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 2022

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 2022, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 April 2022 *HK$'000*	 2021 *HK$'000*
Revenue	*4*	**244,245**	301,901
Cost of sales	*7*	**(233,856)**	(248,739)
Gross profit		**10,389**	53,162
Other income	*5*	**838**	686
Other gains, net	*6*	**111**	2,819
Impairment losses on property, plant and equipment	*12*	**(32,546)**	–
Selling and distribution expenses	*7*	**(8,340)**	(18,682)
Administrative expenses	*7*	**(35,164)**	(29,860)
Impairment losses on financial assets, net	*13*	**(11,200)**	(55)
Operating (loss)/profit		**(75,912)**	8,070
Finance income		**21**	56
Finance expenses		**(752)**	(1,200)
Finance costs, net	*8*	**(731)**	(1,144)
(Loss)/profit before taxation		**(76,643)**	6,926
Income tax credits/(expenses)	*9*	**6,499**	(327)
(Loss)/profit for the year		**(70,144)**	6,599
Other comprehensive (loss)/income for the year			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(1,556)**	3,692
Other comprehensive (loss)/income for the year, net of tax		**(1,556)**	3,692
Total comprehensive (loss)/income for the year		**(71,700)**	10,291

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended 30 April	
		2022	2021
	Note	***HK$'000***	*HK$'000*
(Loss)/profit for the year attributable to:			
Owners of the Company		**(65,541)**	6,599
Non-controlling interests		**(4,603)**	–
		(70,144)	6,599
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(67,109)**	10,291
Non-controlling interests		**(4,591)**	–
		(71,700)	10,291
Basic and diluted (losses)/earnings per share (HK cents)	*11*	**(6.6)**	0.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April	
		2022	2021
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**12,472**	50,822
Right-of-use assets		**11,247**	4,480
Intangible assets		**13,433**	8,330
Deferred income tax assets		**11,357**	6,731
Deposits and prepayments	*13*	**830**	720
		49,339	71,083
Current assets			
Inventories		**93,423**	95,541
Trade receivables	*13*	**18,260**	24,935
Other receivables, deposits and prepayments	*13*	**10,415**	4,376
Income tax recoverable		**1,336**	–
Cash and bank balances		**8,643**	17,559
		132,077	142,411
Total assets		**181,416**	213,494
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**100,000**	100,000
Other reserves		**6,242**	6,242
Exchange reserves		**1,380**	2,948
(Accumulated losses)/retained earnings		**(21,000)**	44,541
		86,622	153,731
Non-controlling interests		**7,272**	–
Total equity		**93,894**	153,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 30 April	
		2022	2021
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**–**	1,977
Lease liabilities		**6,780**	1,533
		6,780	3,510
Current liabilities			
Bank borrowings		**44,624**	11,435
Trade and bills payables	*14*	**14,280**	20,862
Accruals and other payables		**14,666**	18,914
Contract liabilities		**2,530**	855
Lease liabilities		**4,642**	2,843
Income tax payable		**–**	1,344
		80,742	56,253
Total liabilities		**87,522**	59,763
Total equity and liabilities		**181,416**	213,494

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 the manufacturing and selling of plastic toy products and laboratory equipments.

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 2021:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

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) 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 2021 and have not been early adopted by the Group:

Annual improvements project (Amendments)	Annual Improvements to HKFRSs Standards 2018–2020[1]
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments[1]
HKFRS 17	Insurance Contracts[2]
HKFRS 4 (Amendments)	Expiry Date of the Deferral Approach[2]
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[1]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[2]
HKAS 1 (Revised) (Amendments)	Disclosure of Accounting Policies[2]
HKFRS Practice Statement 2 (Amendment)	Making Materiality Judgements[2]
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors[2]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
HK (IFRIC)-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

Notes:

(1) Effective for annual periods commencing on or after 1 May 2022

(2) Effective for annual periods commencing on or after 1 May 2023

(3) To be determined

The above accounting standards and interpretations have been published but are not mandatory for 30 April 2022 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.

During the year, the Group invested and started a new business which is related to manufacturing and selling of laboratory equipment for primary and secondary school. Subsequent to the investment, the Group engaged in two operating segments namely, Toy business and Laboratory equipment business. 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 related revenue, assets and liabilities of the operating segments of Toy business and Laboratory equipment business are presented for the year ended 30 April 2022. The segment information for the year ended 30 April 2021 is not presented as there was only one segment in the prior year.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 30 April 2022

	Toy business *HK$'000*	Laboratory equipment business *HK$'000*	Total *HK$'000*
Revenue	**239,705**	**4,540**	**244,245**
Cost of sales	**(228,296)**	**(5,560)**	**(233,856)**
Gross profit/(loss)	**11,409**	**(1,020)**	**10,389**
Segment results	**(56,220)**	**(20,641)**	**(76,861)**
Unallocated:			
Other income			**838**
Other gains, net			**111**
Finance costs, net			**(731)**
Loss before income tax			**(76,643)**

3 SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 30 April 2022

	Toy business *HK$'000*	Laboratory equipment business *HK$'000*	Total *HK$'000*
Assets			
Segment assets	**139,247**	**42,018**	**181,265**
Unallocated:			
Property, plant and equipment			**136**
Cash and cash equivalents			**15**
Total assets			**181,416**
Liabilities			
Segment liabilities	**29,969**	**12,929**	**42,898**
Unallocated:			
Bank borrowings			**44,624**
Total liabilities			**87,522**

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

	2022 ***HK$'000***	2021 *HK$'000*
America	**146,916**	193,765
Europe	**78,819**	87,743
Asia Pacific and Oceania	**18,510**	20,114
Africa	**–**	279
	244,245	301,901

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:

	2022 ***HK$'000***	2021 *HK$'000*
Hong Kong	**136**	1,006
The PRC	**24,413**	55,016
	24,549	56,022

3 SEGMENT INFORMATION (CONTINUED)

For the year ended 30 April 2022, there was one (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
Customer A	**63,768**	84,502

The five largest customers accounted for approximately 47.7% (2021: 51.1%) of the revenue of the Group for the year ended 30 April 2022.

4 REVENUE

	2022	2021
	HK$'000	*HK$'000*
Sales of goods	**244,245**	301,901

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:

	2022	2021
	HK$'000	*HK$'000*
Contract liabilities (sales of goods)	**2,530**	855

Revenue recognised that is included in the contract liabilities balance at the beginning of the year amounted to HK$855,000.

5 OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Sales of scrapped materials	**731**	524
Sundry income	**107**	162
	838	686

6 OTHER GAINS, NET

	2022	2021
	HK$'000	*HK$'000*
Exchange gain, net	**146**	2,767
Net (loss)/gain on disposal and written off of property, plant and equipment	**(35)**	52
	111	2,819

7 EXPENSES BY NATURE

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

	2022	2021
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit services	**1,100**	1,080
— Non-audit services	**225**	429
Advertising and promotion expenses	**2,416**	3,192
Amortisation of intangible assets	**11,583**	12,112
Bank charges	**709**	1,189
Commissions	**1,990**	4,912
Consumables	**4,968**	6,384
Cost of inventories sold	**111,824**	121,864
Custom and declaration handling expenses	**1,634**	1,380
Depreciation of property, plant and equipment *(note 12)*	**13,194**	11,297
Depreciation of right-of-use assets	**3,887**	3,375
Expenses for short-term and low-value operating leases	**6,682**	7,083
Legal and professional fee	**3,666**	466
Licenses fees	**8,408**	12,040
Logistics and warehousing expenses	**6,126**	15,412
Other taxes	**1,235**	2,504
Repair and maintenance expenses	**1,931**	2,323
Product testing expenses	**1,387**	1,013
(Reversal of provision)/provision for impairment of inventories	**(180)**	317
Staff costs, including Directors' emoluments	**79,371**	72,888
Subcontracting expenses	**1,524**	1,015
Utilities	**9,523**	9,729
Other expenses	**4,157**	5,277
	277,360	297,281

During the year ended 30 April 2022, the Group did not receive subsidies (2021: HK$2,052,000) 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 ended 30 April 2021.

8 FINANCE COSTS, NET

	2022	2021
	HK$'000	*HK$'000*
Finance income:		
Bank interest income	**21**	56
Finance expenses:		
Bank overdraft interest	**(7)**	(7)
Other bank borrowing interest	**(307)**	(1,023)
Interest on lease liabilities	**(438)**	(170)
	(752)	(1,200)
Finance costs, net	**(731)**	(1,144)

9 INCOME TAX (CREDITS)/EXPENSES

For the year ended 30 April 2022, Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 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% (2021: 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% (2021: 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.

	2022	2021
	HK$'000	*HK$'000*
Current taxation		
— Hong Kong profits tax	**7**	253
— China corporate income tax	**–**	201
— U.S. corporate income tax	**97**	146
	104	600
Deferred taxation		
— Origination and reversal of temporary differences	**(6,603)**	(273)
	(6,603)	(273)
Income tax (credits)/expenses	**(6,499)**	327

10 DIVIDENDS

No final dividend for the year ended 30 April 2022 was declared or paid by the Company (2021: Nil).

11 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

	2022	2021
(Loss)/profit attributable to the owners of the Company (HK$'000)	**(65,541)**	6,599
Weighted average number of ordinary shares in issue (in thousand)	**1,000,000**	1,000,000
Basic (losses)/earnings per share (HK cents)	**(6.6)**	0.7

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to the Company's owners by the weighted average number of ordinary shares in issue during the year.

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share for the year is the same as basic (losses)/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 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Plant and machinery *HK$'000*	Moulds and tools *HK$'000*	Moulds work-in-progress *HK$'000*	Total *HK$'000*
As at 1 May 2020								
Cost	10,819	11,049	9,617	9,638	88,913	259,671	10,662	400,369
Accumulated depreciation	(8,362)	(10,738)	(9,350)	(9,531)	(82,356)	(232,385)	–	(352,722)
Net book value	2,457	311	267	107	6,557	27,286	10,662	47,647
Year ended 30 April 2021								
Beginning of the year	2,457	311	267	107	6,557	27,286	10,662	47,647
Addition	1,919	16	44	–	38	352	9,743	12,112
Depreciation *(note 7)*	(1,605)	(107)	(179)	(54)	(1,408)	(7,944)	–	(11,297)
Transfer upon completion	–	–	–	–	–	11,148	(11,148)	–
Exchange differences	187	17	4	7	308	1,263	574	2,360
End of the year	2,958	237	136	60	5,495	32,105	9,831	50,822
As at 30 April 2021 and 1 May 2021								
Cost	12,960	11,128	9,672	8,707	88,680	273,205	9,831	414,183
Accumulated depreciation	(10,002)	(10,891)	(9,536)	(8,647)	(83,185)	(241,100)	–	(363,361)
Net book value	2,958	237	136	60	5,495	32,105	9,831	50,822
Year ended 30 April 2022								
Beginning of the year	**2,958**	**237**	**136**	**60**	**5,495**	**32,105**	**9,831**	**50,822**
Addition	**715**	**186**	**648**	**42**	**1,522**	**322**	**4,395**	**7,830**
Depreciation *(note 7)*	**(2,445)**	**(89)**	**(144)**	**(34)**	**(990)**	**(9,492)**	**–**	**(13,194)**
Impairment losses	**(358)**	**–**	**–**	**–**	**(2,152)**	**(27,102)**	**(2,934)**	**(32,546)**
Disposal and written off	**–**	**–**	**(3)**	**–**	**(142)**	**–**	**–**	**(145)**
Transfer upon completion	**–**	**–**	**–**	**–**	**–**	**9,835**	**(9,835)**	**–**
Exchange differences	**6**	**(5)**	**(14)**	**(1)**	**(63)**	**(161)**	**(57)**	**(295)**
End of the year	**876**	**329**	**623**	**67**	**3,670**	**5,507**	**1,400**	**12,472**
As at 30 April 2022								
Cost	**13,264**	**11,301**	**10,241**	**8,743**	**85,192**	**40,368**	**1,400**	**170,509**
Accumulated depreciation	**(12,388)**	**(10,972)**	**(9,618)**	**(8,676)**	**(81,522)**	**(34,861)**	**–**	**(158,037)**
Net book value	**876**	**329**	**623**	**67**	**3,670**	**5,507**	**1,400**	**12,472**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 30 April 2022, the Group recognised an impairment loss for property, plant and equipment for of approximately HK$32,546,000 in relation to idle machineries and non-profitable moulds allocated to the toy business. Management further carried out an impairment assessment for the net book value of property, plant and equipment assets amounting to approximately HK$9,841,000 related to the toy business, as a separately identifiable cash-generating unit, as impairment indicators exist. The carrying amount of the property, plant and equipment will be written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management, with major assumptions such as revenue growth rate, gross profit margin, percentage change of operating expenses and discount rate. Management determined that no further impairment is required.

Key assumptions used in the value-in-use calculations for the recoverable amount of property, plant and equipment are as follows:

Weighted average annual revenue growth rate:	2%
Gross profit margin:	14%
Average EBIT margin:	4%
Discount rate:	11%

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	2022	2021
	HK$'000	*HK$'000*
Cost of sales	**12,473**	10,521
Administrative expenses	**721**	776
	13,194	11,297

13 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**18,635**	26,061
Less: loss allowance	**(375)**	(1,126)
Trade receivables, net	**18,260**	24,935
Deposits	**1,664**	839
Prepayments	**8,005**	3,712
Other receivables	**1,576**	545
	11,245	5,096
Less: prepayments for property, plant and equipment and factory rental deposits classified as non-current assets	**(830)**	(720)
Current portion	**10,415**	4,376

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.

During the year ended 30 April 2022, the Group recognised a provision of loss allowance for other receivables for approximately HK$11,679,000 (2021: Nil). The directors of the Company became aware that the non-controlling shareholder of a non-wholly owned subsidiary of the Company who had an amount due to the subsidiary for approximately HK$11,679,000 owing to the capital contribution to the subsidiary was imposed the restricting high consumption order by the Courts in the PRC, was involved in multiple disputes over private lending and was recently being ruled against in some lawsuits. The Group regarded there was a significant increase in credit risk since inception and evaluated the lifetime expected credit loss of this receivable. Accordingly, the Group determined to recognise a provision of loss allowance for the full amount. The Group does not hold any collateral as security.

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

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

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

	2022	2021
	HK$'000	*HK$'000*
US$	**18,662**	27,840
HK$	**1,189**	1,177
RMB	**10,029**	2,140
	29,880	31,157

The Group grants credit periods to customers ranged from 0 to 180 days. As at 30 April 2022, the ageing analysis of trade receivables in gross amount based on invoice date is as follows:

	2022	2021
	HK$'000	*HK$'000*
Up to 3 months	**9,504**	23,800
3 months to 1 year	**8,807**	1,586
Over 1 year	**324**	675
	18,635	26,061

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

	2022	2021
	HK$'000	*HK$'000*
Beginning of the year	**(1,126)**	(6,021)
Reversal of provision/(provision) for impairment for the year	**479**	(55)
Written off for the year	**272**	4,950
End of the year	**(375)**	(1,126)

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.

14 TRADE AND BILLS PAYABLES

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

	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**7,728**	10,545
1 to 2 months	**4,877**	9,445
2 to 3 months	**1,391**	430
Over 3 months	**284**	442
	14,280	20,862

Trade and bills payables are denominated in the following currencies:

	2022	2021
	HK$'000	*HK$'000*
US$	**3,647**	7,669
HK$	**7,280**	9,943
RMB	**3,353**	3,250
	14,280	20,862

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As mentioned in the "Outlook/future prospects and strategies" section in the 2021 annual report and 2021 interim report, freight rates have escalated multiple during the year, the adverse effect is especially large to our company as our main products, ride-on toys are relatively bulky in nature or relatively low sales values in term of its physical size. From our target customers' perspective, the actual unit cost after considering the freight cost incurred had increased a lot. Therefore, the high freight rates issue largely hurt the demands from our customers around the world. At the same time, the availability of containers was extremely scarce and hard to get, especially during the first half of the financial year. Even the customers have room to absorb the high freight rates, with the difficulties in obtaining containers, customers have no choice but to reduce their shipping demands or many orders were deferred during the peak season of the financial year.

Following by a 22.9% decrease in the revenue for the first half of financial year 2022, it is expected that the trend of the sales performance for the second half of the year will not have a dramatically change. The revenue generated from our toy business for the second half of financial year 2022 has decreased by 14.1% to approximately HK$67.8 million as compared to approximately HK$78.9 million for the corresponding period last year.

At the end of January 2022, our Group invested and started a new business which is related to manufacturing and selling of laboratory equipment for primary and secondary school in the PRC. Since the business is at the starting stage and with only three months effect, the revenue generated from this segment was approximately HK$4.5 million.

The Group's revenue for the whole year was approximately HK$244.2 million, which has decreased by 19.1% as compared to last year (2021: HK$301.9 million).

For the production cost perspective, the substantial rises in price of raw materials, ranging from plastics to paper, metal and electronic parts erode our gross profit as generally 40% of our cost of sales is from cost of raw materials. In addition, the strong RMB against US$ also erodes part of our profitability, as our expenses including labour cost and other overhead costs, incurred in the PRC are all in RMB. Thus, our overall production costs increased during the financial year too.

The suppressed sales due to several factors mentioned coupled with a reduced gross profit margin, the Group performed an impairment assessment and identified several property, plant and equipment fell below the carrying amounts. The Group recognised an impairment loss on property, plant and equipment for approximately HK$32.5 million for the year (2021: Nil).

Business Review (Continued)

The Group recorded a net loss attributable to owners to the Company of approximately HK$65.5 million for the year ended 30 April 2022 (2021: net profit of HK$6.6 million). The net loss recorded by the Group this year was attributed to (i) the decrease in revenue; (ii) the increase in raw material prices; (iii) the appreciation of RMB against US$; and (iv) the impairment losses on property, plant and equipment and other receivable.

Financial Review

Revenue

As mentioned in Business Review, revenue generated from North America decreased by 24.6% to approximately HK$145.4 million (2021: HK$192.8 million). Both average selling price and orders had decreased. The decrease was mainly attributed to revenue from a top developed country in the region and the switching of product mix to products with relatively low unit price. In addition, as the shipping crisis, namely, the high freight rates, the backlogs at U.S. ports, rail yards and trucking companies expected to derail the holiday toy sales during the first half of the year, thus, it mostly hurt the sales performance to North America.

On the other hand, revenue generated from Europe decreased by 10.1% to approximately HK$78.8 million (2021: HK$87.7 million). The sales orders from European markets had decreased. The revenue decrease was mainly attributed to the sluggish economy in several developing countries in Eastern Europe.

As a result of the above, the Group's overall revenue decreased by 19.1% to approximately HK$244.2 million (2021: HK$301.9 million).

Gross profit

The Group's gross profit decreased by 80.5% to approximately HK$10.4 million for the year (2021: HK$53.2 million). Although there was a 6.0% decrease in cost of sales during the year, the decreasing amplitude in revenue outweighs the range of the decrease in cost of sales.

The decrease was attributed to (i) the decrease in revenue discussed above; (ii) the increase in depreciation expenses during the year; (iii) the currency appreciation in RMB against US$; (iv) the raw material price inflation affected by the aggressive monetary and fiscal policies from Western countries; and (v) the absence of social insurance exemption from the government of People's Republic of China as compared to last year. Therefore, the Group's gross profit margin for the year decreased to 4.3% as compared to 17.6% of last year.

Financial Review (Continued)

Impairment losses on property, plant and equipment

As impairment indicators existed, namely the decrease in revenue with a decrease in gross profit margin during the year, the Group performed an impairment assessment and identified the recoverable amounts of property, plant and equipment fell below the carrying amounts. Accordingly, the Group recognised impairment losses on property, plant and equipment for approximately HK$32.5 million for the year (2021: Nil).

Selling and distribution expenses

Selling and distribution expenses decreased by 55.6% to approximately HK$8.3 million for the year (2021: HK$18.7 million). The decrease was in line with the decrease in revenue. In addition, with such an unreasonable and extremely high freight cost mentioned above, the Group decided to stop the domestic business with one of the largest retailer in the U.S. and switching back the shipment to FOB term, i.e., title of goods is transferred to customers once the goods are on board, during the year. Thus, our Group does not have to bear the ocean freight costs for the sales. Therefore, the logistics and warehousing expenses dramatically decreased by 94.7% during the year.

Administrative expenses

Administrative expenses, increased by 17.7% to approximately HK$35.2 million for the year (2021: HK$29.9 million). The increase was mainly attributed to (i) the increase in staff costs; and (ii) the absence of the government subsidies received relating to the Employment Support Scheme ("**ESS**") implemented by the Government of the HKSAR.

Impairment losses on financial assets

The Group recorded net impairment losses on financial assets of approximately HK$11.2 million (2021: HK$0.1 million). It was mainly due to the significant increase in credit risk of the non-controlling shareholder of the newly setup subsidiary in the PRC. The 24.6% remaining share capital contribution with approximately HK$11.7 million payable by the non-controlling shareholder is highly probable in default.

Finance costs

Net finance costs decreased by 36.4% to approximately HK$0.7 million for the year (2021: HK$1.1 million). The decrease was attributed to the decrease in average bank borrowings level after receiving the cash proceeds from the disposal of the PRC subsidiary on March 2021.

Financial Review (Continued)

Income tax (credits)/expenses

The Group recorded income tax credits (net of tax expenses) of approximately HK$6.5 million for the year whilst the Group recorded income tax expenses of HK$0.3 million for last year. The income tax credits for the year were mainly attributable to the operating loss recorded in the year. On the other hand, the income tax expenses for last year were attributable to the operating profit recorded in last year.

Net (loss)/profit

The Group recorded a net loss of approximately HK$65.5 million for the year (2021: net profit of HK$6.6 million). The net loss recorded this year was mainly attributed to (i) the 19.1% decrease in sales mentioned above; (ii) the increase in raw material price; (iii) the currency appreciation of RMB; (iv) the impairment losses on property, plant and equipment and other receivable; and (v) the increase in administrative staff costs. It was partially offset by the decrease in logistics and warehousing expenses and finance cost mentioned above.

Inventories

Inventories as at 30 April 2022 were approximately HK$93.4 million, decreased from approximately HK$95.5 million as at 30 April 2021. Inventory turnover days for the year were 147.5 days (2021: 143.1 days). The decrease in stock level was primarily attributed to the lower level of the raw materials purchased in the last 3 months of the financial year as compared to the same period of last year.

Trade receivables

Trade receivables as at 30 April 2022 were approximately HK$18.3 million, decreased from approximately HK$24.9 million as at 30 April 2021. Trade receivables turnover days for the year were 32.3 days (2021: 25.3 days). The decrease in trade receivables level was attributed to the decrease in sales level in the last 3 months of the financial year as compared to the same period of last year.

Trade and bills payables

Trade and bills payables as at 30 April 2022 were approximately HK$14.3 million, decreased from approximately HK$20.9 million as at 30 April 2021. Trade and bills payables turnover days for the year were 27.4 days (2021: 27.0 days). The decrease in trade and bills payables level was attributed to the decrease in purchasing activity and production capacity in the last 3 months of the financial year as compared to the same period of last year.

Financial Review (continued)

Liquidity and financial resources

During the year ended 30 April 2022, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2022, cash and cash equivalents amounted to approximately HK$8.6 million (2021: HK$17.6 million). The decrease was mainly due to the 10% remaining balance of cash proceeds from the disposal of PRC subsidiary received on March 2021. The current ratio of the Group, as calculated by the total current assets over the total current liabilities, was 1.6 as at 30 April 2022 (2021: 2.5).

As at 30 April 2022, the Group's net current assets were approximately HK$51.3 million (2021: HK$86.2 million). Total bank borrowings were approximately HK$44.6 million (2021: HK$11.4 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 47.5% (2021: 7.4%). All bank borrowings were subject to floating interest rates. As at 30 April 2022, the Group had undrawn banking facilities of approximately HK$197.4 million (2021: HK$230.7 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 2022, the Group had not entered into any financial instrument for the hedging of foreign currency.

Employees and Remuneration Policy

As at 30 April 2022, the Group employed 737 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 2022, 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 2022, the Group had contingent liabilities in relation to irrevocable standby letter of credit of approximately HK$3.4 million. Save as aforesaid, the Group did not have any other significant contingent liabilities.

Use of Proceeds

In September 2017, the Company completed the Global Offering and raised total net proceeds of approximately HK$81.4 million after deducting the listing expenses. Up to 30 April 2022, the Group has fully utilised whole HK$81.4 million of the net proceeds from the listing according to the intended purposes. 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 2022.

Use of net proceeds	Amount planned to be used	Amount utilised up to 30 April 2021	Amount utilised during the year ended 30 April 2022	Amount utilised up to 30 April 2022	Unutilised amount as at 30 April 2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	(20,771)	(1,329)	(22,100)	–
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	(80,071)	(1,329)	(81,400)	–

Outlook/Future Prospects and Strategies

Our world is currently undergoing a very unstable phase at this time. Coupled with the adverse effects of COVID which isn't going away any time soon, we now face additional challenging uncertainties caused by the Ukrainian war. These factors have eventually led us into an unprecedented inflationary era we now live in. While most material prices are rising sharply and labor supply continues to be limited in China, production costs have escalated steeply while our customers do not have the luxury to absorb any price increase.

Outlook/Future Prospects and Strategies (Continued)

To make matters worse in this past year freight rates have increased multiple times. As our ride-on products are bulky in nature the shipping cost represents a disproportionately large cost component compared to other toys, the impact of a spike in transportation cost has carved out a significant portion of our client base. Many loyal customers of ours have now reluctantly turned away from buying ride-on toys due to the elevated shipping charges.

Furthermore, the US Federal Reserve is imposing forceful monetary policies to control inflation by raising interest rates. It creates a domino effect in appreciating its US$ against all other currencies. As our Company supplies globally to many countries outside of USA, their respective weakened currencies imply a diminishing purchasing power. As a result, these markets now have lower demand of our goods because they are now more expensive due to the strong US$. All these challenges are likely to continue into next year and the extrinsic impact unfortunately cannot be mitigated by any of the Company's own decision making.

As the factory lease agreement with our landlord is going to expire at the end of the year, our Management has looked into different options to extend our production. Renewing our lease is one option, but after thorough evaluation with significant volatility and uncertainties lying ahead the Management leans more towards subcontracting the production to reliable suppliers. Time was taken to interview and engage in serious discussions with many candidates and the Management has now shortlisted a small number of partners with years of toys manufacturing experience, whom the Management is confident can take on the role competently.

The Directors trust that with the rising production costs, uncertainties in future orders and the possibility of the HK/China border remains closed for extended time, the best alternative is to entrust someone with substantial management experience locally. With subcontracting the Company will bear much less overhead in the future, which is particularly advantageous during these difficult times.

Meanwhile, with the looming threat of an emerging poor global economy, as some even predicts that a recession is on the horizon, the Management realizes some product reengineering is inevitable to lower the cost in order to revitalize business. Our team has worked hard to redevelop a range of products to achieve better profitability while sustaining the core play values and functionalities. It is the Management's strong belief that such a move will lead to positive results in the long-run.

In view of such global challenges, the Management believes we are at the best time to explore new business opportunities for business diversification. The Company has therefore invested in educational facilities under Guangdong Kiddieland, a new subsidiary of the Company where we focus on the manufacturing and distribution of institutional laboratory equipment, furniture, and software programs for educational institutions in PRC. We believe there is great potential in this sector given the PRC government's strong support to the industry in the coming years, and the general emphasis and resources people are willing to support in education for the new generation. The Company has acquired an experienced management team to run the business in an efficient manner.

Outlook/Future Prospects and Strategies (Continued)

The Company believes instilling new energies and promising business prospects while keeping the toy business in parallel is the best solution to grow our overall business and sales in the new challenging times we face today.

OTHER INFORMATION

Final Dividend

The Board has resolved not to declare any final dividend for the year ended 30 April 2022.

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, 30 September 2022, the register of members of the Company will be closed from Wednesday, 28 September 2022 to Friday, 30 September 2022, 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 Tuesday, 27 September 2022.

Annual General Meeting

The AGM will be held on Friday, 30 September 2022. 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 2022, 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 2022, 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 2022.

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 2022, 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 2022.

Auditor

The financial figures of the Group's results for the year ended 30 April 2022 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 2022 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, 29 July 2022

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.