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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 2023**

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 2023, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 30 April	
		2023	2022
		HK\$'000	HK\$'000
Revenue	4	176,232	244,245
Cost of sales	7	(169,465)	(233,856)
Gross profit		6,767	10,389
Other income	5	490	838
Other (losses)/gains, net	6	(13,707)	111
Impairment losses on non-financial assets	12	(1,860)	(32,546)
Selling and distribution expenses	7	(11,784)	(8,340)
Administrative expenses	7	(31,329)	(35,164)
Impairment losses on financial assets, net	13	(1,496)	(11,200)
Operating loss		(52,919)	(75,912)
Finance income		133	21
Finance expenses		(936)	(752)
Finance costs, net	8	(803)	(731)
Loss before taxation		(53,722)	(76,643)
Income tax (expenses)/credits	9	(368)	6,499
Loss for the year		(54,090)	(70,144)
Other comprehensive loss for the year			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		(1,652)	(1,556)
Other comprehensive loss for the year, net of tax		(1,652)	(1,556)
Total comprehensive loss for the year		(55,742)	(71,700)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended 30 April	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(50,549)	(65,541)
Non-controlling interests		(3,541)	(4,603)
		<u>(54,090)</u>	<u>(70,144)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(51,842)	(67,109)
Non-controlling interests		(3,900)	(4,591)
		<u>(55,742)</u>	<u>(71,700)</u>
Basic and diluted losses per share (<i>HK cents</i>)	<i>11</i>	<u>(5.1)</u>	<u>(6.6)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 April	
	<i>Note</i>	2023	2022
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	7,988	12,472
Right-of-use assets		4,885	11,247
Intangible assets		9,727	13,433
Deferred income tax assets		10,989	11,357
Deposits and prepayments	13	567	830
		34,156	49,339
Current assets			
Inventories		19,603	93,423
Trade receivables	13	12,036	18,260
Other receivables, deposits and prepayments	13	7,705	10,415
Income tax recoverable		1,336	1,336
Cash and bank balances		3,379	8,643
		44,059	132,077
Total assets		78,215	181,416
EQUITY			
Owners of the Company			
Share capital		100,000	100,000
Other reserves		6,242	6,242
Exchange reserves		87	1,380
Accumulated losses		(71,549)	(21,000)
		34,780	86,622
Non-controlling interests		3,372	7,272
Total equity		38,152	93,894

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Note</i>	As at 30 April	
		2023	2022
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Accruals and other payables		2,619	–
Lease liabilities		2,467	6,780
		<u>5,086</u>	<u>6,780</u>
Current liabilities			
Bank borrowings		–	44,624
Trade and bills payables	<i>14</i>	10,883	14,280
Accruals and other payables		9,844	14,666
Contract liabilities		11,736	2,530
Lease liabilities		2,514	4,642
		<u>34,977</u>	<u>80,742</u>
Total liabilities		<u>40,063</u>	<u>87,522</u>
Total equity and liabilities		<u>78,215</u>	<u>181,416</u>

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 2022:

Annual improvements project (Amendments)	Annual Improvements to HKFRSs 2018–2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
Hong Kong Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations
HKFRS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use

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 standards, amendments to standards and interpretation (collectively refer as “Amendments”) that are not yet effective and have not been early adopted by the Group

The following new and amended standards and interpretations are not effective for annual periods commencing on or after 1 May 2022 and have not been early adopted by the Group:

HKFRS 17	Insurance Contract ¹
HKFRS 4 (Amendments)	Expiry Date of the Deferral Approach ¹
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ¹
HKAS 1 (Revised) (Amendments)	Disclosure of Accounting Policies ¹
HKFRS Practice Statement 2 (Amendment)	Making Materiality Judgements ¹
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors ¹
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HK (IFRIC)-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback 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 2023
- (2) Effective for annual periods commencing on or after 1 May 2024
- (3) To be determined

The above accounting standards and interpretations have been published but are not mandatory for 30 April 2023 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 ended 30 April 2022, 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 and results, assets and liabilities of the operating segments of Toy business and Laboratory equipment business are presented for the years ended 30 April 2023 and 2022.

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 2023

	Toy business <i>HK\$'000</i>	Laboratory equipment business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	141,164	35,068	176,232
Cost of sales	(138,675)	(30,790)	(169,465)
Gross profit	2,489	4,278	6,767
Segment results	(37,842)	(15,674)	(53,516)
Unallocated:			
Other income			490
Other gains, net			107
Finance costs, net			(803)
Loss before income tax			(53,722)

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 30 April 2022

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

Segment assets and liabilities

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

As at 30 April 2023

	Toy business <i>HK\$'000</i>	Laboratory equipment business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets			
Segment assets	44,936	33,220	78,156
Unallocated:			
Property, plant and equipment			42
Cash and bank balances			<u>17</u>
Total assets			<u><u>78,215</u></u>
Liabilities			
Segment liabilities	20,333	19,730	40,063
Total liabilities			<u><u>40,063</u></u>

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

As at 30 April 2022

	Toy business <i>HK\$'000</i>	Laboratory equipment business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets			
Segment assets	139,247	42,018	181,265
Unallocated:			
Property, plant and equipment			136
Cash and bank balances			15
Total assets			<u>181,416</u>
Liabilities			
Segment liabilities	29,969	12,929	42,898
Unallocated:			
Bank borrowings			44,624
Total liabilities			<u>87,522</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
America	72,544	146,916
Europe	53,530	78,819
Asia Pacific and Oceania (exclude the PRC)	15,090	13,970
The PRC	35,068	4,540
	<u>176,232</u>	<u>244,245</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	42	136
The PRC	13,398	24,413
	<u>13,440</u>	<u>24,549</u>

3. SEGMENT INFORMATION (CONTINUED)

For the year ended 30 April 2023, there were two (2022: one) customers which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from the customers are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	N/A*	63,768
Customer B	21,758	N/A*
Customer C	19,551	N/A*

* Represent less than 10% of the Group's total revenue for the respective year.

The five largest customers accounted for approximately 38.6% (2022: 47.7%) of the revenue of the Group for the year ended 30 April 2023.

4. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of toys	141,164	239,705
Sales of laboratory equipments	35,068	4,540
Sales of goods	176,232	244,245

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities (sales of goods)	11,736	2,530

Revenue recognised that is included in the contract liabilities balance at the beginning of the year amounted to approximately HK\$2,530,000.

5. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Sales of scrap materials	–	731
Sundry income	<u>490</u>	<u>107</u>
	<u>490</u>	<u>838</u>

6. OTHER (LOSSES)/GAINS, NET

	2023 HK\$'000	2022 HK\$'000
Exchange gain, net	107	146
Loss on disposal of raw materials (<i>note (i)</i>)	(9,802)	–
One-off severance payment (<i>note (ii)</i>)	(7,909)	–
Net gain/(loss) on disposal and written off of property, plant and equipment	<u>3,897</u>	<u>(35)</u>
	<u>(13,707)</u>	<u>111</u>

Notes:

- (i) During year ended 30 April 2023, the Group restructured its toy business and cease to operate its own manufacturing plant in Dongguan and to engage subcontractors for the ongoing production activities. Under the new arrangement, the subcontractors will procure its own materials for productions and the Group disposed majority of the raw materials which are unable to be used for future productions amounted to approximately HK\$17,130,000 in a total consideration of approximately HK\$7,328,000 and resulting in a loss of approximately HK\$9,802,000.
- (ii) During the year ended 30 April 2023, one of the subsidiary of the Group has incurred one-off severance payment in the PRC of approximately HK\$7,909,000 due to cease of operation of the manufacturing plant of the toy business.

7. EXPENSES BY NATURE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration		
— Audit services	1,100	1,100
— Non-audit services	318	225
Advertising and promotion expenses	2,759	2,416
Amortisation of intangible assets	10,367	11,583
Bank charges	300	709
Commissions	1,370	1,990
Consumables	986	4,968
Cost of inventories sold	115,733	111,824
Custom and declaration handling expenses	759	1,634
Depreciation of property, plant and equipment (<i>note 12</i>)	3,359	13,194
Depreciation of right-of-use assets	4,112	3,887
Expenses for short-term and low-value operating leases	5,907	6,682
Legal and professional fee	1,010	3,666
Licenses fees	3,261	8,408
Logistics and warehousing expenses	2,540	6,126
Other taxes	515	1,235
Repair and maintenance expenses	1,649	1,931
Product testing expenses	1,436	1,387
Reversal of provision for impairment of inventories	(32)	(180)
Staff costs, including Directors' emoluments	44,558	79,371
Subcontracting expenses	1,746	1,524
Utilities	3,342	9,523
Other expenses	5,483	4,157
	<u>212,578</u>	<u>277,360</u>

During the year ended 30 April 2023, the Group received subsidies of approximately HK\$520,000 (2022: Nil) from the Hong Kong government for paying wages and salaries of Hong Kong employees. In addition, the Group received subsidies of approximately HK\$270,000 from the government of People's Republic of China for contributions to defined contribution plans of PRC employees during the year ended 30 April 2023.

8. FINANCE COSTS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance income:		
Bank interest income	<u>133</u>	<u>21</u>
Finance expenses:		
Bank overdraft interest	(15)	(7)
Other bank borrowing interest	(381)	(307)
Interest on lease liabilities	<u>(540)</u>	<u>(438)</u>
	<u>(936)</u>	<u>(752)</u>
Finance costs, net	<u><u>(803)</u></u>	<u><u>(731)</u></u>

9. INCOME TAX EXPENSES/(CREDITS)

For the year ended 30 April 2023, Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 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% (2022: 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% (2022: 5% to 39%) on the estimated assessable profit.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current taxation		
— Hong Kong profits tax	—	7
— U.S. corporate income tax	<u>—</u>	<u>97</u>
	<u>—</u>	<u>104</u>
Deferred taxation		
— Origination and reversal of temporary differences	<u>368</u>	<u>(6,603)</u>
	<u>368</u>	<u>(6,603)</u>
Income tax expenses/(credits)	<u><u>368</u></u>	<u><u>(6,499)</u></u>

10. DIVIDENDS

No final dividend for the year ended 30 April 2023 was declared or paid by the Company (2022: Nil).

11. LOSSES PER SHARE

(a) Basic losses per share

	2023	2022
Loss attributable to the owners of the Company (<i>HK\$'000</i>)	<u>(50,549)</u>	<u>(65,541)</u>
Weighted average number of ordinary shares in issue (<i>in thousand</i>)	<u>1,000,000</u>	<u>1,000,000</u>
Basic losses per share (<i>HK cents</i>)	<u>(5.1)</u>	<u>(6.6)</u>

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

(b) Diluted losses per share

Diluted losses per share for the year ended 30 April 2023 is the same as basic losses per share as there is no potential dilutive share.

Diluted losses per share for year ended 30 April 2022 is the same as basic losses 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 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	<u>2,958</u>	<u>237</u>	<u>136</u>	<u>60</u>	<u>5,495</u>	<u>32,105</u>	<u>9,831</u>	<u>50,822</u>
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	<u>876</u>	<u>329</u>	<u>623</u>	<u>67</u>	<u>3,670</u>	<u>5,507</u>	<u>1,400</u>	<u>12,472</u>
As at 30 April 2022 and 1 May 2022								
Cost	13,264	11,301	10,241	8,743	85,192	40,368	1,400	170,509
Accumulated depreciation and impairment losses	(12,388)	(10,972)	(9,618)	(8,676)	(81,522)	(34,861)	-	(158,037)
Net book value	<u>876</u>	<u>329</u>	<u>623</u>	<u>67</u>	<u>3,670</u>	<u>5,507</u>	<u>1,400</u>	<u>12,472</u>
Year ended 30 April 2023								
Beginning of the year	876	329	623	67	3,670	5,507	1,400	12,472
Addition	73	17	73	102	148	-	1,845	2,258
Depreciation (note 7)	(851)	(87)	(349)	(39)	(388)	(1,645)	-	(3,359)
Disposal and written off	-	(9)	-	(33)	(2,060)	(1)	(745)	(2,848)
Transfer upon completion	-	-	-	-	-	2,242	(2,242)	-
Exchange differences	(28)	(13)	(26)	1	(197)	(230)	(42)	(535)
End of the year	<u>70</u>	<u>237</u>	<u>321</u>	<u>98</u>	<u>1,173</u>	<u>5,873</u>	<u>216</u>	<u>7,988</u>
As at 30 April 2023								
Cost	12,390	4,800	6,766	7,306	2,959	28,577	216	63,014
Accumulated depreciation	(12,320)	(4,563)	(6,445)	(7,208)	(1,786)	(22,704)	-	(55,026)
Net book value	<u>70</u>	<u>237</u>	<u>321</u>	<u>98</u>	<u>1,173</u>	<u>5,873</u>	<u>216</u>	<u>7,988</u>

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of sales	2,861	12,473
Administrative expenses	498	721
	<u>3,359</u>	<u>13,194</u>

(b) **Impairment of property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets**

The value of property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets are assessed at the end of each reporting period for indications of impairment with reference to evaluation undertaken by management. For assets with impairment indicators, management performed evaluation to assess the recoverable amount of each asset being the higher of its value in use or its fair value less costs of disposal. As at 30 April 2023, management performed two separate impairment assessments for the toy business and laboratory equipment business.

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 and discount rate. Management determined that no further impairment is required.

Toy business segment

As at 30 April 2023, the carrying amount of the property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets in toy business segment was approximately HK\$13,231,000 (2022: HK\$17,911,000). No impairment loss was recognised for the year ended 30 April 2023 (2022: impairment loss of HK\$32,546,000).

Key assumptions used in the value-in-use calculations for the recoverable amount of non-financial assets are as follows:

Weighted average annual revenue growth rate:	5%
Gross profit margin:	16%
Discount rate:	12%

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Impairment of property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets (continued)

Laboratory equipment business segment

As at 30 April 2023, the carrying amount of the property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets in laboratory equipment business segment was approximately HK\$11,229,000 (2022: HK\$20,071,000). Except for specific impairment loss of approximately HK\$1,860,000 recognised for several software which is unable to generate cash flow during the year ended 30 April 2023, no additional impairment loss was recognised for the year ended 30 April 2023 (2022: Nil).

13. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	12,388	18,635
Less: loss allowance	(352)	(375)
	<hr/>	<hr/>
Trade receivables, net	12,036	18,260
	<hr/>	<hr/>
Deposits	5,440	1,664
Prepayments	1,656	8,005
Other receivables	13,862	13,255
	<hr/>	<hr/>
	20,958	22,924
Less: loss allowance	(12,686)	(11,679)
	<hr/>	<hr/>
Deposits, prepayments and other receivables, net	8,272	11,245
	<hr/>	<hr/>
Less: prepayments for property, plant and equipment and factory rental deposits classified as non-current assets	(567)	(830)
	<hr/>	<hr/>
Current portion	7,705	10,415
	<hr/>	<hr/>

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 2023, the Group identified some of the long aged other receivables and the management has reassessed the credit risk of those balances and impairment loss of approximately HK\$1,519,000 (2022: Nil) was recognised in the consolidated statement of comprehensive income regarding these balances. The Group does not hold any collateral as security.

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

During the year ended 30 April 2022, the Group recognised a provision of loss allowance for other receivables for approximately HK\$11,679,000. 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 and was involved in multiple disputes over private lending and was 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.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
US\$	11,915	18,662
HK\$	483	1,189
RMB	20,944	21,708
Others	4	–
	<u>33,346</u>	<u>41,559</u>

The Group grants credit periods to customers ranged from 0 to 180 days. As at 30 April 2023, the ageing analysis of trade receivables in gross amount based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	10,821	9,504
3 months to 1 year	1,243	8,807
Over 1 year	324	324
	<u>12,388</u>	<u>18,635</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Beginning of the year	(375)	(1,126)
Reversal of provision for impairment for the year	23	479
Written off for the year	–	272
	<u>(352)</u>	<u>(375)</u>

14. TRADE AND BILLS PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	4,542	7,728
1 to 2 months	5,760	4,877
2 to 3 months	196	1,391
Over 3 months	385	284
	<u>10,883</u>	<u>14,280</u>

Trade and bills payables are denominated in the following currencies:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
US\$	9,541	3,647
HK\$	103	7,280
RMB	1,239	3,353
	<u>10,883</u>	<u>14,280</u>

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 2022 annual report and 2022 interim report, since the Toy business is expected to continue to suffer in the near term due to the factors beyond the Group’s control, especially the poor economy of our major target markets like Europe and the U.S., the Group has decided and finally switched the Toy business that it has operated for more than 20 years from self-manufacturing to outsource subcontracting during the year. With the new business model change, fixed overhead in Dongguan toy factory has become minimal starting from December 2022 in order to enhance the cost-efficiency of the business. However, the cost saving effect has not been fully reflected in this year.

Kiddieland Technology was founded just over a year ago as a provider of educational information application solutions, and has quickly established a firm foothold in the industry and opened up new horizons. We have achieved outstanding results under the leadership of the Board of Directors and the operation and management committee which consists of six executives.

In terms of product research and development, we have introduced new products to meet the market demand, such as the Champion Table and I-shaped Table, and perfected the 5 matrix of product series for in science, chemistry and biology laboratories for secondary schools, and enhanced the level of product intelligence and digitization in the process. In terms of the laboratory operation evaluation system of the high school entrance examinations, the third generation of examination terminals was optimized with more dependable products, and multiple versions of examination application systems in LINUX, WINDOWS and ANDROID, etc. were launched, which were tested and verified in the high school entrance examinations across the country at the beginning of May this year, and were highly recognized by the school authorities and the education administration departments.

At the 81st China Education Equipment Exhibition (Nanchang) in April 2023, the Company’s products were launched for the first time under the brand name of “Kiddieland Technology” together with the leading echelon of fellow industry players, and received high praise from industry organizations and exhibitors. The Company’s digitalized laboratory and the laboratory operation evaluation system of the high school entrance examinations have been perfected in full-fledge.

In terms of sales, the Company has rapidly established its presence in Eastern, Southern, Western and Northern China, covering 31 provinces, cities and autonomous regions across the country. Meanwhile, we are constantly developing new business pipelines and working closely with a number of high-quality pipeline providers nationwide.

In terms of developing and integrating resources, we have mainly engaged in the following two aspects: for our products and services, we are cooperating with Intel and other companies in developing and optimizing the functions of AI products. We have responded to market concerns in a timely manner, and cooperated with NOBOOK and other high-quality resources to provide schools with value-added functions, such as virtual simulation laboratories; and we have cooperated with high schools with basic research and development abilities to optimize and deepen the laboratory operation evaluation system of the high school entrance examinations. In terms of supply chain management, we have developed relationship with a number of raw material suppliers with excellent product quality and good reputation based on our quality control efforts to achieve the foundation for product production and timely delivery.

In terms of internal management, the Company has focused on standardization and process management last year. Following the trial period, the Company has officially launched the “Kingdee Cloud Galaxy” management system, and implemented the operation flow and standardized control of procurement application and approval, financial application and approval, PMC management, product manufacturing and management, contract management, quality control and after-sales service management, and human resource management, etc., and realized the standardized closed-circuit electronic filing from start to finish of projects. Meanwhile, the Company has strengthened its intellectual property rights, and has passed 7 systemic certification including the “Quality Control System Certification (《品質管制體系認證證書》)”, as well as a number of softwares, patents, and testing reports of software and hardware products on the “High School Entrance Examination System Municipal Platform (《中考考試系統市級平台》)”.

The Group’s revenue for the year was approximately HK\$176.2 million, which has decreased by 27.8% as compared to that of last year (2022: HK\$244.2 million).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$50.5 million for the year ended 30 April 2023 (2022: HK\$65.5 million). The net loss recorded by the Group this year was attributed to (i) the decrease in revenue; (ii) the one-off extraordinary abnormal expenses due to the change of operation model of the Toy business; and (iii) the appreciation of US\$ against other currencies.

Financial Review

Revenue

As mentioned in Business Review, revenue generated from North America decreased by 50.8% to approximately HK\$71.5 million (2022: HK\$145.4 million). Both average selling price and sales orders had decreased. The decrease was mainly attributed to the decrease of revenue from a top developed country in the region and the switching of product mix to products with relatively low unit price. In addition, with the late arrival of goods due to the shipment delay and the backlogs at U.S. ports in the last year, the retailers had a high stock level in the year 2022 and thus preferred not to place as many orders as that in the last year.

On the other hand, revenue generated from Europe decreased by 32.1% to approximately HK\$53.5 million (2022: HK\$78.8 million). Both average selling price and sales orders had decreased. The revenue decrease was mainly attributed to (i) the sluggish economy in several developing countries in Eastern Europe, especially Ukraine due to the war against Russia; and (ii) the currency appreciation of US\$ which hurt the purchasing power in the European region.

Revenue generated from the Laboratory equipment business dramatically increased by 680% to approximately HK\$35.1 million (2022: HK\$4.5 million). The huge growth rate reflects that it is a new business segment that the Group invested in January 2022 with growth potential. However, the sales figures of last year cannot reflect the full year effect as there was only three months operation period in the last year.

As a result of the above, the Group's overall revenue decreased by 27.8% to approximately HK\$176.2 million (2022: HK\$244.2 million).

Gross profit

The Group's gross profit decreased by 34.6% to approximately HK\$6.8 million for the year (2022: HK\$10.4 million). Although there was a 27.5% decrease in the cost of sales during the year, the decreasing amplitude in revenue slightly outweighs the range of the decrease in cost of sales.

The decrease was attributed to the 27.8% decrease in revenue discussed above, and it was partially offset by (i) the decrease in depreciation expenses resulting from the impairment of property, plant and equipment made last year; and (ii) the decrease in production overhead cost. Therefore, the Group's gross profit margin for the year slightly decreased to 3.8% as compared to 4.3% of last year.

Other (losses)/gains, net

The Group recorded other losses of approximately HK\$13.7 million for the year (2022: other gains HK\$0.1 million). The net other losses were mainly attributed to (i) the one-off severance payment in the PRC due to the change of operation model of the Toy Business; and (ii) the loss on disposal of raw materials. And it was partially offset by the gain on disposal of property, plant and equipment.

Financial Review (Continued)

Impairment losses on non-financial assets & financial assets

Due to the decrease in revenue with a decrease in gross margin in the last year and this year, the Group recognised an impairment loss on property, plant and equipment of approximately HK\$32.5 million in the last year and an impairment loss on intangible assets of approximately HK\$1.9 million in this year. In addition, the Group recorded net impairment losses on financial assets of approximately HK\$1.5 million this year (2022: HK\$11.2 million). The impairment losses recorded last year was mainly due to the significant increase in credit risk of the non-controlling shareholder of the Laboratory equipment business.

Selling and distribution expenses

Selling and distribution expenses increased by 42.2% to approximately HK\$11.8 million for the year (2022: HK\$8.3 million). The increase was mainly attributed to the increase in staff costs and advertising and promotion expenses of the Laboratory equipment business that the Group newly invested in January 2022.

Administrative expenses

Administrative expenses decreased by 11.1% to approximately HK\$31.3 million for the year (2022: HK\$35.2 million). The decrease was mainly attributed to (i) the decrease in staff costs and office rental expenses of the Toy business while it was partially offset by the increase in administrative staff costs of the Laboratory equipment business.

Finance costs

Net finance costs slightly increased by 14.3% to approximately HK\$0.8 million for the year (2022: HK\$0.7 million). The increase was attributed to the increase in interest on lease liabilities.

Income tax expenses/(credits)

The Group recorded income tax expenses of approximately HK\$0.4 million for the year whilst the Group recorded income tax credits (net of tax expenses) of approximately HK\$6.5 million for the last year. The income tax expenses this year were mainly attributable to the derecognition of deferred tax assets of Dongguan toy factory during the year. On the other hand, the income tax credits for the last year were attributable to the operating loss recorded in the last year.

Net loss

The Group recorded a net loss of approximately HK\$50.5 million for the year (2022: HK\$65.5 million). The decrease in net loss recorded in this year was mainly attributed to (i) the decrease in impairment losses; (ii) the decrease in cost of production due to the low sales volume; and (iii) the decrease in staff costs. It was partially offset by (i) the decrease in revenue; and (ii) the one-off severance payment in Dongguan toy factory.

Financial Review (Continued)

Inventories

Inventories as at 30 April 2023 were approximately HK\$19.6 million, decreased from approximately HK\$93.4 million as at 30 April 2022. Inventory turnover days for the year were 121.7 days (2022: 147.5 days). The decrease in stock level was primarily attributed to the change of operation model of the Toy business during the year.

Trade receivables

Trade receivables as at 30 April 2023 were approximately HK\$12.0 million, decreased from approximately HK\$18.3 million as at 30 April 2022. Trade receivables turnover days for the year were 31.4 days (2022: 32.3 days). The decrease in receivables level was attributed to the decrease in sales level for this year.

Trade and bills payables

Trade and bills payables as at 30 April 2023 were approximately HK\$10.9 million, decreased from approximately HK\$14.3 million as at 30 April 2022. Trade and bills payables turnover days for the year were 27.1 days (2022: 27.4 days). The decrease in payables level was attributed to the decrease in purchase activity and production activity due to the change of operation model of the Toy business during the year.

Liquidity and financial resources

During the year ended 30 April 2023, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2023, cash and cash equivalents amounted to approximately HK\$3.4 million (2022: HK\$8.6 million). The decrease was mainly due to the increase in the repayment of bank borrowings during the year. The current ratio of the Group, as calculated by total current assets over total current liabilities, was 1.3 as at 30 April 2023 (2022: 1.6).

As at 30 April 2023, the Group's net current assets were approximately HK\$9.1 million (2022: HK\$51.3 million). The Group did not have any bank borrowings as at 30 April 2023 (2022: HK\$44.6 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 0% (2022: 47.5%). All bank borrowings were subject to floating interest rates. As at 30 April 2023, the Group had undrawn banking facilities of approximately HK\$242.1 million (2022: HK\$197.4 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 sales, purchases and expenses incurred in toy business are mainly denominated in Hong Kong and US Dollar. And for production factory located in the PRC related to laboratory equipment business, sales, purchases and 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 2023, the Group had not entered into any financial instrument for the hedging of foreign currency.

Employees and Remuneration Policy

As at 30 April 2023, the Group employed 159 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 2023, 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 2023, the Group did not have any contingent liabilities.

Outlook/Future Prospects and Strategies

This year has presented us with unique challenges and opportunities, which have helped us develop, adapt, and succeed despite the strenuous market conditions.

The current global economic climate is still recovering from the impacts of the Covid-19 pandemic. This, coupled with the ongoing Ukraine War, and a weak Euro, has caused a slight contraction in consumer spending with some of our customers in Europe. Additionally, the overall industry has been grappling with raw material inflation. Yet, these challenges have not deterred us from innovating and thriving under our new direction.

In the face of these obstacles, the Company has appointed reliable subcontractors and suppliers and outsourced all forms of manufacturing to increase profitability. Internal factors such as raw material inflation and significant volatility led to this decision, and we have partnered up with reliable and experienced subcontractors to ensure smooth operations and production of all goods. Given the current global economic situation, the Company maintained a resilient performance over the last fiscal year. Despite grappling with a worldwide inventory backlog due to Covid-19 impacts, escalated shipping charges have returned to a reasonable and acceptable level. Coupled with reengineered and innovative products, we were successful in taking measures to improve our profitability.

Looking ahead, the global economic situation may improve in the second half of 2024, suggesting greater potential and more opportunities with worldwide backlog inventory fully cleared by then. The market will be ready to consume more innovative products after a relatively long reorganization of obsolete inventory. With these positive prospects, the Management is confident in our new business operations and global economic performance in the coming year.

In the forthcoming year, our main focus will continue to be the expansion of our product range in both preschool and ride-on toys. We will continue our efforts to enhance our product portfolio, especially with licensed products that have shown considerable potential. The Company is actively seeking new, mind-blowing licensed products to enrich our product range, with a focus on streamlined products with improved designs, reducing costs without sacrificing features. This will increase profitability and bring innovation to the market. The Company is also embarking on a vigorous quest to diversify our retail selling points and to identify new buyers and channels globally, thereby enhancing our reach and boosting sales. Our strategic initiatives will focus on leveraging these anticipated market trends and consumer preferences.

In parallel with our toy business, looking forward to the new year, in addition to deepening the fruitful work of last year, Kiddieland Technology (Laboratory equipment business) will focus on strengthening the work in the following aspects. Firstly, we will further optimize, upgrade and newly launch intelligent laboratory products and high school entrance examination experimental operation evaluation series products, and strive to upgrade the core products of these two series to domestic first tier well-known brand products, and convert the market establishment of the previous year into incremental orders through the market reputation of the products and the demonstration effect of multiple test centers across the country. Secondly, we will strengthen sales management, conduct more in-depth research on the needs of different regions, improve the speed and quality of the company's internal departments to respond to sales work, and provide customers with fast and quality services and products.

In the new year, the State issued the programmatic document “Opinions on Building a High-quality and Balanced Basic Public Education Service System” 《關於構建優質均衡的基本公共教育服務體系的意見》, which put forward clear requirements for the construction of digital campuses including teaching equipment and digital basic environment. The two major product series of Kiddieland Technology are highly in line with the country’s major policies and market needs, and it is the right time to further develop our products. We believe that on the basis of last year’s work and the work that needs to be strengthened in the new year, Kiddieland Technology will be able to better meet the development needs of China’s huge education market in terms of order sales, product quality and brand influence. Kiddieland Technology will further devote itself to the research and development and application of educational information products, lead the development of the education industry, and strive to become the leader in the field of educational equipment and information teaching in China.

In conclusion, while the past year has tested our resilience, it has also reinforced our confidence in our ability to adapt, innovate, and succeed. The Company is optimistic about the future and the opportunities it holds.

OTHER INFORMATION

Final Dividend

The Board has resolved not to declare any final dividend for the year ended 30 April 2023.

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, 13 October 2023, the register of members of the Company will be closed from Wednesday, 11 October 2023 to Friday, 13 October 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 10 October 2023.

Annual General Meeting

The AGM will be held on Friday, 13 October 2023. 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 2023, 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 2023, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Code for Dealing in Company's Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry 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 2023.

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 2023, 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 2023.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 April 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Publication of Annual Results Announcement and Annual Report

This results announcement is published on the website of the Stock Exchange at (www.hkexnews.hk) and that of the Company at (www.kiddieland.com.hk). The 2023 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, 31 July 2023

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. SIT Hon Wing as the Independent Non-executive Directors.