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 2020

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 2020, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 30 April** **2020** ***HK$'000***	2019 *HK$'000*
Revenue	3	**276,321**	289,049
Cost of sales	7	**(231,423)**	(250,191)
Gross profit		**44,898**	38,858
Other income	5	**1,180**	731
Other gains, net	6	**199,165**	2,102
Selling and distribution expenses	7	**(20,600)**	(11,593)
Administrative expenses	7	**(32,376)**	(34,438)
(Impairment losses)/reversal of impairment losses on financial assets, net		**(96)**	731
Operating income/(loss)		**192,171**	(3,609)
Finance income		**503**	8
Finance expenses		**(5,414)**	(5,231)
Finance costs, net	8	**(4,911)**	(5,223)
Profit/(loss) before taxation		**187,260**	(8,832)
Income tax expenses	9	**(23,429)**	(529)
Profit/(loss) for the year		**163,831**	(9,361)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(4,498)**	(4,825)
Reclassification of exchange reserves upon disposal of a subsidiary		**6,163**	—
Other comprehensive income/(loss) for the year, net of tax		**1,665**	(4,825)
Total comprehensive income/(loss) for the year		**165,496**	(14,186)
Basic and diluted earnings/(losses) per share (HK cents)	11	**16.4**	(0.9)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April **2020** ***HK$'000***	 2019 *HK$'000*
ASSETS			
Non-current assets			
Prepaid operating lease		**—**	12,330
Property, plant and equipment		**47,647**	119,333
Right-of-use assets		**7,370**	—
Intangible assets		**19,268**	11,853
Deferred income tax assets		**7,145**	8,069
Prepayment	12	**1,629**	72
		83,059	151,657
Current assets			
Inventories		**99,537**	118,079
Trade receivables	12	**16,877**	25,348
Other receivables, deposits and prepayments	12	**38,462**	5,433
Income tax recoverable		**60**	1,137
Cash and bank balances		**7,221**	19,392
		162,157	169,389
Total assets		**245,216**	321,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 30 April	
		2020	2019
	Note	***HK$'000***	*HK$'000*
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**100,000**	100,000
Other reserves		**6,242**	6,242
Exchange reserves		**(744)**	(2,409)
Retained earnings		**37,942**	24,111
Total equity		**143,440**	127,944
LIABILITIES			
Non-current liabilities			
Bank borrowings		**19,706**	—
Deferred income tax liabilities		**2,189**	4,337
Lease liabilities		**4,028**	—
Other payables		**2,499**	58
		28,422	4,395
Current liabilities			
Bank borrowings		**23,426**	138,233
Trade and bills payables	13	**15,889**	21,240
Accruals and other payables		**28,425**	27,485
Contract liabilities		**519**	1,371
Lease liabilities		**638**	—
Income tax payable		**4,457**	378
		73,354	188,707
Total liabilities		**101,776**	193,102
Total equity and liabilities		**245,216**	321,046

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

Kiddieland International Limited was incorporated in the Cayman Islands on 3 June 2016 as an exempted company with limited liability. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and selling of plastic toy products (the "**Toys Business**").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

The Group has applied the following new and amended standards, improvements and interpretations for the first time for its annual period commencing on 1 May 2019:

Annual Improvements Project (Amendments)	Annual Improvements 2015 - 2017 Cycle
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies following the adoption of HKFRS 16. The Group elected to adopt the new rules but recognised the cumulative effect of initially applying the new standard on 1 May 2019. The details of which are set out in note 2.2. The other amendments 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.

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

The following new and amended standards, improvements, interpretations and revised framework to existing standards are not effective for annual periods commencing on or after 1 May 2019 and have not been early adopted by the Group:

HKFRS 3 (Amendments)	Definition of a Business[1]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use[3]
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract[3]
HKFRS 17	Insurance Contracts[2]
HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements Project	Annual Improvements to HKFRSs 2018 - 2020 Cycle[3]

Notes:

(1) Effective for annual periods commencing on or after 1 May 2020

(2) Effective for annual periods commencing on or after 1 May 2021

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

(4) To be determined

The above accounting standards and interpretations have been published but are not mandatory for 30 April 2020 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.

2.2 Changes in accounting policies

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

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

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

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

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

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

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

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

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

(b) Practical expedients applied

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

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

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

3 SEGMENT INFORMATION

The executive Directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in the manufacturing and selling of plastic toy products. The chief operating decision-makers assess the business performance based on a measure of operating results. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment - manufacturing and selling of plastic toy products.

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

	2020	2019
	HK$'000	*HK$'000*
America	**164,818**	157,722
Europe	**88,180**	106,793
Asia Pacific and Oceania	**23,109**	24,085
Africa	**214**	449
	276,321	289,049

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:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**2,398**	394
The PRC	**54,248**	131,341
	56,646	131,735

For the year ended 30 April 2020, there was one (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**74,293**	70,196

The five largest customers accounted for approximately 43.0% (2019: 42.8%) of the revenue of the Group for the year ended 30 April 2020.

4 REVENUE

	2020	2019
	HK$'000	*HK$'000*
Sales of goods	**276,321**	289,049

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:

	2020	2019
	HK$'000	*HK$'000*
Contract liabilities (sales of goods)	**519**	1,371

Revenue recognised that is included in the contract liabilities balance at the beginning of the year amounted to HK$1,371,000.

5 OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Sales of scrapped materials	**344**	363
Sundry income	**836**	368
	1,180	731

6 OTHER GAINS, NET

	2020	2019
	HK$'000	*HK$'000*
Exchange gain, net	**1,726**	2,042
Gain on disposal of a subsidiary, before taxation (note 14)	**197,208**	—
Net gain on disposal of property, plant and equipment	**231**	60
	199,165	2,102

7 EXPENSES BY NATURE

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

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**1,130**	1,130
– Non-audit services	**465**	439
Advertising and promotion expenses	**2,362**	1,849
Amortisation of prepaid operating lease	**—**	405
Amortisation of intangible assets	**15,770**	19,297
Bank charges	**1,300**	1,487
Commissions	**6,731**	2,578
Consumables	**7,355**	6,499
Cost of inventories sold	**107,032**	114,021
Custom and declaration handling expenses	**1,557**	1,440
Depreciation of property, plant and equipment	**14,232**	18,159
Depreciation of right-of-use assets	**6,898**	—
Expenses for short-term and low value operating leases	**1,211**	—
Licenses fees	**7,246**	6,015
Logistics and warehousing expenses	**15,601**	14,116
Other taxes	**1,903**	3,359
Operating lease expenses	**—**	6,923
Product testing expenses	**823**	373
Provision/(reversal of provision) for impairment of inventories	**516**	(3,545)
Repair and maintenance expenses	**1,554**	1,434
Share-based payment expenses	**—**	1,320
Staff costs, including Directors' emoluments	**75,511**	83,947
Subcontracting expenses	**1,456**	1,442
Utilities	**9,546**	10,188
Other expenses	**4,200**	3,346
	284,399	296,222

8 FINANCE COSTS, NET

	2020	2019
	HK$'000	*HK$'000*
Finance income:		
Bank interest income	**503**	8
Finance expenses:		
Bank overdraft interest	**(198)**	(296)
Other bank borrowing interest	**(4,885)**	(4,935)
Interest on lease liabilities	**(331)**	—
	(5,414)	(5,231)
Finance costs, net	**(4,911)**	(5,223)

9 INCOME TAX EXPENSES

For the year ended 30 April 2020, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit. The Group's subsidiaries in the PRC are subject to China corporate income tax at a rate of 25% on the estimated assessable profits. The Group's subsidiary in the U.S. is subject to U.S. corporate income tax at progressive tax rates ranged from 5% to 39% on the estimated assessable profit. Disposal of a subsidiary in the PRC is subject to China corporate income tax at a rate of 10% on the estimated taxable gain.

	2020	2019
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**1,366**	(154)
– China corporate income tax	**29,884**	1,319
– U.S. corporate income tax	**11**	119
	31,261	1,284
Deferred taxation		
– Origination and reversal of temporary differences	**(7,832)**	(755)
	(7,832)	(755)
Income tax expenses	**23,429**	529

10 DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Dividend declared and paid	**150,000**	—

Upon completion of the disposal of a subsidiary (note 14), the Company declared a special cash dividend of HK$0.15 per share, amounting to HK$150 million in total, to the shareholders. The special cash dividend was fully paid on 7 February 2020.

No final dividend for the year ended 30 April 2020 was declared or paid by the Company (2019: Nil).

11 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

	2020	2019
Profit/(loss) attributable to the owners of the Company (HK$'000)	**163,831**	(9,361)
Weighted average number of ordinary shares in issue (in thousand)	**1,000,000**	1,000,000
Basic earnings/(losses) per share (HK cents)	**16.4**	(0.9)

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

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share for the year is the same as basic earnings/(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 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**22,898**	31,273
Less: loss allowance	**(6,021)**	(5,925)
Trade receivables, net	**16,877**	25,348
Deposits	**778**	119
Prepayments	**2,781**	4,286
Other receivables	**36,532**	1,100
	40,091	5,505
Less: prepayment for property, plant and equipment and factory rental deposit classified as non-current assets	**(1,629)**	(72)
Current portion	**38,462**	5,433

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

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

As at 30 April 2020, the expected credit losses for other receivables were immaterial, no loss allowance was made (2019: Nil).

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

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

	2020	2019
	HK$'000	*HK$'000*
US$	**23,297**	31,848
HK$	**935**	1,157
RMB	**38,756**	3,773
Others	**1**	—
	62,989	36,778

The Group grants credit periods to customers ranged from 0 to 180 days. As at 30 April 2020, the ageing analysis of trade receivables in gross amount based on invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Up to 3 months	**15,851**	24,148
Over 3 months	**7,047**	7,125
	22,898	31,273

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

	2020	2019
	HK$'000	*HK$'000*
Beginning of the year	**(5,925)**	(6,656)
(Provision)/reversal of provision for impairment for the year	**(96)**	731
End of the year	**(6,021)**	(5,925)

13 TRADE AND BILLS PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**8,981**	13,365
1 – 2 months	**4,996**	6,036
2 – 3 months	**808**	969
Over 3 months	**1,104**	870
	15,889	21,240

Trade and bills payables are denominated in the following currencies:

	2020	2019
	HK$'000	*HK$'000*
US$	**3,577**	5,534
HK$	**8,983**	10,983
RMB	**3,329**	4,723
	15,889	21,240

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

14 DISPOSAL OF A SUBSIDIARY

On 12 November 2019, the Group completed its disposal of 100% equity interest in a wholly-owned subsidiary, Dongguan Kiddieland Industrial Co., Ltd., to a third party for a total consideration of RMB327,790,000 (approximately HK$364,402,000) which included a cash consideration of RMB324,190,000 (approximately HK$360,400,000) and a right-of-use asset of RMB3,600,000 (approximately HK$4,002,000) in relation to the lease of factory buildings. Part of the cash consideration amounted to RMB32,000,000 (approximately HK$35,574,000) would be setted in 18 months from the date of the share transfer agreement.

The subsidiary was principally engaged in the manufacturing of toys products, with its production and ancillary facilities located in Dongguan, the PRC. The net assets of the subsidiary being disposed of and the gain on the disposal are as follows:

		HK$'000
Total consideration		364,402
Less:	Net assets disposed of	
	Property, plant and equipment and right-of-use assets	(84,172)
	Deferred income tax assets	(6,607)
	Other receivables, deposits and prepayments	(3,455)
	Income tax recoverable	(680)
	Cash and cash equivalents	(906)
	Trade payables	89
	Accruals and other payables	1,191
		269,862
Less:	Direct expenses	
	Service fee and professional fees	(24,614)
	Severance payment expenses	(34,528)
	Duties and surcharges	(7,254)
	Others	(95)
		203,371
Less:	Reclassification of exchanges reserves upon disposal of a subsidiary	(6,163)
Gain on disposal of a subsidiary, before taxation (note 6)		197,208
Income tax expenses		(27,229)
Gain on disposal of a subsidiary, net of tax		169,979

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Financial year 2020 has proven to be another challenging year for the Group and even to the whole world in general. Several events have been happened in the last three years, which largely affected the Group's business, mainly, (i) the bankruptcy and liquidation of the largest toy retailer in the world, Toys "R" Us Inc. ("**TRU**") in financial year 2018; (ii) the announcement of the Brexit in the U.K. on year 2017; and (iii) the trade war between U.S. and China starting from year 2018.

First, the filing of Chapter 11 bankruptcy by TRU in September 2017 and its subsequent liquidation announcement in March 2018 sent shockwaves to global toy industry. The resulting overall sentiment of the toy industry dived and many customers had turned particularly conservative in placing orders. During the past 2 years, the Group did its best to find other customers to pick up the lost business from TRU.

Second, the Brexit in the U.K. was finally confirmed on financial year 2020 following by the ratification of the withdrawal agreement by both the U.K. and the E.U. at the end of January 2020. The political instability in various places in Europe and the uncertainty factor has been eliminated. The Group originally believed that the sales performance in Europe will be getting better in the year.

Third, the trade war between U.S. and China has also created plenty of uncertainties. It hurts the overall economy worldwide as U.S. and China are the two largest economies in the world. Even though toys is not a category that has been affected by the tariffs U.S. has imposed on China imported goods, our Toys Business performance in the few years has been adversely affected due to the worsen economic environment. During the year, the conflict between U.S. and China had a bit retrieved following by the granting of tariff exemptions on a list of items and signing of trade deals by both countries.

By reviewing the sales performance in the first half of the financial year, the Group believed that the unfavourable effects of the above issues have been almost gone. However, there was another disaster happened suddenly at the beginning of Year 2020. Since January 2020, China and Hong Kong have reported numerous confirmed cases of Coronavirus Disease 2019

("**COVID-19**") which affected the usual business environment of the regions that the Group operates. A series of precautionary and control measures had been implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday, etc.. Thus, our production schedule and planning have been seriously affected suddenly.

What was worse is the outbreak of COVID-19 in Europe and North America. Starting from March 2020, there are huge increase confirmed cases reported every day in these regions. In order to reduce social contacts and to encourage the social distancing, most of the countries in these regions have adopted a stay-at-home order to reduce the chance of domestic person-to-person transmission. Due to the stay-at-home orders implemented, most of the retail shops have been closed temporarily and suddenly under the local government's appeal. Since most of our customers are the overseas massive retailers, they have cut the sales orders or postponed their original shipment schedules due to their shops closure. Thus, the Group's revenue during the last 3 months of the financial year was seriously affected.

Notwithstanding the encouraging growth of revenue generated from both North America and Europe during first half of the financial year, revenue generated in second half of the financial year substantially affected by the outbreak of COVID-19 around the world. The Group's revenue for the year was approximately HK$276.3 million, which has decreased by 4.4% as compared to last year (2019: HK$289.0 million).

The decrease in revenue was mainly attributed to the decrease of revenue generated from Europe which decreased by 17.4% to approximately HK$88.2 million (2019: HK$106.8 million) due to the economic condition and political instability. Sales orders from various customers in Western European markets had decreased during the year because most of our customers in the region have adopted tightened procurement program as a result of the stagnant market sentiment and political instability in various places in Europe, mainly the Brexit in the U.K..

Luckily, the disposal of Dongguan Kiddieland Industrial Co., Ltd. completed in November 2019 has provided the Group with more liquidity. The net proceeds of the disposal after distributing the special cash dividend of HK$150 million were retained in the Group as general working capital. Hence, the reliance on outside funding sources is substantially reduced. It will provide healthy financial position to the Group in the long run.

The Group recorded a net profit of approximately HK$163.8 million for the year ended 30 April 2020 (2019: net loss of HK$9.4 million). The net profit for the year was attributed to the extraordinary gain on disposal of the PRC subsidiary. Regarding the ordinary course of the Group's business, the net loss was approximately HK$6.2 million. The decrease in net loss of the Group was attributed to (i) the currency depreciation in RMB against US$; (ii) the decrease in royalties and licenses fees; (iii) the reduction of depreciation expenses in the second half of the financial year following by the disposal of the PRC subsidiary; (iv) the decrease in staff costs due to the restructuring and the retirement; (v) the absence of non-cash share-based payment expenses in the year. It is partially offset by the increase in commissions and logistics and warehousing expenses.

FINANCIAL REVIEW

Revenue

As mentioned in Business Review, revenue generated from North America increased by 5.4% to approximately HK$161.9 million (2019: HK$153.6 million). Both average selling price and orders had increased. The increase was mainly attributed to revenue from one of the developing countries in the region followed by the change in commission calculation basis while the revenue from U.S. was relatively stable.

On the other hand, revenue generated from Europe decreased by 17.4% to approximately HK$88.2 million (2019: HK$106.8 million). The decrease was attributed to (i) the decrease in sales to the U.K. and Ireland affected by the Brexit; and (ii) the sluggish economy in Western Europe, especially those developed countries which have reported extremely high confirmed cases of COVID-19.

As a result of the above, the Group's overall revenue decreased by 4.4% to approximately HK$276.3 million (2019: HK$289.0 million).

Gross profit

The Group's gross profit increased by 15.4% to approximately HK$44.9 million for the year (2019: HK$38.9 million). Although there was a 4.4% drop in the revenue during the year, the decreasing amplitude in cost of sales outweighs the range of the decrease in revenue. The decrease in cost of sales was mainly attributed to (i) the currency depreciation in RMB against US$. As much of our cost is expensed in RMB, this helped the Group to manage part of the cost in a positive way; (ii) the 9.0% decrease in the royalties and licenses fees due to the change of the product mix sold from licensed brand to Kiddieland brand; (iii) the reduction of depreciation expenses in the second half of the financial year as some of the fixed assets were sold during the disposal of the PRC subsidiary; and (iv) the restructuring at factory in Dongguan to streamlining some redundant management staff. Therefore, the Group's gross profit margin for the year increased to 16.2% as compared to 13.4% of last year.

Other income and gains

Other income and gains of the Group increased by around 71 times to approximately HK$200.3 million for the year (2019: HK$2.8 million). The significant increase was mainly attributed to the disposal of the PRC subsidiary completed on 12 November 2019, which the extraordinary gain before taxation amounted to approximately HK$197.2 million.

Selling and distribution expenses

Selling and distribution expenses increased by 77.6% to approximately HK$20.6 million for the year (2019: HK$11.6 million). The increase was mainly attributable to (i) the change in commission calculation basis in the view of pushing up the sales volume in some specific countries; and (ii) the increase in logistics and warehousing expenses. As there are plenty of uncertainties arising from the trade war between U.S. and China, especially during the first half of the financial year, the Group had executed an early shipment plan to ship extra inventories to our warehouse in U.S. in order to avoid paying potential additional import duties.

Administrative expenses

Administrative expenses, including the net impairment losses on financial assets, decreased by 3.6% to approximately HK$32.5 million for the year (2019: HK$33.7 million). The decrease was mainly attributed to (i) the absence of non-cash share-based payment expenses of approximately HK$1.3 million as compared to that in last year; and (ii) the decrease in staff costs due to the retirement of senior management.

Finance costs

Net finance costs decreased by 5.8% to approximately HK$4.9 million for the year (2019: HK$5.2 million). The decrease was attributed to the decrease in average bank borrowings level, especially after receiving the cash proceeds from the disposal of the PRC subsidiary at the end of December 2019.

Income tax expenses

The Group's income tax expenses for the year were approximately HK$23.4 million for the year. If excluding the income tax expenses related to the disposal of approximately HK$27.2 million, the Group recorded income tax credits (net of tax expenses) of approximately HK$3.8 million for the year whilst the Group recorded income tax expenses of HK$0.5 million for last year. The tax credits for the year were mainly attributable to the deferred tax assets recognised relating to the temporary tax losses in the PRC subsidiary.

Net profit/(loss)

As mentioned above, due to the gain on disposal of the PRC subsidiary, the Group has recorded a net profit of approximately HK$163.8 million for the year (2019: net loss of HK$9.4 million). If excluding this extraordinary gain, the net loss from the ordinary course of business was approximately HK$6.2 million (2019: net loss of HK$9.4 million). The decrease in net loss was mainly attributed to (i) the decrease in cost of sales mentioned above; (ii) the absence of non-cash share-based payment expenses; and (iii) the decrease in staff costs. It is partially offset by the increase in selling and distribution expenses mentioned above.

Inventories

Inventories as at 30 April 2020 were approximately HK$99.5 million, decreased from approximately HK$118.1 million as at 30 April 2019. Inventory turnover days for the year were 172.1 days (2019: 168.9 days). The decrease in stock level was primarily attributed to the unexpected lower production capacity and lower level of raw materials purchased in the last 3 months of the financial year due to COVID-19.

Trade receivables

Trade receivables as at 30 April 2020 were approximately HK$16.9 million, decreased from approximately HK$25.3 million as at 30 April 2019. Trade receivables turnover days for the year were 28.0 days (2019: 28.2 days). The decrease in trade receivables level was attributed to the decrease in sales level in the last 3 months of the financial year due to COVID-19.

Trade and bills payables

Trade and bills payables as at 30 April 2020 were approximately HK$15.9 million, decreased from approximately HK$21.2 million as at 30 April 2019. Trade and bills payables turnover days for the year were 29.4 days (2019: 30.1 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 due to COVID-19.

Liquidity and financial resources

During the year ended 30 April 2020, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 April 2020, cash and cash equivalents amounted to approximately HK$7.2 million (2019: HK$19.4 million). The decrease was mainly due to the huge increase in the repayment of bank borrowings and the utilisation of the listing proceeds according to the future plans during the year. The current ratio of the Group, as calculated by the total current assets over the total current liabilities, was 2.2 as at 30 April 2020 (2019: 0.9).

As at 30 April 2020, the Group's net current assets were approximately HK$88.8 million (2019: net current liabilities of HK$19.3 million). Total bank borrowings were approximately HK$43.1 million (2019: HK$138.2 million). The Group's financial gearing, based on the total bank borrowings compared to the total equity, was 30.1% (2019: 108.0%). All bank borrowings were subject to floating interest rates and one of the loans, amounted to approximately HK$25.5 million, is a committed term loan with around 4 years remaining term. 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 2020, the Group had not entered into any financial instrument for the hedging of foreign currency.

Employees and remuneration policy

As at 30 April 2020, the Group employed 813 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 2020, the commitments of the Group for acquisition of property, plant and equipment amounted to HK$0.9 million, which have been contracted, but not provided for in the consolidated financial statements.

Contingent liabilities

As at 30 April 2020, the Group had contingent liabilities in relation to irrevocable standby letter of credit of HK$8.7 million. Save as aforesaid, the Group did not have any other significant contingent liabilities.

USE OF PROCEEDS

In September 2017, the Company completed the Global Offering and raised total net proceeds of HK$81.4 million after deducting the listing expenses. Up to 30 April 2020, the Group has utilised HK$74.8 million of the net proceeds from the listing according to the intended purposes, and HK$6.6 million of the unused net proceeds were deposited in licensed banks in Hong Kong. Set out below is the intended use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 11 September 2017 (the "**Prospectus**"), utilised amount and unutilised amount of the net proceeds as at 30 April 2020.

Use of net proceeds	**Percentage of net proceeds**	**Net proceeds**	**Amount utilised**	**Amount remaining**
	%	*HK$'000*	*HK$'000*	*HK$'000*
Diversification of product offerings by developing new products and further entering into licensing arrangements	51.8%	42,200	(42,200)	—
Strengthening sales and marketing of the Company's co-branded products and Kiddieland branded products	27.2%	22,100	(15,514)	6,586
Acquiring machinery and upgrading existing machinery	9.5%	7,700	(7,700)	—
Repair and maintenance of the factory, production tools and machinery	11.5%	9,400	(9,400)	—
Total	100%	81,400	(74,814)	6,586

OUTLOOK/FUTURE PROSPECTS AND STRATEGIES

For the past few months our world is experiencing an unexpected COVID-19 pandemic that has taken hundreds of thousands of lives and resulted in many lockdowns on economies. Millions have lost their jobs and many governments have introduced unprecedented fiscal and monetary policies to stabilise their economies.

The future of economies in general remains highly unpredictable, and most corporations are reluctant to give out meaningful forecasts. Like the majority of businesses, our sales has been adversely impacted during the lockdown when most of our customers were forced to close their retail shops. Demand in toys has dropped significantly, coupled with the loss of income and many uncertainties relating to the pandemic, the management is not able to offer a very encouraging outlook at the moment. Nonetheless, business has slowly resumed around the world, and the Company is already seeing positive signs of recovery with new incoming orders.

One phenomenon that stemmed from the pandemic is the halt in traveling. The same has happened in China which has substantially slowed down labour mobility. As the Group now approach the peak production season, hiring workers has become a great challenge. The scarcity in labour supply is inevitably reflected in raised wages and factories have added all kinds of incentives to attract new workers.

The Company suffers from loss of sales as demand plummets while at the same time production costs continue to rise with the labour supply instability. Year 2020 is probably going to be one of the toughest years the management has ever seen in the last 20 years. Fortunately, the Company has eliminated over 50 middle management level staffs at the factory last year, and it has sold off some unproductive and obsolete moulds and tooling. Moreover, the major raw material component of making toys is plastic, which is highly correlated to oil prices. With the pandemic the Company has enjoyed a noticeable reduction in plastic prices. As the management is doing its best to streamline its production processes and elevate its efficiency, the Company believes the worst is already behind us.

With social distancing and economy lockdowns, internet sales is gradually making more prominent inroads in replacing the more traditional brick and mortar shopping model. The Group's focus in strengthening its internet sales capabilities is a long-term investment and it is starting to pay off. The Company will continue to build its infrastructure to enhance its presence in the internet sales domain, especially in North America where it will grow the fastest.

Most of the markets are struggling with the effects of the pandemic and the near-term outlook is not very promising. However, the management will closely monitor its development and adopt to any necessary changes if necessary. The Group believes it is well positioned with the cost cutting measures taken to pass through these difficult times, and will emerge stronger next year.

OTHER INFORMATION

Final Dividend

The Board has resolved not to declare any final dividend for the year ended 30 April 2020.

Special Cash Dividend

Upon the completion of the disposal of the PRC subsidiary, the Board has resolved to declare a special cash dividend of HK$0.15 per share, amounting to HK$150 million in total, on 7 January 2020. The special cash dividend was distributed on 7 February 2020.

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, 25 September 2020, the register of members of the Company will be closed from Wednesday, 23 September 2020 to Friday, 25 September 2020, 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, 22 September 2020.

Annual General Meeting

The AGM will be held on Friday, 25 September 2020. 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 2020, 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 2020, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Code for Dealing in Company's Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules**.** Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 30 April 2020.

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 2020, 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 2020.

Auditor

The financial figures of the Group's results for the year ended 30 April 2020 in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PwC on this announcement.

Publication of Annual Results Announcement and Annual Report

This announcement is published on the website of the Stock Exchange at (www.hkexnews.hk) and that of the Company at (www.kiddieland.com.hk). The 2020 annual report of the Company will be despatched to the shareholders of the Company and made available on the website of the Stock Exchange and that of the Company in due course.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, business partners, customers, suppliers, bankers, the management and staff for their support and contribution to the Group and its business throughout the year.

By Order of the Board
Kiddieland International Limited
Lo Hung
Chairman

Hong Kong, 15 July 2020

As at the date of this announcement, the Board comprises Mr. LO Shiu Kee Kenneth, Ms. LO Shiu Shan Suzanne, Ms. SIN LO Siu Wai Sylvia, Mr. LO Hung and Ms. LEUNG Siu Lin Esther as the Executive Directors and Ms. TSE Yuen Shan, Mr. MAN Ka Ho Donald and Mr. CHENG Dominic as the Independent Non-executive Directors.