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Kiddieland International Limited

童園國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3830)

PROFIT WARNING

This announcement is made by Kiddieland International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and Rule 13.09(2)(a) of the Listing Rules.

The board of directors of the Company (the “**Board**”) wishes to inform shareholders of the Company and potential investors that based on a preliminary review of the Group’s unaudited consolidated management accounts for the year ended 30 April 2018 (“**FY2018**”), the revenue of the Group for the said period has decreased by more than 10% as compared to that for the year ended 30 April 2017 (“**FY2017**”). The Group also recorded a decrease in gross profit margin in FY2018 and is expected to record a loss for FY2018 as compared to the net profit of approximately HKD22.6 million for FY2017.

The decrease in revenue of the Group in FY2018 compared to that in FY2017 was mainly attributable to (i) the decrease in average selling price of products sold to U.S., which was primarily due to a major customer in the region having changed its procurement arrangement from POE terms to FOB terms since June 2017; (ii) the Group’s voluntarily restraining the supply of goods to the various subsidiaries of Toys “R” Us Inc. (“**TRU**”) in the second half of FY2018 in view of TRU’s filing for Chapter 11 bankruptcy in September 2017 and its subsequent liquidation announcement made in March 2018 (the “**TRU Crisis**”) as settlement of trade receivable from TRU could potentially be questionable; and (iii) the continuing sluggish economic growth in Europe and the adverse sentiment of the toy industry due to the TRU Crisis which resulted in a substantial decrease in the Group’s sales to the customers in Europe as well as the decrease in average selling prices of products.

The loss expected to incur by the Group in FY2018 was mainly attributable to the decrease in gross profit margin as a result of (i) the decrease in average selling prices as discussed above; (ii) the significant increase in unit cost of plastic resin and printed box driven by the rapid increase in oil price and paper products which were beyond the Group’s expectation and control and (iii) the sudden appreciation of RMB against HKD and USD, which increased the operating cost of the Group’s operations in the PRC. In addition, the Group suffered a provision of impairment on account receivable

in relation to sales to TRU and its group companies and another provision of impairment on inventory for obsolete stock which stemmed from TRU proprietary products due to the TRU Crisis.

The Company is still in the process of preparing the annual results of the Group for the year ended 30 April 2018. The information contained in this announcement is only a preliminary assessment by the Board based on the unaudited consolidated management accounts of the Group, which have not been audited or reviewed by the Company's auditors. The Group's annual results for the year ended 30 April 2018 is expected to be announced in July 2018.

Shareholders of the Company and potential investors are advised to exercise caution in dealing in the shares of the Company.

By Order of the Board
Kiddieland International Limited
Lo Hung
Chairman

Hong Kong, 28 June 2018

As at the date of this announcement, the Board of Directors of the Company 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. SZETO Chi Yan Stanley as the Independent Non-executive Directors.