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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020 as follows:

Consolidated Income Statement

For the year ended 31 December 2020

	Note	2020 US\$'000 (Note 12)	2020 HK\$'000	2019 HK\$'000
Revenue	3	69,203	536,320	622,566
Cost of sales		(21,369)	(165,611)	(196,028)
Gross profit		47,834	370,709	426,538
Other revenue	4	2,319	17,976	-
Marketing expenses		(10,605)	(82,191)	(80,575)
Selling and distribution expenses		(845)	(6,552)	(19,466)
Administration expenses		(18,147)	(140,632)	(162,749)
Net gain on financial assets at fair value through profit or loss		723	5,600	16,627
Net revaluation (deficit)/surplus on investment properties		(83,549)	(647,501)	261,338
Operating (loss)/profit		(62,270)	(482,591)	441,713
Other net income	5	2,360	18,289	28,551
Finance costs		(2,257)	(17,489)	(23,442)
(Loss)/Profit before income tax	6	(62,167)	(481,791)	446,822
Income tax expense	7	(5,251)	(40,697)	(49,423)
(Loss)/Profit for the year		(67,418)	(522,488)	397,399

	<i>Note</i>	2020 <i>US\$'000</i> <i>(Note 12)</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to:				
Owners of the Company		(65,497)	(507,600)	416,717
Non-controlling interests		(1,921)	(14,888)	(19,318)
		(67,418)	(522,488)	397,399
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share				
	9			
Basic		(3.11)	(24.09)	20.21
Diluted		(3.11)	(24.09)	20.21

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 <i>US\$'000</i> <i>(Note 12)</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/Profit for the year	(67,418)	(522,488)	397,399
Other comprehensive income, including reclassification adjustments:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries	838	6,489	6,801
Total comprehensive income for the year	(66,580)	(515,999)	404,200
Total comprehensive income attributable to:			
Owners of the Company	(64,325)	(498,520)	423,518
Non-controlling interests	(2,255)	(17,479)	(19,318)
	(66,580)	(515,999)	404,200

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 US\$'000 (Note 12)	2020 HK\$'000	2019 HK\$'000
Non-current assets				
Fixed assets				
- Investment properties		710,287	5,504,721	6,119,436
- Other property, plant and equipment		28,231	218,792	229,932
		738,518	5,723,513	6,349,368
Right-of-use assets		-	-	2,741
Goodwill		771	5,976	5,976
Prepayments		4,762	36,905	22,374
Deferred tax assets		2,402	18,619	24,007
		746,453	5,785,013	6,404,466
Current assets				
Inventories		1,345	10,421	19,691
Trade receivables	10	5,889	45,636	67,226
Deposits paid, other receivables and prepayments		6,526	50,575	80,640
Taxation recoverable		110	855	2,720
Financial assets at fair value through profit or loss		10,988	85,156	72,060
Cash and bank balances		190,389	1,475,511	1,541,334
		215,247	1,668,154	1,783,671
Current liabilities				
Bank loans		68,026	527,200	532,300
Trade payables	11	1,401	10,855	35,461
Deposits received, other payables and accrued charges		16,948	131,344	142,346
Provisions		3,018	23,391	42,348
Lease liabilities		-	-	2,852
Taxation payable		1,180	9,144	41,505
		90,573	701,934	796,812
Net current assets		124,674	966,220	986,859
Total assets less current liabilities		871,127	6,751,233	7,391,325

	2020 <i>Note</i> US\$'000 (<i>Note 12</i>)	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Bank loans	27,726	214,875	231,075
Deferred tax liabilities	4,576	35,466	30,273
	32,302	250,341	261,348
Net assets	838,825	6,500,892	7,129,977
Equity			
Share capital	2,700	20,928	21,169
Reserves	775,968	6,013,747	6,625,995
Equity attributable to the owners of the Company			
	778,668	6,034,675	6,647,164
Non-controlling interests	60,157	466,217	482,813
Total equity	838,825	6,500,892	7,129,977

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial statements have been prepared under the historical cost basis except for investment properties and financial assets at fair value through profit or loss which are stated at fair values.

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019, except for the adoption of the new or amended HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2020. Details of these changes in accounting policies are set out in Note 2.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, property investments, property management, restaurant operation and investment holding. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers:		
- Sale of toys	289,240	358,739
- Restaurant income	12,919	19,886
- Property management income	20,863	21,287
	<hr/> 323,022	<hr/> 399,912
Revenue from other sources:		
- Rental income from investment properties	208,294	211,083
- Dividend income	2,107	2,722
- Interest income	2,897	8,849
	<hr/> 213,298	<hr/> 222,654
Total revenue	<hr/> 536,320	<hr/> 622,566

Segment results, assets and liabilities

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior executive management of the Group that are used to make strategic decision, the Group has presented the following three reportable segments.

Property investments and associated businesses: this segment invests and leases commercial, industrial and residential premises for rental income, to gain from the appreciation in properties' values in the long term and to provide property management services for property management fee income, and operates restaurants.

Investment business: this segment invests in financial instruments including listed equity and managed funds for interest income and dividend income and to gain from the appreciation in instruments' values.

Toy business: this segment engages in the design, development, marketing and distribution of toys and family entertainment activity products.

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment to assess segment performance and allocate resources between segments.

Inter-segment revenue represents inter-company rental and property management fee charged on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

The segment results for the year ended 31 December 2020 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross revenue from contracts with customers by timing of revenue recognition				
- Point in time	12,919	-	289,240	302,159
- Over time	23,447	-	-	23,447
Gross revenue from other sources	215,702	5,004	-	220,706
Inter-segment revenue	(9,992)	-	-	(9,992)
Revenue from external customers	242,076	5,004	289,240	536,320
Segment (loss)/profit before depreciation	(445,260)	10,279	(30,321)	(465,302)
Depreciation	(12,144)	-	(2,956)	(15,100)
Segment operating (loss)/profit	(457,404)	10,279	(33,277)	(480,402)
Other net income	2,170	-	12,015	14,185
Finance costs	(16,002)	(29)	(1,308)	(17,339)
	(13,832)	(29)	10,707	(3,154)
Segment (loss)/profit before income tax (Note)	(471,236)	10,250	(22,570)	(483,556)
Unallocated other income				4,087
Unallocated corporate expenses				(2,322)
Loss before income tax				(481,791)

Note:

Segment (loss)/profit before income tax included the following:

Interest income	1	2,897	6,352
Dividend income	-	2,107	-
Net revaluation deficit on investment properties	(647,501)	-	-
Net gain on financial assets at fair value through profit or loss	-	5,600	3,113

The segment results for the year ended 31 December 2019 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross revenue from contracts with customers by timing of revenue recognition				
- Point in time	19,886	-	358,739	378,625
- Over time	23,867	-	-	23,867
Gross revenue from other sources	221,478	11,571	-	233,049
<u>Inter-segment revenue</u>	<u>(12,975)</u>	<u>-</u>	<u>-</u>	<u>(12,975)</u>
<u>Revenue from external customers</u>	<u>252,256</u>	<u>11,571</u>	<u>358,739</u>	<u>622,566</u>
Segment profit/(loss) before depreciation	468,081	27,840	(28,314)	467,607
<u>Depreciation</u>	<u>(12,081)</u>	<u>-</u>	<u>(7,262)</u>	<u>(19,343)</u>
<u>Segment operating profit/(loss)</u>	<u>456,000</u>	<u>27,840</u>	<u>(35,576)</u>	<u>448,264</u>
Other net (loss)/income	(873)	-	20,568	19,695
<u>Finance costs</u>	<u>(21,456)</u>	<u>(22)</u>	<u>(1,469)</u>	<u>(22,947)</u>
	<u>(22,329)</u>	<u>(22)</u>	<u>19,099</u>	<u>(3,252)</u>
<u>Segment profit/(loss) before income tax (Note)</u>	<u>433,671</u>	<u>27,818</u>	<u>(16,477)</u>	<u>445,012</u>
Unallocated other income				8,500
Unallocated corporate expenses				<u>(6,690)</u>
Profit before income tax				<u>446,822</u>

Note:

Segment profit/(loss) before income tax included the following:

Interest income	2	8,849	20,447
Dividend income	-	2,722	24
Net revaluation surplus on investment properties	261,338	-	-
Net gain on financial assets at fair value through profit or loss	-	16,627	-

The segment assets and liabilities as at 31 December 2020 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	<u>5,777,846</u>	<u>589,664</u>	<u>1,073,538</u>	<u>7,441,048</u>
Inter-segment elimination	-	-	(13,204)	(13,204)
Deferred tax assets				18,619
Taxation recoverable				855
Unallocated assets				<u>5,849</u>
Total assets				<u>7,453,167</u>
Reportable segment liabilities	<u>790,244</u>	-	<u>129,748</u>	919,992
Inter-segment elimination	(1,851)	-	(11,353)	(13,204)
Deferred tax liabilities				35,466
Taxation payable				9,144
Unallocated liabilities				<u>877</u>
Total liabilities				<u>952,275</u>
Capital expenditure	<u>21,469</u>	-	<u>755</u>	

The segment assets and liabilities as at 31 December 2019 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	6,424,395	578,099	1,146,362	8,148,856
Inter-segment elimination	-	-	(1,980)	(1,980)
Deferred tax assets				24,007
Taxation recoverable				2,720
Unallocated assets				<u>14,534</u>
Total assets				<u>8,188,137</u>
Reportable segment liabilities	808,432	-	173,811	982,243
Inter-segment elimination	(1,670)	-	(310)	(1,980)
Deferred tax liabilities				30,273
Taxation payable				41,505
Unallocated liabilities				<u>6,119</u>
Total liabilities				<u>1,058,160</u>
Capital expenditure	28,146	-	121	

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, prepayments, right-of-use assets and goodwill ("specified non-current assets"). The geographical location of revenue is based on the country in which the customer is located. The geographical location of the specified non-current assets is based on the physical location of the assets in case of fixed assets and right-of-use assets, and the location of operation to which they are related in case of prepayments and goodwill.

	Revenue from external customers		Specified non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (place of domicile)	244,206	260,177	5,243,462	5,869,619
Americas				
- U.S.A.	164,070	203,191	166,041	181,448
- Others	22,348	33,027	-	-
Europe	87,909	104,572	255,005	232,518
Asia Pacific other than Hong Kong	16,799	20,999	101,886	96,874
Others	988	600	-	-
	292,114	362,389	522,932	510,840
	536,320	622,566	5,766,394	6,380,459

Major customers

The Group's customer base includes two (2019: two) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK\$171,722,000 and HK\$100,923,000 (2019: HK\$166,886,000 and HK\$113,670,000) respectively.

4. Other revenue

Other revenue represents forfeiture of unrecouped purchase commitment guarantee deposits from toy distributors at the expiry of distribution agreements (2019: HK\$nil).

5. Other net income

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net foreign exchange loss on bank loans	(1,969)	(875)
Net investment gain and income from Playmates Toys' treasury investments	9,465	20,471
Government subsidies	6,132	-
Others (<i>Note</i>)	4,661	8,955
	18,289	28,551

Note:

Others in 2020 included a reversal of provision for legal costs of HK\$3.9 million which was made by Profit Point Limited ("PPL"), an indirect wholly-owned subsidiary of the Company, after settlement of legal proceedings (2019: net income of HK\$8.5 million received by PPL pursuant to the Decision of the High Court of Hong Kong dated 6 November 2019).

6. (Loss)/Profit before income tax

(Loss)/Profit before income tax is stated after charging / (crediting) the following:

	2020	2019
	HK\$'000	HK\$'000
Cost of inventories sold	129,394	156,561
(Reversal of write down)/Write down of inventories	(139)	156
Product development and tooling costs	20,275	22,159
Royalties expenses	54,498	50,905
Direct operating expenses arising from investment properties that generate rental income	3,518	4,152
Direct operating expenses arising from investment properties that did not generate rental income	1,387	1,243
Provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	11,428	20,540
Reversal of unutilised provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	(14,634)	(3,277)
Depreciation		
- other property, plant and equipment	13,384	16,801
- right-of-use assets	1,732	2,741
Directors' and staff remunerations	87,281	93,943
Allowance for customer concession	2,408	4,959
Reversal of allowance for customer concession	(116)	(36)
Loss on disposal of other property, plant and equipment	5	97
<u>Auditors' remuneration</u>	1,800	1,800

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	2020	2019
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	28,439	29,047
Overseas taxation	2,585	10,755
Over provision in prior years – Hong Kong	(209)	-
(Over)/Under provision in prior years – overseas	(345)	192
	30,470	39,994
Deferred taxation		
<u>Origination and reversal of temporary differences</u>	10,227	9,429
<u>Income tax expense</u>	40,697	49,423

8. Dividends

(a) Dividends attributable to the year

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
First interim dividend of HK cents 1.5 per share (2019: HK cents 1.5 per share)	31,577	30,405
First special interim dividend of HK cents nil per share (2019: HK cents 10.0 per share)	-	202,700
Second interim dividend of HK cents 3.0 per share (2019: HK cents 1.5 per share)	62,700	31,747
Special interim dividend of HK cents 3.0 per share (2019: Second special interim dividend of HK cents 1.5 per share)	62,700	31,748
	156,977	296,600

At a meeting held on 21 August 2020, the board of directors declared a first interim dividend of HK cents 1.5 per share, which was paid on 24 September 2020.

At a meeting held on 5 March 2021, the board of directors declared a second interim dividend of HK cents 3 per share and a special interim dividend of HK cents 3 per share to be paid on 13 April 2021 to shareholders whose names appear on the Company's register of members on 24 March 2021. This second interim dividend and special interim dividend declared after the end of the reporting period have not been recognised as liabilities in the financial statements for the year ended 31 December 2020.

(b) Dividends attributable to previous financial year and paid during the year

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the year:		
Second interim dividend of HK cents 1.5 per share (2019: HK cents 1.5 per share)	31,747	31,500
Second special interim dividend of HK cents 1.5 per share (2019: HK cents 1.5 per share)	31,748	31,500
	63,495	63,000

9. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK\$507,600,000 (2019: profit of HK\$416,717,000) and the weighted average number of ordinary shares of 2,107,502,000 shares (2019: 2,061,987,000 shares) in issue during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2020 and 2019 equals to the basic (loss)/earnings per share as there were no potential ordinary shares.

The dilutive effect of the share options issued by the Group's listed subsidiary, Playmates Toys Limited was insignificant for the years ended 31 December 2020 and 2019.

10. Trade receivables

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. For property investments and management business, and restaurant operations, no credit term is granted to tenants and customers. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 60 days	31,790	44,648
61 – 90 days	8,815	16,761
91 – 180 days	1,229	3,231
Over 180 days	3,802	2,586
	<u>45,636</u>	<u>67,226</u>

11. Trade payables

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	7,917	28,382
31 – 60 days	1,727	5,248
Over 60 days	1,211	1,831
	<u>10,855</u>	<u>35,461</u>

12. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.75 to US\$1 ruling at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Playmates Holdings group's global revenue for the year ended 31 December 2020 was HK\$536.3 million (2019: HK\$622.6 million); reflecting a decrease of 13.9% compared to the prior year. Before taking into account revaluation deficit/surplus on investment properties, the Group's operating profit was HK\$164.9 million (2019: HK\$180.4 million).

The Group recorded a net revaluation deficit on investment properties of HK\$647.5 million (2019: net revaluation surplus of HK\$261.3 million). After taking into account such net revaluation deficit/surplus on investment properties, net loss attributable to shareholders was HK\$507.6 million (2019: net profit attributable to shareholders of HK\$416.7 million). Basic loss per share was HK cents 24.09 (2019: Basic earnings per share of HK cents 20.21). Net asset value per share was HK\$3.11 as at 31 December 2020 (2019: HK\$3.37).

Property Investments and Associated Businesses

Aggregate turnover of the property investments and associated businesses during 2020 was HK\$242.1 million (2019: HK\$252.3 million), reflecting a 4.0% decrease compared to the prior year. Revenue from the property investments and property management businesses decreased 1.4% to HK\$229.2 million (2019: HK\$232.4 million), while revenue from the food and beverage business decreased by 35.2% to HK\$12.9 million (2019: HK\$19.9 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.5 billion (2019: HK\$6.1 billion). A net revaluation deficit of HK\$647.5 million was recorded in the consolidated income statement of the Group (2019: net revaluation surplus of HK\$261.3 million). Segment operating loss including net revaluation deficit was HK\$457.4 million (2019: segment operating profit including net revaluation surplus was HK\$456.0 million).

(a) Property Investments

The Group's major investment properties include (i) a commercial building, The Toy House, at 100 Canton Road; (ii) a number of residential units at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. The Group's property portfolio also includes overseas investment properties in the United Kingdom, the United States of America and Japan, which in aggregate accounted for 8.4% of the fair value of the Group's overall investment property portfolio (2019: 7.2%).

Aggregate rental income generated from the investment properties of the Group was HK\$208.3 million, a decrease of 1.3% from the prior year (2019: HK\$211.1 million). Overall occupancy rate was 68% as at 31 December 2020 (2019: 68%).

(i) Commercial

The Group's investment in commercial properties consists of the building, The Toy House, on Canton Road in Tsimshatsui, Kowloon, Hong Kong. Although we expect Canton Road to remain one of the premier shopping districts in Hong Kong over the long term, the outbreak of COVID-19 and the associated travel restrictions and social distancing measures have caused a significant decline in retail and commercial activities in the area over the past year.

(ii) Residential

The Group's principal investment in residential properties includes units in Hillview on MacDonnell Road, Mid-Levels, Hong Kong. A major renovation of the exterior and common facilities of the building to be completed in 2021 is expected to enhance the value of the property over the longer term. With limited supply of up-market residential properties in Mid-Levels, we are optimistic that our investment in the Hillview units will benefit from this renovation.

(iii) Industrial

The Group's investment in industrial properties consists of Playmates Factory Building in Tuen Mun, New Territories, Hong Kong. With the revived government policy to revitalize and optimize the use of existing industrial buildings, the Group submitted a planning application in June 2019 to the Town Planning Board of Hong Kong to seek permission for the wholesale conversion of Playmates Factory Building for commercial uses. On January 3, 2020, this application was conditionally approved. The Group will continue to monitor the economic environment before proceeding with the building conversion and deciding on the scale of the project.

(b) Property Management

The Group engaged Savills Property Management Limited ("Savills") to manage The Toy House and Playmates Factory Building. Savills provides comprehensive property management services, including repair and maintenance, building security, general cleaning for common areas, hand-over and take-over of premises, and the monitoring of reinstatement and refurbishment works.

Income generated from the property management business segment was HK\$20.9 million, a decrease of 1.9% from prior year (2019: HK\$21.3 million).

(c) Food & Beverage Business

Revenue generated from the food and beverage business for the year decreased by 35.2% to HK\$12.9 million (2019: HK\$19.9 million). The decrease is attributed primarily to the outbreak of COVID-19 and the associated government restrictions on dine-in services and weakened consumer sentiment during the year.

We will continue to maintain a long-term view of our property investments and associated businesses, and adjust the balance of our property portfolio to achieve our strategic objective of seeking investment returns through capital appreciation and growth in recurring income. In the meantime, we will closely monitor the risks and uncertainties in connection with the pandemic and continue to take necessary and appropriate measures to protect the health and safety of our tenants and visitors.

Playmates Toys

Playmates Toys group worldwide turnover for the year ended December 31, 2020 was HK\$289 million (2019: HK\$359 million), a decrease of 19% compared to the prior year. The decrease in turnover was the result of a contraction in our *Teenage Mutant Ninja Turtles*^{TM & ©} ("TMNT") and *Ben 10*^{TM & ©} product lines, partially offset by new product launches in 2020, primarily *Godzilla vs. Kong*[©] and *Miraculous: Tales of Ladybug & Cat Noir*TM.

Gross profit ratio on toy sales was 49% (2019: 51%). The decrease in gross profit ratio was attributable mainly to higher tooling and development expenses as a percentage of sales related to new products, and a sales mix shift to slightly lower margin products. Recurring operating expenses decreased by 12% from 2019, reflecting continued cost control measures.

Playmates Toys group reported a net loss of HK\$30 million (2019: Net loss of HK\$37 million).

The US continued to be our biggest market in 2020, contributing 57% of revenue. Europe as a whole contributed 30%, the rest of the Americas 8% and 5% came from Asia Pacific. In a tumultuous year for the consumer products industry, overall toy sales in the US market were up by 16%¹ in 2020, driven by a surge in demand for games and puzzles, outdoor and sports toys, and building sets, as consumers looked to activity-based products during the pandemic to entertain the entire family at home. On the other hand, the Action Figure category was down 3.2% in 2020. In other regions, toy market performance varied depending on the spread of the COVID-19 pandemic and the maturity of the online shopping channels. The eight major European toy markets were up 2.4% in sales in 2020, while Latin America as a whole was down 10%².

Portfolio Investments

The Group engages in portfolio investments which involve investing in listed equity shares and managed funds. The investment policy provides for a set of prudent guidance and control framework to achieve the objective of managing a portfolio that is highly liquid and offers reasonable risk-adjusted returns through capital appreciation and dividend and interest income.

As of 31 December 2020, fair market value of the Group's investment portfolio was HK\$85.2 million (31 December 2019: HK\$72.1 million) representing 1.1% of the total assets of the Group (31 December 2019: 0.9%). This comprised HK\$41.3 million of equities listed in Hong Kong (31 December 2019: HK\$58.6 million), HK\$41.0 million of equities listed overseas (31 December 2019: HK\$10.6 million) and HK\$2.9 million of unlisted managed funds (31 December 2019: HK\$2.9 million). None of the individual securities positions held by the Group had a market value that exceeded 0.3% of the total assets of the Group. The top 10 listed securities in aggregate represented 1.1% of the total assets of the Group and included The Walt Disney Company (DIS.US), Wharf Real Estate Investment Company Limited (1997.HK), Apple Inc. (AAPL.US), Amazon.com, Inc. (AMZN.US), Sun Hung Kai Properties Limited (16.HK), CK Hutchison Holdings Limited (1.HK), Henderson Land Development Company Limited (12.HK), New World Development Company Limited (17.HK), HSBC Holdings plc (5.HK) and Kerry Properties Limited (683.HK).

The Group reported a net gain from investments of HK\$5.6 million in 2020 (2019: net gain of HK\$16.6 million). In 2020, dividend and interest income generated from the portfolio were HK\$5.0 million (2019: HK\$11.6 million).

The Group will remain vigilant in monitoring and balancing the investment portfolio, taking into account developments in major global economies and securities markets.

¹ Source: The NPD Group/Retail Tracking Service/U.S. Toys/Adjusted Dollars.

² Source: Source: The NPD Group | Retail Tracking Service USD Projected G13 & China ecomm | FY 2020.

FINANCIAL ANALYSIS

The toy business is inherently seasonal in nature. As a result, a disproportionately high balance of trade receivables is typically generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling season. As at 31 December 2020, trade receivables related to toy operation were HK\$41,291,000 (2019: HK\$66,116,000) and inventories related to toy operation were HK\$10,283,000 (2019: HK\$19,518,000) or 3.6% (2019: 5.4%) of revenue of toy operation.

The property investments and associated businesses generated a relatively steady income stream throughout the year. Overall occupancy rate was 68% as at 31 December 2020 (2019: 68%). Accounts receivables were minimal as at the year end.

Financial assets at fair value through profit or loss include listed equity and managed funds. As at 31 December 2020, the Group's financial assets at fair value through profit or loss amounted to HK\$85,156,000 (2019: HK\$72,060,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2020 was 10.0% compared to 9.3% at 31 December 2019. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.4 at 31 December 2020 (2019: 2.2).

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 31 December 2020, the Group's cash and bank balances were HK\$1,475,511,000 (2019: HK\$1,541,334,000), of which HK\$1,317,433,000 (2019: HK\$1,374,760,000) was denominated in United States dollar, HK\$12,527,000 (2019: HK\$16,810,000) in British pound, HK\$50,065,000 (2019: HK\$45,763,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year, 24,000,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$0.80 to HK\$0.96 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code provisions ("Code Provisions") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

The Company does not have a designated chief executive officer. The board oversees the management, businesses, strategy and financial performance of the Group. The day-to-day business of the Group is handled by the executive directors collectively. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is adequate to ensure an effective management and control of the Group's businesses and operations. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the risk management and internal control system, the effectiveness of the internal audit function and financial reporting matters including a review of the accounts for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 23 March 2021 to 24 March 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 22 March 2021. The second interim dividend and special interim dividend will be paid on 13 April 2021 to the shareholders on the Register of Members of the Company on 24 March 2021.

On behalf of the Board
To Shu Sing, Sidney
Chairman

Hong Kong, 5 March 2021

As at the date hereof, the board of directors of the Company comprises the following directors:

Mr. To Shu Sing, Sidney (*Chairman*); Ms. Chan, Helen (*Executive Director*), Mr. Cheng Bing Kin, Alain (*Executive Director*); Mr. Ip Shu Wing, Charles (*Independent Non-executive Director*); Mr. Lee Ka Sze, Carmelo (*Non-executive Director*); Mr. Lo Kai Yiu, Anthony (*Independent Non-executive Director*); Mr. Tang Wing Yung, Thomas (*Independent Non-executive Director*); Mr. Tsim Tak Lung (*Deputy Chairman and Non-executive Director*); Mr. Yu Hon To, David (*Independent Non-executive Director*)