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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Group revenue	327,075	209,024
- from toy business	213,988	83,988
- from property investments and associated businesses	111,837	121,335
- from investment business	1,250	3,701
Gross profit	215,962	154,633
Net revaluation deficit on investment properties	(142,880)	(309,514)
Operating loss	(37,133)	(272,758)
Loss before income tax	(41,374)	(272,596)
Loss attributable to owners of the Company	(64,610)	(264,505)
Loss per share	<i>HK cents</i>	<i>HK cents</i>
- Basic	(3.09)	(12.51)
- Diluted	(3.09)	(12.51)
Interim dividend per share	1.50	1.50

Property Investments and Associated Businesses

The property investments and associated businesses recorded a 7.8% decrease in revenue to HK\$111.8 million during the first half of 2021 compared to the same period last year (same period in 2020: HK\$121.3 million). Revenue from the property investments and property management businesses decreased by 7.4% to HK\$106.2 million (same period in 2020: HK\$114.7 million), while revenue generated from the food and beverage business decreased by 15.6% to HK\$5.6 million (same period in 2020: HK\$6.7 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.5 billion. A net revaluation deficit of HK\$142.9 million was recorded in the consolidated income

statement of the Group (same period in 2020: HK\$309.5 million). Segment operating loss including net revaluation deficit was HK\$57.2 million (same period in 2020: HK\$214.2 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 7.5% of the fair value of the Group's overall investment property portfolio (31 December 2020: 8.4%).

During the first half of 2021, the Group disposed of its entire equity interest in Pophleys Limited, a wholly owned subsidiary which principal assets comprise a property and furnishings in the United Kingdom. Details of the disposal are disclosed in the announcements of the Company dated 9 March 2021 and note 11(a) to the interim result announcement.

Aggregate rental income generated from the investment properties of the Group was HK\$96.2 million, a decrease of 7.7% from prior period (same period in 2020: HK\$104.2 million), with an overall occupancy rate of 67% (31 December 2020: 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, retail and commercial activities in the area have been continuously disrupted due to the COVID-19 epidemic and the associated travel restrictions and social distancing measures in place over the first half of 2021.

(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 substantially completed in the first half of 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 decreased by 3.8% to HK\$10.1 million as compared to HK\$10.5 million during the same period last year.

(c) Food & Beverage Business

The Group disposed of its entire equity interest in the two Japanese restaurants to its joint venture partner in May 2021, details of which are disclosed in note 11(b) to the interim result announcement. The joint venture partner will continue to operate the two restaurants at The Toy House and has entered into new tenancy agreements at the prevailing market rate with the Group.

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 during the first half of 2021 was HK\$214 million (same period in 2020: HK\$84 million), representing an increase of 155% compared to the prior year period. The favourable comparison was driven by: (i) severe restrictions on economic activities in all major markets due to the COVID-19 pandemic during the same period last year, (ii) government stimulus leading to increased consumer spending in major markets during the first half of 2021, (iii) solid performance of our product line tied to the *Godzilla vs. Kong*[®] movie release, and (iv) continued strong demand for our *Miraculous: Tales of Ladybug & Cat Noir*[™] toy line.

Gross profit ratio on toy sales was 52% (same period in 2020: 46%). The increase in gross profit ratio was attributable to lower product development, tooling and packaging expenses compared to the prior year period, partially offset by a higher percentage of overall sales generated in markets outside the US, which carried a lower gross margin, and increases in finished product costs. Recurring operating expenses increased moderately by 3% from the prior year period, reflecting: (i) lower promotional expenses related to new brand introductions, (ii) lower provision for unfulfilled advanced royalties, and (iii) a reduction in overhead expenses.

Playmates Toys group reported an operating profit for the period of HK\$15.5 million (same period in 2020: operating loss of HK\$54.3 million). Net profit during the first half of 2021 was HK\$14.5 million (same period in 2020: net loss of HK\$52.6 million).

We expect the COVID-19 pandemic to continue to present severe challenges to our operating environment in the second half of the year. The global supply chain is experiencing increasing disruption, and the spike in logistics costs has shown no signs of abating yet. Due to proactive inventory planning, the dramatic increase in container costs did not impact our gross margin during the first half of 2021, but will begin to do so in the second half of the year. We are actively working with our suppliers to minimize cost increases and shipment delays as much as possible.

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 30 June 2021, fair market value of the Group's investment portfolio was HK\$97.5 million (31 December 2020: HK\$85.2 million) representing 1.3% of the total assets of the Group (31 December 2020: 1.1%). This comprised HK\$53.1 million of equities listed in Hong Kong (31 December 2020: HK\$41.3 million), HK\$41.5 million of equities listed overseas (31 December 2020: HK\$41.0 million) and HK\$2.9 million of unlisted managed funds (31 December 2020: 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 1.2% 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), Henderson Land Development Company Limited (12.HK), CK Hutchison Holdings Limited (1.HK), Tencent Holdings Limited (700.HK), New World Development Company Limited (17.HK) and HSBC Holdings plc (5.HK).

The Group reported a net gain from investments of HK\$6.5 million in the first half of 2021 (same period in 2020: net loss of HK\$5.2 million). During the first half of 2021, dividend and interest income generated from the portfolio were HK\$1.3 million (same period in 2020: HK\$3.7 million).

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

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2021

	Note	Unaudited		
		Six months ended 30 June		
		2021	2021	2020
		US\$'000	HK\$'000	HK\$'000
		(Note 12)		
Revenue	3	42,203	327,075	209,024
Cost of sales		(14,337)	(111,113)	(54,391)
Gross profit		27,866	215,962	154,633
Marketing expenses		(4,405)	(34,137)	(33,518)
Selling and distribution expenses		(1,538)	(11,919)	(6,513)
Administration expenses		(9,120)	(70,681)	(72,685)
Net gain/(loss) on financial assets at fair value through profit or loss		842	6,522	(5,161)
Net revaluation deficit on investment properties		(18,436)	(142,880)	(309,514)
Operating loss		(4,791)	(37,133)	(272,758)
Other net income	4	307	2,377	10,890
Finance costs		(854)	(6,618)	(10,728)
Loss before income tax	5	(5,338)	(41,374)	(272,596)
Income tax expense	6	(1,859)	(14,404)	(18,290)
Loss for the period		(7,197)	(55,778)	(290,886)
(Loss)/Profit for the period attributable to:				
Owners of the Company		(8,337)	(64,610)	(264,505)
Non-controlling interests		1,140	8,832	(26,381)
		(7,197)	(55,778)	(290,886)
		US cents	HK cents	HK cents
Loss per share	8			
Basic		(0.40)	(3.09)	(12.51)
Diluted		(0.40)	(3.09)	(12.51)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Unaudited		
	Six months ended 30 June		
	2021	2021	2020
	US\$'000	HK\$'000	HK\$'000
	(Note 12)		
Loss for the period	(7,197)	(55,778)	(290,886)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences arising on translation of foreign subsidiaries	(243)	(1,882)	(15,151)
- Release of exchange reserve upon disposal of a subsidiary	757	5,869	-
Item that will not be reclassified to profit or loss:			
- Surplus on revaluation of land and buildings	12,673	98,216	-
Total comprehensive income for the period	5,990	46,425	(306,037)
Total comprehensive income attributable to:			
Owners of the Company	4,850	37,593	(279,656)
Non-controlling interests	1,140	8,832	(26,381)
	5,990	46,425	(306,037)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		Unaudited 30 June 2021 US\$'000 (Note 12)	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Non-current assets				
Fixed assets				
- Investment properties		709,642	5,499,727	5,504,721
- Other property, plant and equipment		20,834	161,459	218,792
		730,476	5,661,186	5,723,513
Right-of-use assets		2,292	17,766	-
Goodwill		771	5,976	5,976
Prepayments		2,375	18,403	36,905
Deferred tax assets		2,577	19,969	18,619
		738,491	5,723,300	5,785,013
Current assets				
Inventories		2,419	18,745	10,421
Trade receivables	9	8,694	67,375	45,636
Deposits paid, other receivables and prepayments		8,091	62,726	50,575
Taxation recoverable		43	332	855
Financial assets at fair value through profit or loss		12,578	97,481	85,156
Cash and bank balances		198,632	1,539,395	1,475,511
		230,457	1,786,054	1,668,154
Current liabilities				
Bank loans		75,045	581,600	527,200
Trade payables	10	5,297	41,054	10,855
Deposits received, other payables and accrued charges		19,789	153,367	131,344
Provisions		3,626	28,103	23,391
Lease liabilities		414	3,205	-
Taxation payable		2,730	21,158	9,144
		106,901	828,487	701,934
Net current assets		123,556	957,567	966,220
Total assets less current liabilities		862,047	6,680,867	6,751,233

	Unaudited 30 June 2021 <i>Note</i> US\$'000 <i>(Note 12)</i>	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Non-current liabilities			
Bank loans	26,874	208,275	214,875
Lease liabilities	2,001	15,510	-
Deferred tax liabilities	4,800	37,200	35,466
	<u>33,675</u>	<u>260,985</u>	<u>250,341</u>
Net assets	<u>828,372</u>	<u>6,419,882</u>	<u>6,500,892</u>
Equity			
Share capital	2,697	20,900	20,928
Reserves	764,369	5,923,857	6,013,747
Equity attributable to owners of the Company	<u>767,066</u>	<u>5,944,757</u>	<u>6,034,675</u>
Non-controlling interests	<u>61,306</u>	<u>475,125</u>	<u>466,217</u>
Total equity	<u>828,372</u>	<u>6,419,882</u>	<u>6,500,892</u>

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

This condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated financial information should be read in conjunction with the 2020 annual financial statements.

The accounting policies used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2020.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these amendments have had a material effect on the Group’s results and financial position for the current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and segment reporting

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.

Revenue by major products or service lines is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
- Sale of toys	213,988	83,988
- Restaurant income	5,627	6,669
- Property management income	10,059	10,451
	229,674	101,108
Revenue from other sources:		
- Rental income from investment properties	96,151	104,215
- Dividend income	1,029	1,186
- Interest income	221	2,515
	97,401	107,916
Total revenue	327,075	209,024

3.1 Segment results, assets and liabilities

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 six months ended 30 June 2021 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	5,627	-	213,988	219,615
- Over time	11,165	-	-	11,165
Gross revenue from other sources	100,873	1,250	-	102,123
<u>Inter-segment revenue</u>	<u>(5,828)</u>	<u>-</u>	<u>-</u>	<u>(5,828)</u>
<u>Revenue from external customers</u>	<u>111,837</u>	<u>1,250</u>	<u>213,988</u>	<u>327,075</u>
Segment (loss)/profit before depreciation	(51,404)	7,572	17,531	(26,301)
<u>Depreciation</u>	<u>(5,769)</u>	<u>-</u>	<u>(2,286)</u>	<u>(8,055)</u>
<u>Segment operating (loss)/profit</u>	<u>(57,173)</u>	<u>7,572</u>	<u>15,245</u>	<u>(34,356)</u>
Other net income	1,990	-	387	2,377
<u>Finance costs</u>	<u>(5,402)</u>	<u>(13)</u>	<u>(1,173)</u>	<u>(6,588)</u>
	<u>(3,412)</u>	<u>(13)</u>	<u>(786)</u>	<u>(4,211)</u>
Segment (loss)/profit before income tax	(60,585)	7,559	14,459	(38,567)
Unallocated corporate expenses				<u>(2,807)</u>
Loss before income tax				<u>(41,374)</u>

The segment results for the six months ended 30 June 2020 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	6,669	-	83,988	90,657
- Over time	11,743	-	-	11,743
Gross revenue from other sources	109,330	3,701	-	113,031
<u>Inter-segment revenue</u>	<u>(6,407)</u>	<u>-</u>	<u>-</u>	<u>(6,407)</u>
<u>Revenue from external customers</u>	<u>121,335</u>	<u>3,701</u>	<u>83,988</u>	<u>209,024</u>
Segment loss before depreciation	(208,216)	(1,631)	(52,814)	(262,661)
<u>Depreciation</u>	<u>(5,952)</u>	<u>-</u>	<u>(1,892)</u>	<u>(7,844)</u>
<u>Segment operating loss</u>	<u>(214,168)</u>	<u>(1,631)</u>	<u>(54,706)</u>	<u>(270,505)</u>
Other net income	813	-	5,976	6,789
<u>Finance costs</u>	<u>(9,979)</u>	<u>(13)</u>	<u>(696)</u>	<u>(10,688)</u>
	<u>(9,166)</u>	<u>(13)</u>	<u>5,280</u>	<u>(3,899)</u>
<u>Segment loss before income tax</u>	<u>(223,334)</u>	<u>(1,644)</u>	<u>(49,426)</u>	<u>(274,404)</u>
Unallocated other income				4,087
Unallocated corporate expenses				<u>(2,279)</u>
Loss before income tax				<u>(272,596)</u>

The segment assets and liabilities as at 30 June 2021 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>
<u>Reportable segment assets</u>	<u>5,692,436</u>	<u>634,167</u>	<u>1,167,914</u>	<u>7,494,517</u>
Inter-segment elimination	-	-	(8,822)	(8,822)
Deferred tax assets				19,969
Taxation recoverable				332
Unallocated assets				<u>3,358</u>
Total assets				<u>7,509,354</u>
<u>Reportable segment liabilities</u>	<u>827,745</u>	<u>-</u>	<u>211,304</u>	<u>1,039,049</u>
Inter-segment elimination	(1,527)	-	(7,295)	(8,822)
Deferred tax liabilities				37,200
Taxation payable				21,158
Unallocated liabilities				<u>887</u>
Total liabilities				<u>1,089,472</u>

The segment assets and liabilities as at 31 December 2020 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>
<u>Reportable segment assets</u>	5,777,846	589,664	1,073,538	7,441,048
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>
<u>Reportable segment liabilities</u>	790,244	-	129,748	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>

3.2 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	
	Six months ended 30 June		30 June	31 December
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Hong Kong (place of domicile)</u>	113,164	122,517	5,214,426	5,243,462
Americas				
- U.S.A.	136,781	63,168	187,359	166,041
- Others	14,235	7,455	-	-
Europe	49,462	11,868	204,156	255,005
Asia Pacific other than Hong Kong	13,433	3,525	97,390	101,886
Others	-	491	-	-
	213,911	86,507	488,905	522,932
	327,075	209,024	5,703,331	5,766,394

3.3 Major customers

The Group's customer base includes two (2020: 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\$84,832,000 and HK\$76,951,000 (2020: HK\$85,861,000 and HK\$40,441,000) respectively.

4. Other net income

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Net foreign exchange loss on translation of bank loans	-	(500)
Net investment gain and income from		
Playmates Toys' treasury investments	377	5,930
Government subsidies	582	1,312
Gain on disposal of subsidiaries (Note 11(iii))	1,399	-
Others	19	4,148
	<u>2,377</u>	<u>10,890</u>

5. Loss before income tax

Loss before income tax is stated after charging the following:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	97,147	37,241
Product development and tooling costs	6,264	9,992
Royalties expenses	30,249	11,856
Directors' and staff remunerations	39,870	41,062
Depreciation		
- other property, plant and equipment	6,264	6,624
- right-of-use assets	1,807	1,228
Interest expenses		
- on bank loans	5,367	9,964
- on lease liabilities	478	53
Net foreign exchange loss	<u>1,578</u>	<u>2,306</u>

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	12,912	14,826
Overseas taxation	1,810	1,763
Over provision in prior years – Hong Kong	-	(129)
Over provision in prior years – overseas	(111)	-
	<u>14,611</u>	<u>16,460</u>
Deferred taxation		
Origination and reversal of temporary differences	(207)	1,830
Income tax expense	<u>14,404</u>	<u>18,290</u>

The Group's cumulative unrecognised tax losses as of 30 June 2021 amounted to HK\$173,187,000 (31 December 2020: HK\$212,468,000). These tax losses do not expire under respective tax legislation.

7. Dividends

7.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend of HK cents 1.5 per share (2020: HK cents 1.5 per share)	<u>31,350</u>	<u>31,635</u>

At a meeting held on 13 August 2021, the board of directors has resolved to pay an interim dividend of HK cents 1.5 per share to be paid on 16 September 2021 to shareholders whose names appear on the Company's Register of Members on 1 September 2021.

The interim dividend declared after the end of the reporting period have not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2021.

7.2 Dividends attributable to the previous financial year and paid during the interim period

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK cents 3.0 per share (2020: HK cents 1.5 per share)	62,700	31,747
Special interim dividend of HK cents 3.0 per share (2020: HK cents 1.5 per share)	62,700	31,748
	125,400	63,495

8. Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$64,610,000 (2020: loss of HK\$264,505,000) and the weighted average number of ordinary shares of 2,090,186,000 shares (2020: 2,113,736,000 shares) in issue during the period.

Diluted loss per share for the six months ended 30 June 2021 and 2020 equals to the basic loss 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 six months ended 30 June 2021 and 2020.

9. Trade receivables

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	86,156	64,417
Less: Allowance for customer concession	(18,781)	(18,781)
	67,375	45,636

The Group grants credits to retail customers of the toy business to facilitate the sale of slow moving merchandise held by such customers. Such allowance for customer concession is arrived at by using available contemporary and historical information to evaluate the exposure.

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:

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	46,548	31,790
61 – 90 days	13,203	8,815
91 – 180 days	3,121	1,229
Over 180 days	4,503	3,802
	67,375	45,636

10. Trade payables

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

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	38,753	7,917
31 – 60 days	1,089	1,727
Over 60 days	1,212	1,211
	41,054	10,855

11. Disposal of subsidiaries

(a) *Disposal of Pophleys Limited (“Pophleys”)*

On 9 March 2021, the Group entered into a sale and purchase agreement for disposal of its entire equity interest in Pophleys. The disposal transaction constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 9 March 2021. The disposal transaction was completed on 30 April 2021.

(b) *Disposal of Sakurai FNB Limited (“Sakurai FNB”)*

On 24 May 2021, the Group entered into a sale and purchase agreement for disposal of its 70% equity interest in Sakurai FNB. The disposal transaction was completed on 31 May 2021.

Details of the Group's disposal of subsidiaries during the six months ended 30 June 2021 are shown as below:

	Pophleys <i>HK\$'000</i>	Sakurai FNB <i>HK\$'000</i>	Total <i>HK\$'000</i>
(i) Consideration:			
Cash received	59,488	400	59,888
Receivables	-	360	360
	<u>59,488</u>	<u>760</u>	<u>60,248</u>
(ii) Assets and liabilities disposed of:			
Investment property	48,717	-	48,717
Other property, plant and equipment	4,028	20	4,048
Deferred tax assets	-	635	635
Inventories	-	130	130
Trade receivables	-	3	3
Deposits and prepayments	12	357	369
Cash and bank balances	-	68	68
Trade payables	-	(17)	(17)
Other payables and accrued charges	(70)	(778)	(848)
	<u>52,687</u>	<u>418</u>	<u>53,105</u>
(iii) Gain on disposal of subsidiaries:			
Consideration	59,488	760	60,248
Add: non-controlling interests	-	125	125
Less: net assets disposed of	(52,687)	(418)	(53,105)
Less: release of exchange reserve upon disposal	(5,869)	-	(5,869)
	<u>932</u>	<u>467</u>	<u>1,399</u>
(iv) Net cash inflow on disposal of subsidiaries:			
Cash and cash equivalents received	59,488	400	59,888
Less: Cash and cash equivalents disposed of	-	(68)	(68)
	<u>59,488</u>	<u>332</u>	<u>59,820</u>

The gain on disposal of subsidiaries is recognised in the consolidated income statement and is included in other net income (*Note 4*).

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 30 June 2021.

FINANCIAL ANALYSIS

The property investments and associated businesses generated a relatively steady income stream throughout the period. Overall occupancy rate was 67% as at 30 June 2021 (31 December 2020: 68%).

Financial assets at fair value through profit or loss include investments in listed equities and managed funds. As at 30 June 2021, the Group's financial assets at fair value through profit or loss amounted to HK\$97,481,000 (31 December 2020: HK\$85,156,000).

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 30 June 2021, trade receivables related to toy business were HK\$62,566,000 (31 December 2020: HK\$41,291,000) and inventories were HK\$18,745,000 (31 December 2020: HK\$10,283,000). The higher trade receivables and inventories at interim period end reflected a pickup in customer orders and shipments during the first half of 2021.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2021 was 10.5% compared to 10.0% at 31 December 2020. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.2 at 30 June 2021 (31 December 2020: 2.4).

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 30 June 2021, the Group's cash and bank balances were HK\$1,539,395,000 (31 December 2020: HK\$1,475,511,000), of which HK\$1,364,138,000 (31 December 2020: HK\$1,317,433,000) was denominated in United States dollar, HK\$68,708,000 (31 December 2020: HK\$12,527,000) in British pound, HK\$48,767,000 (31 December 2020: HK\$50,065,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, 2,500,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$0.91 to HK\$0.94 per share through 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 six months ended 30 June 2021, except the followings:

- (a) Code Provision A.2.1 provides that the roles of the chairman and the chief executive officer should not be performed by the same individual. 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.

- (b) Following the resignation of Mr. Ip Shu Wing, Charles and the retirement of Mr. Yu Hon To, David at the annual general meeting on 21 May 2021, (1) the members of the Audit Committee did not comprise a majority of independent non-executive directors (“INEDs”) as required under Rule 3.21 of the Listing Rules; (2) the chairman of the Compensation Committee fell vacant and the members of the Compensation Committee did not comprise a majority of INEDs as required under Rule 3.25 of the Listing Rules; and (3) the members of the Nomination Committee did not comprise a majority of INEDs as required under Code Provision A.5.1, during the period from 21 May 2021 to 27 May 2021. As announced by the Company on 28 May 2021, the said vacancies had been filled up in compliance with the relevant Listing Rules and Code Provision.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 31 August 2021 to 1 September 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 30 August 2021. The interim dividend will be paid on 16 September 2021 to the shareholders on the Register of Members of the Company on 1 September 2021.

On behalf of the Board
To Shu Sing, Sidney
Chairman

Hong Kong, 13 August 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. Chan Kong Keung, Stephen (*Executive Director*), Mr. Cheng Bing Kin, Alain (*Executive Director*), Mr. Lee Ka Sze, Carmelo (*Non-executive Director*), Mr. Lo Kai Yiu, Anthony (*Independent Non-executive Director*), Dr. Or Ching Fai, Raymond (*Independent Non-executive Director*), Mr. Tang Wing Yung, Thomas (*Independent Non-executive Director*) and Mr. Tsim Tak Lung (*Deputy Chairman and Non-executive Director*)