u>(1,200)</u>	<u>(5,414)</u>
Finance costs, net	<u>(1,144)</u>	<u>(4,911)</u>

9 INCOME TAX EXPENSES

For the year ended 30 April 2021, Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 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% (2020: 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% (2020: 5% to 39%) on the estimated assessable profit. Disposal of a subsidiary in the PRC is subject to China corporate income tax at a rate of 10% on the estimated taxable gain.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current taxation		
— Hong Kong profits tax	253	1,366
— China corporate income tax	201	29,884
— U.S. corporate income tax	<u>146</u>	<u>11</u>
	600	31,261
Deferred taxation		
— Origination and reversal of temporary differences	<u>(273)</u>	<u>(7,832)</u>
	<u>(273)</u>	<u>(7,832)</u>
Income tax expenses	<u>327</u>	<u>23,429</u>

10 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend declared and paid	<u>—</u>	<u>150,000</u>

During the year ended 30 April 2020, upon completion of the disposal of a subsidiary, the Company declared a special cash dividend of HK\$0.15 per share, amounting to HK\$150,000,000 in total, to the shareholders. The special cash dividend was fully paid on 7 February 2020.

No final dividend for the year ended 30 April 2021 was declared or paid by the Company (2020: Nil).

11 EARNINGS PER SHARE

(a) Basic earnings per share

	2021	2020
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>6,599</u>	<u>163,831</u>
Weighted average number of ordinary shares in issue (<i>in thousand</i>)	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (<i>HK cents</i>)	<u>0.7</u>	<u>16.4</u>

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 year.

(b) Diluted earnings per share

Diluted earnings per share for the year is 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 or exercise.

12 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	26,061	22,898
Less: loss allowance	<u>(1,126)</u>	<u>(6,021)</u>
Trade receivables, net	<u>24,935</u>	<u>16,877</u>
Deposits	839	778
Prepayments	3,712	2,781
Other receivables	<u>545</u>	<u>36,532</u>
	5,096	40,091
Less: prepayments for property, plant and equipment and factory rental deposits classified as non-current assets	<u>(720)</u>	<u>(1,629)</u>
Current portion	<u>4,376</u>	<u>38,462</u>

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 geographical locations, shared credit risk characteristics and ageing profiles.

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

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

As at 30 April 2021, the expected credit losses for other receivables were immaterial, no loss allowance was made (2020: Nil).

The carrying amounts of trade receivables, other receivables, deposits and prepayments approximate their fair values.

The other receivables balance recognised as at 30 April 2020 included the 10% remaining balance payment of the disposal of PRC subsidiary of approximately HK\$35,143,000. This 10% remaining balance has been settled during the year ended 30 April 2021.

The gross carrying amounts of trade receivables, other receivables, deposits and prepayments are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US\$	27,840	23,297
HK\$	1,177	935
RMB	2,140	38,756
Others	<u>–</u>	<u>1</u>
	<u>31,157</u>	<u>62,989</u>

The Group grants credit periods to customers ranged from 0 to 180 days. As at 30 April 2021, the ageing analysis of trade receivables in gross amount based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to 3 months	23,800	15,851
Over 3 months	<u>2,261</u>	<u>7,047</u>
	<u>26,061</u>	<u>22,898</u>

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

Movement of the Group's provision for impairment of trade receivables is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Beginning of the year	(6,021)	(5,925)
Provision for impairment for the year	(55)	(96)
Written off for the year	4,950	–
	<hr/>	<hr/>
End of the year	(1,126)	(6,021)
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 30 April 2021, the Group has written off a trade receivable balance for approximately HK\$4,950,000 that was due from Toys “R” Us Inc. which had filed for Chapter 11 bankruptcy in September 2017. The balance has been fully provided for impairment during the year ended 30 April 2018. As there was no further recovery from Toys “R” Us Inc. and the Group considered the likelihood to recover the balance was remote and decided to write off the balance.

13 TRADE AND BILLS PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	10,545	8,981
1 to 2 months	9,445	4,996
2 to 3 months	430	808
Over 3 months	442	1,104
	<hr/>	<hr/>
	20,862	15,889
	<hr/> <hr/>	<hr/> <hr/>

Trade and bills payables are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US\$	7,669	3,577
HK\$	9,943	8,983
RMB	3,250	3,329
	<hr/>	<hr/>
	20,862	15,889
	<hr/> <hr/>	<hr/> <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As mentioned in “Outlook/future Prospects and Strategies” section in the 2020 annual report, financial year 2021 was going to be one of toughest years that the management had ever seen in the last 20 years. When compared to the major incidents happened in the past few years, which have been mentioned in the past few annual reports, namely (i) the TRU Crisis; (ii) the Brexit in the U.K.; and (iii) the trade war between the U.S. and China, the negative effects and challenges generated from the outbreak of COVID-19 are even prolonged and universal. The three past events mentioned above were with regional characteristics, mainly adversely affected the economies of the U.S., China and the U.K., the COVID-19 pandemic is with global adverse effects.

Following by the slightly increase in the revenue for the first half of financial year 2021, it is unexpected that the sales performance for the second half of the year will have a dramatical increase. With low base effect, revenue for the second half of financial year 2021 has increased by 34.2% to approximately HK\$78.9 million as compared to approximately HK\$58.8 million for the corresponding period last year, which is closed to the sales level in the second half of financial year 2019.

The Group’s revenue for the whole year was approximately HK\$301.9 million, which has increased by 9.3% as compared to last year (2020: HK\$276.3 million).

The increase in revenue was mainly attributed to the increase of revenue generated from North America which increased by 19.1% to approximately HK\$192.8 million. Orders from several largest customers in that region had increased. On the other hand, revenue generated from Europe was relatively stable, giving that the revenue had a decreasing trend in the past few years.

Cost control, as mentioned in the last few interim and annual reports, becomes one of the management’s focuses to improve the Group’s overall profitability. The automation and restructuring have achieved initial success. In addition, subsidies provided from the government of People’s Republic of China and Hong Kong became timely rain to the enterprises, especially those in labour-intensive manufacturing industry, like our company.

On the other side, since expenses in our Dongguan factory are mainly in RMB, the currency appreciation of RMB against US\$, especially in the second half of the financial year has eroded part of our profitability. In addition, due to the COVID-19 pandemic, the price of raw materials hit the rock bottom in year 2020, however, it has been rebounded from the trough during the financial year 2021. Therefore, the effect of the cost control measures imposed by our management mentioned above has been offset.

The Group recorded a net profit of approximately HK\$6.6 million for the year ended 30 April 2021 (2020: HK\$163.8 million). Regarding the ordinary course of business, the net loss of last year was approximately HK\$6.2 million. The net profit recorded by the Group this year was attributed to (i) the increase in revenue from North America; (ii) the drop in depreciation expenses; (iii) the reduction in selling and distribution expenses; (iv) the decrease in staff costs; and (v) the decrease in finance costs.

Financial Review

Revenue

As mentioned in Business Review, revenue generated from North America increased by 19.1% to approximately HK\$192.8 million (2020: HK\$161.9 million). Both average selling price and orders had increased. The increase was mainly attributed to revenue from a top developed country in the region and the switching of product mix to products with relatively high unit price, e.g., the licensed toys and 6V rechargeable battery powered ride-ons.

On the other hand, revenue generated from Europe slightly decreased by 0.6% to approximately HK\$87.7 million (2020: HK\$88.2 million). The sales orders from European markets had decreased while the average selling price had increased due to the change of their product mix to relatively high unit price products. The sluggish economy and city lockdowns in Europe kept affecting the sales performance in the region during the year. Luckily, the Brexit in the U.K. has come to an end, revenue generated from the U.K. and Ireland increased by 37.7% as compared to that in last year.

As a result of the above, the Group's overall revenue increased by 9.3% to approximately HK\$301.9 million (2020: HK\$276.3 million).

Gross profit

The Group's gross profit increased by 18.5% to approximately HK\$53.2 million for the year (2020: HK\$44.9 million). Although there was a 7.5% increase in cost of sales during the year, the increasing amplitude in revenue outweighs the range of the increase in cost of sales.

The increase was attributed to the increase in revenue discussed above while overall average production costs were relatively stable during the year. The depreciation expenses decreased during the year as some of the fixed assets were sold in the disposal of PRC subsidiary. In addition, there is an exemption for making contribution to the social insurance scheme for the employees in the PRC during the year 2020. On the other hand, the cost of raw materials, e.g., the plastic materials, had increased especially in the second half of the financial year. Secondly, due to the currency appreciation in RMB against US\$, it partially erodes our profit margin as much of our cost is expensed in RMB. Therefore, the Group's gross profit margin for the year increased to 17.6% as compared to 16.2% of last year.

Other income and gains

Other income and gains of the Group decreased by 98.3% to approximately HK\$3.5 million for the year (2020: HK\$200.3 million). The significant decrease was mainly attributed to the disposal of PRC subsidiary completed on 12 November 2019, which the extraordinary gain before taxation amounted to approximately HK\$197.2 million was recognised in last year.

Financial Review (continued)

Selling and distribution expenses

Selling and distribution expenses decreased by 9.2% to approximately HK\$18.7 million for the year (2020: HK\$20.6 million). The decrease was mainly attributable to (i) the reduction in commission expenses due to the decrease in proportion of commission-based sales during the year; and (ii) the decrease in logistics and warehousing expenses as the Group had executed an early shipment plan to ship extra inventories to our warehouse in the U.S. in last year in order to avoid paying potential additional import duties.

Administrative expenses

Administrative expenses, including the net impairment losses on financial assets, decreased by 8.0% to approximately HK\$29.9 million for the year (2020: HK\$32.5 million). The decrease was mainly attributed to the reduction in staff costs together with the government subsidies received relating to the Employment Support Scheme (“ESS”) implemented by the Government of the HKSAR.

Finance costs

Net finance costs decreased by 77.6% to approximately HK\$1.1 million for the year (2020: HK\$4.9 million). The decrease was attributed to the dramatic decrease in average bank borrowings level after receiving the cash proceeds from the disposal of PRC subsidiary at the end of December 2019 and beginning of March 2021.

Income tax expenses

The Group’s income tax expenses decreased by 98.7% to approximately HK\$0.3 million for the year (2020: HK\$23.4 million). If excluding the income tax expenses related to the disposal of approximately HK\$27.2 million, the Group recorded income tax credits (net of tax expenses) of approximately HK\$3.8 million in last year. The tax expenses for the year were mainly attributable to the net profit recorded in this year while the tax credits for last year were due to the net loss incurred in last year.

Net profit/(loss)

The Group recorded a net profit of approximately HK\$6.6 million for the year (2020: HK\$163.8 million). As mentioned above, due to the gain on disposal of the PRC subsidiary recognised, the Group had recorded a net profit of approximately HK\$163.8 million for last year. If excluding the extraordinary gain mentioned, the net loss from ordinary course of business in last year was approximately HK\$6.2 million. The net profit recorded this year was mainly attributed to (i) the 9.3% increase in sales mentioned above; (ii) the reduction in depreciation expenses; (iii) the decrease in commissions and logistics and warehousing expenses; (iv) the decrease in staff costs; and (v) the dramatic decrease in finance costs. It was partially offset by the increase in cost of raw materials and the currency appreciation of RMB mentioned above.

Financial Review (continued)

Inventories

Inventories as at 30 April 2021 were approximately HK\$95.5 million, decreased from approximately HK\$99.5 million as at 30 April 2020. Inventory turnover days for the year were 143.1 days (2020: 172.1 days). The decrease in stock level was primarily attributed to the increase in sales level in the last 3 months of the financial year as compared to the abnormal situation at the same period of last year due to the outbreak of COVID-19.

Trade receivables

Trade receivables as at 30 April 2021 were approximately HK\$24.9 million, decreased from approximately HK\$16.9 million as at 30 April 2020. Trade receivables turnover days for the year were 25.3 days (2020: 28.0 days). The increase in trade receivables level was attributed to the increase in sales level in the last 3 months of the financial year as compared to the abnormal situation at the same period of last year due to the outbreak of COVID-19.

Trade and bills payables

Trade and bills payables as at 30 April 2021 were approximately HK\$20.9 million, increased from approximately HK\$15.9 million as at 30 April 2020. Trade and bills payables turnover days for the year were 27.0 days (2020: 29.4 days). The increase in trade and bills payables level was attributed to the increase in purchasing activity and production capacity in the last 3 months of the financial year as compared to the abnormal situation at the same period of last year due to the outbreak of COVID-19.

Other receivables

Other receivables as at 30 April 2021 decreased by 98.6% to approximately HK\$0.5 million from approximately HK\$36.5 million as at 30 April 2020. The other receivables balance as at 30 April 2020 included the 10% remaining balance payment of the disposal of PRC subsidiary of approximately HK\$35.1 million. This 10% remaining balance has been settled during the year ended 30 April 2021.

Financial Review (continued)

Liquidity and financial resources

During the year ended 30 April 2021, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2021, cash and cash equivalents amounted to approximately HK\$17.6 million (2020: HK\$7.2 million). The increase was mainly due to the receipt of the 10% remaining balance of cash proceeds from the disposal of PRC subsidiary on March 2021. The current ratio of the Group, as calculated by the total current assets over the total current liabilities, was 2.5 as at 30 April 2021 (2020: 2.2).

As at 30 April 2021, the Group's net current assets were approximately HK\$86.2 million (2020: HK\$88.8 million). Total bank borrowings were approximately HK\$11.4 million (2020: HK\$43.1 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 7.4% (2020: 30.1%). All bank borrowings were subject to floating interest rates. As at 30 April 2021, the Group had undrawn banking facilities of approximately HK\$230.7 million (2020: HK\$224.4 million). The Group and the Directors will maintain the availability of bank facilities and negotiate with banks to increase the 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 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 2021, the Group had not entered into any financial instrument for the hedging of foreign currency.

Employees and Remuneration Policy

As at 30 April 2021, the Group employed 663 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 2021, the Group did not have any commitments for acquisition of property, plant and equipment which have been contracted, but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 30 April 2021, the Group had contingent liabilities in relation to irrevocable standby letter of credit of approximately HK\$11.8 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 approximately HK\$81.4 million after deducting the listing expenses. Up to 30 April 2021, the Group has utilised approximately HK\$80.1 million of the net proceeds from the listing according to the intended purposes, and approximately HK\$1.3 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 2021.

Use of net proceeds	Amount planned to be used <i>HK\$'000</i>	Amount utilised up to 30 April 2020 <i>HK\$'000</i>	Amount utilised during the year ended 30 April 2021 <i>HK\$'000</i>	Amount utilised up to 30 April 2021 <i>HK\$'000</i>	Unutilised amount as at 30 April 2021 <i>HK\$'000</i>	Expected timeline for utilising the remaining net proceeds
Diversification of product offerings by developing new products and further entering into licensing arrangements	42,200	(42,200)	–	(42,200)	–	
Strengthening sales and marketing of the Company’s co-branded products and Kiddieland branded products	22,100	(15,514)	(5,257)	(20,771)	1,329	On or before 30 April 2022
Acquiring machinery and upgrading existing machinery	7,700	(7,700)	–	(7,700)	–	
Repair and maintenance of the factory, production tools and machinery	9,400	(9,400)	–	(9,400)	–	
Total	81,400	(74,814)	(5,257)	(80,071)	1,329	

Outlook/Future Prospects and Strategies

While it is widely believed that last year, with the COVID outbreak, business would be challenging, not many has imagined that 2021 would turn out to be an even more difficult year. The circumstances are unexpected and full of surprises and uncertainties. Since the pandemic many governments have aggressively introduced both monetary and fiscal policies to minimise the economic downturns. There are many long-term implications, and now manufacturers have the first-hand experience in feeling how inflation is heavily affecting business.

From the beginning of this year, the Company has started to suffer from substantial rises in raw material prices, ranging from plastics to paper, metal and electronic parts. Furthermore many suppliers in China have run into a shortage of workers, as travel mobility remains restricted. This is especially true when local governments have tightened their own entry policies to minimise the spread of the virus. As a result many workers are not leaving their home towns to find jobs in southern provinces. Even a substantial increase in wages is not enough to resolve the labour shortage problem. All of these measures have raised the production costs significantly during a time when customers are unwilling to absorb much of a price increase while they face their own unprecedented challenges.

Freight rates have escalated multiple times this year, and now customers are very much concerned about the transportation cost which was kept quite constant historically. The impact is particularly harsh for the Group's product line which is bulky in nature, and subsequently the freight factor is disproportionately higher compared to other toys. This phenomenon plays an inevitable role in diminishing the demand for ride-ons in the near term.

Many of these negative impacts are adversely affecting the Group's sales and profitability in the foreseeable future. Coupled with the new COVID delta variant which is now causing new health outbreaks in the U.K. and other countries, the management realises that the road ahead will only remain rough. The Directors' view remains cautious and conservative in the future prospects. None of these obstacles is going away any time soon, and the Group will embrace the many challenges with tightened cost controls, with the hope that a brighter outlook will be on the horizon.

OTHER INFORMATION

Final Dividend

The Board has resolved not to declare any final dividend for the year ended 30 April 2021.

Closure of Register of Members

For the purpose of determining the shareholders' eligibility to attend and vote at the annual general meeting (the "AGM") to be held on Friday, 24 September 2021, the register of members of the Company will be closed from Tuesday, 21 September 2021 to Friday, 24 September 2021, both days inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Monday, 20 September 2021.

Annual General Meeting

The AGM will be held on Friday, 24 September 2021. 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 2021, 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 2021, 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 of Hong Kong Limited (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 to all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 30 April 2021.

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 2021, 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 2021.

Auditor

The financial figures of the Group's results for the year ended 30 April 2021 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 results announcement is published on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at (www.hkexnews.hk) and that of the Company at (www.kiddieland.com.hk). The 2021 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 express my sincere thanks and gratitude 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, 16 July 2021

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 Mr. MAN Ka Ho Donald, Mr. CHENG Dominic and Mr. LEUNG Kwok Wai Gary as the Independent Non-executive Directors.