

KIDDIELAND

Kiddieland International Limited

童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3830

2023 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Lo Shiu Shan Suzanne

Ms. Sin Lo Siu Wai Sylvia

(appointed as Chief Executive Officer
on 1 September 2023)

Mr. Lo Hung (*Chairman*)

Ms. Leung Siu Lin Esther

Mr. Lo Shiu Kee Kenneth

(*former Chief Executive Officer*)

(resigned on 31 August 2023)

Independent Non-executive Directors

Mr. Man Ka Ho Donald

Mr. Cheng Dominic

Mr. Sit Hon Wing

AUDIT COMMITTEE

Mr. Sit Hon Wing (*Chairman*)

Mr. Man Ka Ho Donald

Mr. Cheng Dominic

REMUNERATION COMMITTEE

Mr. Cheng Dominic (*Chairman*)

Mr. Man Ka Ho Donald

Mr. Sit Hon Wing

Ms. Sin Lo Siu Wai Sylvia

(appointed on 1 September 2023)

Mr. Lo Shiu Kee Kenneth

(resigned on 31 August 2023)

NOMINATION COMMITTEE

Mr. Man Ka Ho Donald (*Chairman*)

Mr. Cheng Dominic

Mr. Sit Hon Wing

AUTHORISED REPRESENTATIVES

Ms. Sin Lo Siu Wai Sylvia

(appointed on 1 September 2023)

Mr. Lo Shiu Kee Kenneth

(resigned on 31 August 2023)

Mr. Cheung Ka Cheong

COMPANY SECRETARY

Mr. Cheung Ka Cheong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F, Prince's Building

Central, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking

Corporation Limited

HSBC Main Building

1 Queen's Road Central

Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F, Bank of America Tower

12 Harcourt Road, Central, Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park

PO Box 1350, Grand Cayman KY1-1108

Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park

PO Box 1350, Grand Cayman KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

COMPANY WEBSITE

<http://www.kiddieland.com.hk>

STOCK CODE

3830

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the past few years, transportation cost was one of the biggest concerns of the importers around the world, including our target customers. Fortunately, the freight rates have been decreased to a normal and affordable level during the six months ended 31 October 2023. On the other hand, the current global economic climate is still under recovering from the impacts of the COVID-19 pandemic, this hurt the purchasing power of all around the world. At the same time, poor economy and weaken currencies against USD from countries outside U.S. have lower the demands of our goods too. Attribute to the high sales growth of the Laboratory Equipment Business, the Group's unaudited revenue for the six months ended 31 October 2023 (the "**Review Period**") was approximately HK\$148.7 million, which was increased by 19.3% as compared to the corresponding period last year (the "**Last Period**") (2022: HK\$124.6 million). The profit attributable to owners of the Company for the Review Period amounted to approximately HK\$4.5 million (2022: net loss of HK\$36.2 million).

OPERATING RESULTS

Revenue

Revenue generated from North America increased by 24.2% to approximately HK\$68.7 million in the Review Period (2022: HK\$55.3 million). Sales orders increased while the average selling price remained relatively constant. The increase was mainly attributed to revenue increase from a top developed country in the region. In addition, with the late arrival of goods due to the shipment delay and the backlogs at U.S. ports in the year before last, the retailers had a high stock level in the year 2022 and thus preferred not to place as many orders in the Last Period. Therefore, it mostly hurt the sales performance to North America in the Last Period.

On the other hand, revenue generated from Europe decreased by 11.0% to approximately HK\$33.3 million in the Review Period (2022: HK\$37.4 million). Sales orders decreased but the average selling price had increased. The revenue decrease was mainly attributed to (i) the sluggish economy in several developing countries in Eastern Europe, especially Ukraine and Russia due to the war against each other; and (ii) the currency appreciation of USD which hurt the purchasing power in the European region.

Revenue generated from the Laboratory Equipment Business increased by 92.6% to approximately HK\$36.6 million in the Review Period (2022: HK\$19.0 million). Since it is a new business invested in January 2022, the Group considers it is still under the growing stage with high potential.

As a result of the above, the Group's overall revenue increased by 19.3% to approximately HK\$148.7 million in the Review Period (2022: HK\$124.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit/(Loss)

The Group recorded a gross profit of approximately HK\$26.7 million in the Review Period whilst the Group recorded a gross loss of approximately HK\$13.4 million in the Last Period. The gross profit recorded in the Review Period was mainly attributed to (i) the 19.3% increase in revenue discussed above; (ii) the absence of one-off severance payment incurred due to change of operation model of the Toy Business. Most of the staffs in the Dongguan factory had been laid off during the Last Period; and (iii) less fixed overheads costs incurred after the completion of the change of the Toy Business operation.

Other (Losses)/Gains

The Group recorded other losses of approximately HK\$0.7 million in the Review Period whilst the Group recorded other gains of approximately HK\$2.7 million in the Last Period. The other gains recorded in the Last Period was mainly attributed to the gain on disposal of the property, plant and equipment related to the operational change of the Toy Business. The other losses recorded in the Review Period was mainly attributed to the impairment loss of an intangible asset.

Selling and Distribution Expenses

Selling and distribution expenses slightly increased by 1.4% to approximately HK\$7.2 million in the Review Period (2022: HK\$7.1 million). The increase was in line with the increase in the revenue. In addition, the Group has joined the toy fair in New York again during October 2023 since Year 2020.

Administrative Expenses

Administrative expenses decreased by 17.9% to approximately HK\$14.7 million in the Review Period (2022: HK\$17.9 million). The decrease was mainly attributed to the decrease in administrative staff costs and the operating lease expense of the headquarter in Hong Kong. The monthly rental has been decreased from \$0.4 million to \$0.1 million starting from November 2022.

Finance Costs

Net finance costs decreased by 71.4% to approximately HK\$0.2 million in the Review Period (2022: HK\$0.7 million). The decrease was attributed to the decrease in average bank borrowings level and the increase of bank interest income earned on the surplus cash on hand during the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS



Income Tax Expenses

The Group recorded income tax expenses of approximately HK\$0.4 million for the Review Period whilst the Group recorded income tax expenses of approximately HK\$1.7 million for the Last Period.

The income tax expenses recorded for the Review Period were mainly attributable to the operating profit recorded in the Review Period whilst the income tax expenses for the Last Period were mainly attributable to the de-recognition of deferred tax assets of Dongguan toy factory.

Net Profit/(Loss)

As mentioned above, due to (i) the increase in revenue of approximately HK\$24.1 million; (ii) the absence of one-off severance payment incurred in the Dongguan toy factory comparing to that of last year; and (iii) the decrease of the staff costs and rental expenses, the Group recorded a net profit attributable to owners of the Company of approximately HK\$4.5 million for the Review Period (2022: net loss of HK\$36.2 million).

Foreign Currency Exposure

The sales, purchases and expense 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 31 October 2023, the Group had not entered into any financial instrument for the hedging of foreign currency.

OUTLOOK/FUTURE PROSPECTS AND STRATEGIES

As we reflect on the past year, Kiddieland has faced an array of challenges and opportunities, each playing a crucial role in our continued development and success. The lingering effects of the Covid-19 pandemic, compounded by the ongoing Ukraine War and a weakened Euro, have influenced the global economic landscape, resulting in a modest downturn in consumer spending worldwide. The toy industry as a whole has also navigated the complexities of raw material inflation. However, these hurdles have not hindered our drive for innovation and progress under our new strategic direction.

MANAGEMENT DISCUSSION AND ANALYSIS

In response to these challenges, Kiddieland has adapted by engaging reliable subcontractors and outsourcing manufacturing processes to enhance profitability. This shift, necessitated by internal factors such as raw material inflation and market volatility, has been facilitated through partnerships with seasoned subcontractors, ensuring seamless operations and production continuity. Despite the various challenges, we have emerged with a resilient performance over the last fiscal year. Our proactive approach, including the introduction of reengineered and innovative products, has been pivotal in improving our profitability.

As we look forward, the global economic situation is expected to show signs of improvement in the second half of 2024. This anticipated upturn presents us with an opportunity to introduce more competitive and innovative products into a market primed for consumption after a period of reorganization.

In the forthcoming year, Kiddieland will concentrate on expanding our product range. Our strategy involves enhancing our portfolio with innovative licensed products, a segment that has shown considerable potential. We are committed to streamlining these products with improved designs, thereby increasing profitability and introducing innovation to the market. Additionally, we are embarking on a vigorous quest to diversify our retail selling points and identify new buyers and channels globally, aiming to enhance our reach and boost sales. Our strategic initiatives will be geared towards leveraging these anticipated market trends and evolving consumer preferences.

Furthermore, in addition to consolidating the achievements of the previous year, Kiddieland Technology will focus on optimizing and improving intelligent laboratory products and high school entrance examination experimental operation evaluation series products. By leveraging the market reputation of these products and the demonstration effect of multiple test centers across the country, there is potential for growth and further development. Moreover, we will enhance our sales management, conducting in-depth research on regional needs, and improving the responsiveness and quality of our internal departments to sales-related tasks, thereby providing customers with fast and quality services and products.

The recent policy document issued by the State, "Opinions on Building a High-Quality and Balanced Basic Public Education Service System", aligns well with the product series of Kiddieland Technology. This synergy with national policies and market needs is opportune for further development. With last year's experiences and the areas we've aimed to strengthen this year, the Management believes Kiddieland Technology will meet the development needs of China's vast education market in terms of order sales, product quality, and brand influence. We are committed to leading the development of the education industry and striving to become a leader in educational equipment and information teaching in China.

Kiddieland looks to the future with optimism and is poised to seize the opportunities it presents.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2023

	Note	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Revenue	6	148,709	124,604
Cost of sales	7	(121,998)	(137,984)
Gross profit/(loss)		26,711	(13,380)
Other income		233	469
Other (losses)/gains, net		(706)	2,730
Selling and distribution expenses	7	(7,201)	(7,051)
Administrative expenses	7	(14,714)	(17,859)
(Impairment losses)/reversals of impairment losses on financial assets, net		(40)	14
Operating profit/(loss)		4,283	(35,077)
Finance income		315	9
Finance expenses		(559)	(679)
Finance costs, net		(244)	(670)
Profit/(loss) before taxation		4,039	(35,747)
Income tax expenses	8	(355)	(1,699)
Profit/(loss) for the period		3,684	(37,446)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2023

	Note	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Other comprehensive loss			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		(720)	(2,119)
Other comprehensive loss for the period, net of tax		(720)	(2,119)
Total comprehensive income/(loss) for the period		2,964	(39,565)
Profit/(loss) for the period attributable to:			
Owners of the Company		4,510	(36,189)
Non-controlling interests		(826)	(1,257)
		3,684	(37,446)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		3,901	(37,886)
Non-controlling interests		(937)	(1,679)
		2,964	(39,565)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company during the period (expressed in HK cents per share)			
Basic and diluted earnings/(loss) per share	9	0.5	(3.6)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2023

	Note	As at 31 October 2023 HK\$'000 (unaudited)	As at 30 April 2023 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	7,297	7,988
Right-of-use assets	13	3,985	4,885
Intangible assets	12	7,311	9,727
Deferred income tax assets		10,682	10,989
Deposits and prepayments		620	567
		29,895	34,156
Current assets			
Inventories		11,088	19,603
Trade and bills receivables	14	29,396	12,036
Other receivables, deposits and prepayments		7,367	7,705
Income tax recoverable		1,344	1,336
Cash and bank balances		7,568	3,379
		56,763	44,059
Total assets		86,658	78,215
EQUITY			
Owners of the Company			
Share capital	15	100,000	100,000
Other reserves		6,242	6,242
Exchange reserves		(522)	87
Accumulated losses		(67,039)	(71,549)
		38,681	34,780
Non-controlling interests	18	2,435	3,372
Total equity		41,116	38,152

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2023

	Note	As at 31 October 2023 HK\$'000 (unaudited)	As at 30 April 2023 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Accruals and other payables		887	2,619
Deferred income tax liabilities		47	–
Lease liabilities	13	1,625	2,467
		2,559	5,086
Current liabilities			
Trade and bills payables	16	15,762	10,883
Accruals and other payables		14,719	9,844
Contract liabilities		9,985	11,736
Lease liabilities	13	2,517	2,514
		42,983	34,977
Total liabilities		45,542	40,063
Total equity and liabilities		86,658	78,215

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2023

	Attributable to owners of the Company (unaudited)					
	Share capital HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance as at 1 May 2023	100,000	6,242	87	(71,549)	3,372	38,152
Profit/(loss) for the period	-	-	-	4,510	(826)	3,684
Other comprehensive loss	-	-	(609)	-	(111)	(720)
Total comprehensive income/(loss)	-	-	(609)	4,510	(937)	2,964
Balance as at 31 October 2023	100,000	6,242	(522)	(67,039)	2,435	41,116

	Attributable to owners of the Company (unaudited)					
	Share capital HK\$'000	Other reserves HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance as at 1 May 2022	100,000	6,242	1,380	(21,000)	7,272	93,894
Loss for the period	-	-	-	(36,189)	(1,257)	(37,446)
Other comprehensive loss	-	-	(1,697)	-	(422)	(2,119)
Total comprehensive loss	-	-	(1,697)	(36,189)	(1,679)	(39,565)
Balance as at 31 October 2022	100,000	6,242	(317)	(57,189)	5,593	54,329

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2023

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Cash flows from operating activities		
Net cash generated from operations	11,097	34,554
Interest received	315	9
Interest paid	(249)	(330)
Income tax paid	(9)	–
Net cash generated from operating activities	11,154	34,233
Cash flows from investing activities		
Purchases of property, plant and equipment	(748)	(1,664)
Proceeds from disposal of property, plant and equipment	–	5,578
Settlements of liabilities arising from acquisitions of licenses	(4,555)	(6,278)
Purchase of intangible assets	(35)	(164)
Net cash used in investing activities	(5,338)	(2,528)
Cash flows from financing activities		
Proceeds from bank borrowings	–	84,000
Repayment of bank borrowings	–	(128,624)
Repayment of principal element of lease liabilities	(1,232)	(2,727)
Repayment of interest element of lease liabilities	(155)	(349)
Net cash used in financing activities	(1,387)	(47,700)
Net increase/(decrease) in cash and cash equivalents	4,429	(15,995)
Effect on exchange rate differences	(240)	946
Cash and cash equivalents and bank overdrafts at beginning of the period	3,379	8,643
Cash and cash equivalents and bank overdrafts at end of the period	7,568	(6,406)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

Kiddieland International Limited (the “**Company**”) was incorporated in the Cayman Islands on 3 June 2016 as an exempted company with limited liability. The address of its registered office is 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 condensed consolidated interim financial information is presented in Hong Kong Dollars (“**HK\$**”) unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 October 2023 is prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”. It should be read in conjunction with the annual report for the year ended 30 April 2023 (the “**Annual Report**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the Annual Report, except for the adoption of new standards, amendments and interpretations of HKFRSs effective for the financial year commencing on 1 May 2023.

(a) New and amended standards and interpretation of HKFRSs adopted by the Group

The Group has adopted the following new standards and amendments to standards which are mandatory for the financial year commencing on 1 May 2023 and are relevant to its operation:

HKFRS 17	Insurance Contract
HKFRS 4 (Amendments)	Expiry Date of the Deferral Approach
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Revised) (Amendments)	Disclosure of Accounting Policies
HKFRS Practice Statement 2 (Amendment)	Making Materiality Judgements
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HK (IFRIC)-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of new standards, amendments and interpretations of HKFRSs does not have a material impact to the Group's financial performance and positions for the current and prior periods and/or on the disclosure set out in these condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Amended standards not yet adopted by the Group

The following amended standards are not yet effective for annual periods commencing on 1 May 2023 and have not been early adopted by the Group:

		Effective for annual periods commencing on or after
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 May 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 May 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 May 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

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

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Report.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual report, and should be read in conjunction with the Annual Report.

There have been no changes in the Group's risk management policies since the year ended 30 April 2023.

(b) Liquidity risk

Compared to the year ended 30 April 2023, there was no material change in the contractual undiscounted cash out flows for financial liabilities

(c) Fair value estimation

The Group's financial assets comprise of cash and bank balances, trade and bills receivables, other receivables and deposits; and the Group's financial liabilities comprise of trade and bills payables, accruals and other payables and bank borrowings. The carrying amounts of the financial assets and financial liabilities approximate their fair values due to their short maturities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 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 of the operating segments of Toy business and Laboratory equipment business are presented for the six months ended 31 October 2023 and 2022. The related assets and liabilities of the operating segments as at 31 October 2023 and 30 April 2023 are presented as below.

Segment revenue and results

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

For the six months ended 31 October 2023 (unaudited)

	Toy business HK\$'000	Laboratory equipment business HK\$'000	Total HK\$'000
Revenue	112,078	36,631	148,709
Cost of sales	(92,715)	(29,283)	(121,998)
Gross profit	19,363	7,348	26,711
Segment results	7,357	(2,601)	4,756
Unallocated:			
Other income			233
Other losses, net			(706)
Finance costs, net			(244)
Profit before income tax			4,039

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the six months ended 31 October 2022 (unaudited)

	Toy business HK\$'000	Laboratory equipment business HK\$'000	Total HK\$'000
Revenue	105,631	18,973	124,604
Cost of sales	(122,613)	(15,371)	(137,984)
Gross profit/(loss)	(16,982)	3,602	(13,380)
Segment results	(32,193)	(6,083)	(38,276)
Unallocated:			
Other income			469
Other gains, net			2,730
Finance costs, net			(670)
Loss before income tax			(35,747)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Toy business HK\$'000	Laboratory equipment business HK\$'000	Total HK\$'000
As at 31 October 2023 (unaudited)			
Assets			
Segment assets	57,419	29,201	86,620
Unallocated:			
Property, plant and equipment			31
Cash and bank balances			7
Total assets			86,658
Liabilities			
Segment liabilities	26,083	19,459	45,542
Total liabilities			45,542
As at 30 April 2023 (audited)			
Assets			
Segment assets	44,936	33,220	78,156
Unallocated:			
Property, plant and equipment			42
Cash and bank balances			17
Total assets			78,215
Liabilities			
Segment liabilities	20,333	19,730	40,063
Total liabilities			40,063

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

For the six months ended 31 October 2023, revenue by geographical areas is as follows:

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
America	69,716	56,283
Europe	33,283	37,356
Asia Pacific and Oceania (exclude the PRC)	9,079	11,992
The PRC	36,631	18,973
	148,709	124,604

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

For the six months ended 31 October 2023, there was one (six months ended 31 October 2022: two) customer(s) which individually contributed over 10% of the Group's total revenue. During the period, the revenue contributed from the customer is as follows:

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Customer A	19,381	19,551
Customer B	N/A*	14,709

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

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

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Auditor's remuneration		
— Audit services	700	748
— Non-audit services	21	177
Advertising and promotion expenses	1,468	1,153
Amortisation of intangible assets (note 12)	3,187	5,869
Bank charges	254	205
Commissions	1,168	957
Consumables	408	966
Cost of inventories sold	103,682	90,815
Custom and declaration handling expenses	25	686
Depreciation of property, plant and equipment (note 11)	1,201	2,083
Depreciation of right-of-use assets (note 13)	1,298	2,913
Expenses for short-term and low-value operating leases (note 13)	1,651	2,582
Licenses fees	7,975	3,904
Logistics and warehousing expenses	1,853	1,811
Other taxes	144	693
Product testing expenses	743	765
Repair and maintenance expenses	304	838
Staff costs, including Directors' emoluments	13,328	38,833
Subcontracting expenses	—	679
Utilities	190	3,008
Other expenses	4,313	3,209
	143,913	162,894

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE *(Continued)*

During the six months ended 31 October 2022, the Group received subsidies of approximately HK\$520,000 from the Hong Kong government for paying wages and salaries of Hong Kong employees. In addition, due to the change of operation model of the Toy Business during the six months ended 31 October 2022, one of the subsidiaries in the PRC had incurred one-off severance payment of approximately HK\$7,816,000. There is no such subsidy and one-off severance payment during the six months ended 31 October 2023.

8 INCOME TAX EXPENSES

For the six months ended 31 October 2023 and 2022, 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 enterprise income tax at a rate of 25% on estimated assessable profits. The Group's subsidiary in the U.S. is subject to U.S. corporate income tax at progressive tax rates ranged from 5% to 39% on the estimated assessable profit.

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

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Current income tax		
— Current tax on profit for the period	2	—
Deferred income tax	353	1,699
Income tax expenses	355	1,699

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 31 October 2023 and 2022.

	Six months ended 31 October 2023 (unaudited)	Six months ended 31 October 2022 (unaudited)
Profit/(loss) attributable to the owners of the Company (HK\$'000)	4,510	(36,189)
Weighted average number of ordinary shares in issue (in thousand)	1,000,000	1,000,000
Basic earnings/(loss) per share (HK cents)	0.5	(3.6)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the period ended 31 October 2023 and 2022 are the same as basic earnings/(loss) per share as there was no potential dilutive share.

10 DIVIDENDS

For the six months ended 31 October 2023, no dividend was declared or paid by the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Plant and machinery	Moulds and tools	Moulds work-in- progress	Total
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Six months ended 31 October 2022								
Net book value								
At beginning of the period	876	329	623	67	3,670	5,507	1,400	12,472
Addition	-	11	45	-	145	-	1,463	1,664
Depreciation (note 7)	(830)	(47)	(183)	(29)	(241)	(753)	-	(2,083)
Transfer upon completion	-	-	-	-	-	2,076	(2,076)	-
Disposal	-	(9)	-	(32)	(1,839)	-	(745)	(2,625)
Written off	-	-	-	-	(207)	(2)	-	(209)
Exchange differences	(28)	(21)	(41)	(4)	(243)	(382)	(42)	(761)
At end of the period	18	263	444	2	1,285	6,446	-	8,458
Six months ended 31 October 2023								
Net book value								
At beginning of the period	70	237	321	98	1,173	5,873	216	7,988
Addition	-	4	3	-	-	325	416	748
Depreciation (note 7)	(4)	(33)	(160)	(12)	(120)	(872)	-	(1,201)
Transfer upon completion	-	-	-	-	-	333	(333)	-
Disposal	-	-	-	-	(25)	-	-	(25)
Exchange differences	-	(9)	(11)	(4)	(45)	(144)	-	(213)
At end of the period	66	199	153	82	983	5,515	299	7,297

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 INTANGIBLE ASSETS

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Software	1,197	5,976
Licenses	6,114	2,401
	7,311	8,377
Beginning of the period	9,727	13,433
Addition	1,790	1,365
Less: amortisation (note 7)	(3,187)	(5,869)
Less: impairment losses	(908)	–
Exchange differences	(111)	(552)
End of the period	7,311	8,377

During the six months ended 31 October 2023, the Group identified several software which is unable to generate any cash flow and impairment loss of approximately HK\$908,000 (six months ended 31 October 2022: Nil) was recognised for the relevant software.

Licenses represent minimum payments under license arrangement for non-exclusive rights of manufacturing toy products with specific cartoon icons and distributing to certain countries.

During the six months ended 31 October 2023, amortisation charges of approximately HK\$3,183,000 (six months ended 31 October 2022: HK\$4,441,000) and HK\$4,000 (six months ended 31 October 2022: HK\$1,428,000) were charged to cost of sales and administrative expenses, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 LEASES AND RIGHT-OF-USE ASSETS

The Group has lease contracts for factories and buildings, office premise, warehouse and staff quarter. The movements during the six months ended 31 October 2023 are set out below:

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Right-of-use assets		
At beginning of the period	4,885	11,247
Addition	586	–
Depreciation (Note 7)	(1,298)	(2,913)
Exchange differences	(188)	(752)
At end of the period	3,985	7,582
Lease liabilities		
At beginning of the period	4,981	11,422
Addition	586	–
Finance cost	155	349
Payment	(1,387)	(3,188)
Exchange differences	(193)	(769)
At end of the period	4,142	7,814
Current	2,517	3,107
Non-current	1,625	4,707

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE AND BILLS RECEIVABLES

	As at 31 October 2023 HK\$'000 (unaudited)	As at 30 April 2023 HK\$'000 (audited)
Trade and bills receivables	29,788	12,388
Less: loss allowance	(392)	(352)
Trade and bills receivables, net	29,396	12,036

The gross amounts of trade and bills receivables are denominated in the following currencies:

	As at 31 October 2023 HK\$'000 (unaudited)	As at 30 April 2023 HK\$'000 (audited)
US\$	27,044	11,915
RMB	2,744	473
	29,788	12,388

The Group grants credit periods to customers ranged from 0 to 180 days. As at 31 October 2023, the ageing analysis of trade and bills receivables in gross amount based on invoice date is as follows:

	As at 31 October 2023 HK\$'000 (unaudited)	As at 30 April 2023 HK\$'000 (audited)
Within 3 months	25,004	10,821
3 months to 1 year	4,372	1,243
Over 1 year	412	324
	29,788	12,388

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL

	Number of shares (in thousand) (unaudited)	Nominal value HK\$'000 (unaudited)
Authorised ordinary shares at HK\$0.1 each:		
As at 31 October 2023 and 30 April 2023	10,000,000	1,000,000
Ordinary shares issued and fully paid:		
As at 31 October 2023 and 30 April 2023	1,000,000	100,000

16 TRADE AND BILLS PAYABLES

Trade and bills payables are denominated in the following currencies:

	As at 31 October 2023 HK\$'000 (unaudited)	As at 30 April 2023 HK\$'000 (audited)
US\$	13,986	9,541
HK\$	31	103
RMB	1,745	1,239
	15,762	10,883

As at 31 October 2023, the ageing analysis of trade and bills payables based on invoice date is as follows:

	As at 31 October 2023 HK\$'000 (unaudited)	As at 30 April 2023 HK\$'000 (audited)
Within 1 month	5,962	4,542
1 to 2 months	7,082	5,760
2 to 3 months	2,640	196
Over 3 months	78	385
	15,762	10,883

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 RELATED PARTY TRANSACTIONS

The Directors are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the period. The related party transactions set out below were carried out on terms mutually agreed between the parties.

Name of related parties	Relationship with the Group
Mr. Lo Hung	Executive Director of the Company
Ms. Leung Siu Lin Esther	Executive Director of the Company
Mr. Lo Shiu Kee Kenneth	Executive Director of the Company (resigned on 31 August 2023)
Ms. Lo Shiu Shan Suzanne	Executive Director of the Company
Ms. Sin Lo Siu Wai Sylvia	Controlling shareholder and executive Director of the Company
Esther & Victor Limited	Controlled by Mr. Lo Hung and Ms. Leung Siu Lin Esther
Top Dragon Enterprise Investment Limited	Controlled by Mr. Lo Hung and Ms. Leung Siu Lin Esther

(a) Transactions with related parties

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
(i) Operating lease expense for office paid or payable to Top Dragon Enterprise Investment Limited	600	2,400
	600	2,400
(ii) Key management compensation:		
Wages, salaries and bonuses	2,561	3,420
Retirement benefits	42	45
Other benefits	–	231
	2,603	3,696

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other arrangement

During the period, two related companies, Esther & Victor Limited and Top Dragon Enterprise Investment Limited, pledged their properties to banks to make available to the Group's bank facilities of approximately HK\$215,050,000 (six months ended 31 October 2022: HK\$215,050,000).

18 NON-CONTROLLING INTERESTS

Guangdong Kiddieland Technology Co., Ltd., a 75% (six months ended 31 October 2022: 75%) owned subsidiary of the Company, has non-controlling interests of 25% which is material to the Group.

The summarised financial information of Guangdong Kiddieland Technology Co., Ltd. and its wholly-owned subsidiaries, Shenzhen Kiddieland Technology Co., Ltd., Guangzhou Lianda Smart Technology Co., Ltd., Kiddieland Technology Co., Ltd. and Shenzhen Kiddieland Information Technology Co., Ltd., before intra-group elimination, are presented as below:

	Six months ended 31 October 2023 HK\$'000 (unaudited)	Six months ended 31 October 2022 HK\$'000 (unaudited)
Revenue	36,631	18,973
Loss for the year	(3,304)	(5,030)
Total comprehensive loss for the year	(3,748)	(6,719)
Loss allocated to non-controlling interests	(937)	(1,679)
Cash flows generated from operating activities	2,706	1,067
Cash flows used in investing activities	(258)	(236)
Cash flows used in financing activities	(1,335)	(1,819)
Net cash inflows/(outflows)	1,113	(988)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 NON-CONTROLLING INTERESTS (Continued)

	As at 31 October 2023 HK\$'000 (unaudited)	As at 30 April 2023 HK\$'000 (audited)
Current		
Assets	18,079	18,968
Liabilities	(18,089)	(17,263)
Net current (liabilities)/assets	(10)	1,705
Non-current		
Assets	11,122	14,252
Liabilities	(1,370)	(2,467)
Net non-current assets	9,752	11,785
Net assets	9,742	13,490
Accumulated non-controlling interests	2,435	3,372

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As of 31 October 2023, the interests and/or short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) were as follows:

Long position in shares of associated corporation — KLH Capital Limited (“KLH Capital”)

Name of Directors	Capacity	Nature of interests	Number of shares (ordinary)	Approximate percentage of shareholding in KLH Capital
Ms. Sin Lo Siu Wai Sylvia	Beneficial owner	Personal	10,000	100%

Save as disclosed above, as at 31 October 2023, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 October 2023, the interests and short positions of substantial shareholders (other than the Directors and the chief executives of the Company) in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the shares

Name of shareholder	Capacity	Number of shares (ordinary)	Approximate percentage of shareholding in the Company
KLH Capital	Beneficial owner	750,000,000 (note)	75%

Note: Ms. Sin Lo Siu Wai Sylvia, being executive Director and chief executive officer of the Company, holds 100% of the issued shares in KLH Capital.

Saved as disclosed above, as at 31 October 2023, the Company is not aware of any other party (not being a Director and the chief executive of the Company), who had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2023.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment during the six months ended 31 October 2023.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2023.

OTHER INFORMATION

EVENTS AFTER REPORTING PERIOD

As of the date of this report, there is no significant event occurring after 31 October 2023.

SHARE OPTION SCHEME

The shareholders of the Company approved and adopted a share option scheme on 31 August 2017 (the “**Share Option Scheme**”) to enable the Company to grant share options to the Directors, employees or other selected participants as incentives and rewards for their contribution to the Group. The Share Option Scheme took effect on 21 September 2017 (the “**Listing Date**”). Details of the Share Option Scheme are set out in the Company’s annual report 2023. Since its adoption, 20,000,000 share options had been granted on 19 July 2018 and expired on 18 July 2021 (both dates inclusive). No share option has been granted under the Share Option Scheme during the six months ended 31 October 2023.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 October 2023, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

CODE FOR DEALING IN COMPANY’S SECURITIES BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to each of the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 31 October 2023.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the interim report for the six months ended 31 October 2023, accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information.

By Order of the Board
Kiddieland International Limited
Lo Hung
Chairman

Hong Kong, 18 December 2023