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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 2021

RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021 as follows:

Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 US\$'000 (Note 12)	2021 HK\$'000	2020 HK\$'000
Revenue	3	111,066	860,763	536,320
Cost of sales		(43,469)	(336,883)	(165,611)
Gross profit		67,597	523,880	370,709
Other revenue		-	-	17,976
Marketing expenses		(17,761)	(137,648)	(82,191)
Selling and distribution expenses		(3,960)	(30,690)	(6,552)
Administration expenses		(17,753)	(137,589)	(140,632)
Net (loss)/gain on financial assets at fair value through profit or loss		(574)	(4,447)	5,600
Net revaluation deficit on investment properties		(26,339)	(204,127)	(647,501)
Operating profit/(loss)		1,210	9,379	(482,591)
Other net (loss)/income	4	(84)	(650)	18,289
Finance costs		(1,743)	(13,508)	(17,489)
Loss before income tax	5	(617)	(4,779)	(481,791)
Income tax expense	6	(2,814)	(21,812)	(40,697)
Loss for the year		(3,431)	(26,591)	(522,488)

	2021 <i>US\$'000</i> <i>(Note 12)</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to:			
Owners of the Company	(6,378)	(49,430)	(507,600)
Non-controlling interests	2,947	22,839	(14,888)
	(3,431)	(26,591)	(522,488)
	<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share	8		
Basic	(0.30)	(2.36)	(24.09)
Diluted	(0.30)	(2.36)	(24.09)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 <i>US\$'000</i> <i>(Note 12)</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	(3,431)	(26,591)	(522,488)
Other comprehensive income, including reclassification adjustments:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences arising on translation of foreign subsidiaries	(1,203)	(9,326)	6,489
- 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 year	8,796	68,168	(515,999)
Total comprehensive income attributable to:			
Owners of the Company	5,849	45,329	(498,520)
Non-controlling interests	2,947	22,839	(17,479)
	8,796	68,168	(515,999)

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 US\$'000 (Note 12)	2021 HK\$'000	2020 HK\$'000
Non-current assets				
Fixed assets				
- Investment properties		700,911	5,432,064	5,504,721
- Other property, plant and equipment		20,113	155,874	218,792
		721,024	5,587,938	5,723,513
Right-of-use assets		2,059	15,959	-
Goodwill		771	5,976	5,976
Prepayments		1,085	8,409	36,905
Deferred tax assets		4,285	33,206	18,619
		729,224	5,651,488	5,785,013
Current assets				
Inventories		7,485	58,007	10,421
Trade receivables	9	16,630	128,879	45,636
Deposits paid, other receivables and prepayments		9,455	73,280	50,575
Taxation recoverable		105	813	855
Financial assets at fair value through profit or loss		20,768	160,955	85,156
Cash and bank balances		188,992	1,464,689	1,475,511
		243,435	1,886,623	1,668,154
Current liabilities				
Bank loans		75,045	581,600	527,200
Trade payables	10	3,688	28,585	10,855
Deposits received, other payables and accrued charges		27,389	212,262	131,344
Provisions		4,811	37,287	23,391
Lease liabilities		432	3,346	-
Taxation payable		1,296	10,044	9,144
		112,661	873,124	701,934
Net current assets		130,774	1,013,499	966,220
Total assets less current liabilities		859,998	6,664,987	6,751,233

	2021 <i>Note</i> US\$'000 <i>(Note 12)</i>	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Bank loans	25,829	200,175	214,875
Lease liabilities	1,783	13,816	-
Deferred tax liabilities	5,240	40,611	35,466
	32,852	254,602	250,341
Net assets	827,146	6,410,385	6,500,892
Equity			
Share capital	2,697	20,900	20,928
Reserves	761,331	5,900,320	6,013,747
Equity attributable to the owners of the Company			
	764,028	5,921,220	6,034,675
Non-controlling interests	63,118	489,165	466,217
Total equity	827,146	6,410,385	6,500,892

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 2020, 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 2021. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform – Phase 2*
- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR Reform”). The amendments do not have any impact on the consolidated financial statements as the Group does not have any contracts that are indexed to benchmark interest rates which are subject to IBOR Reform.

Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the Covid-19 pandemic (“Covid-19-related Rent Concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The amendments do not have any impact on the consolidated financial statements as the Group has not applied the practical expedient.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers:		
- Sale of toys	625,108	289,240
- Restaurant income	5,627	12,919
- Property management income	20,034	20,863
	<u>650,769</u>	<u>323,022</u>
Revenue from other sources:		
- Rental income from investment properties	207,408	208,294
- Dividend income	2,203	2,107
- Interest income	383	2,897
	<u>209,994</u>	<u>213,298</u>
Total revenue	<u>860,763</u>	<u>536,320</u>

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 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	-	625,108	630,735
- Over time	21,528	-	-	21,528
Gross revenue from other sources	214,771	2,586	-	217,357
Inter-segment revenue	<u>(8,857)</u>	-	-	<u>(8,857)</u>
Revenue from external customers	233,069	2,586	625,108	860,763
Segment (loss)/profit before depreciation	(6,992)	(2,261)	41,818	32,565
Depreciation	<u>(10,324)</u>	-	<u>(4,480)</u>	<u>(14,804)</u>
Segment operating (loss)/profit	(17,316)	(2,261)	37,338	17,761
Other net income/(loss)	2,374	(296)	(2,728)	(650)
Finance costs	<u>(10,879)</u>	<u>(23)</u>	<u>(2,568)</u>	<u>(13,470)</u>
	<u>(8,505)</u>	<u>(319)</u>	<u>(5,296)</u>	<u>(14,120)</u>
Segment (loss)/profit before income tax <i>(Note)</i>	<u>(25,821)</u>	<u>(2,580)</u>	<u>32,042</u>	<u>3,641</u>
Unallocated corporate expenses				<u>(8,420)</u>
Loss before income tax				<u>(4,779)</u>

Note:

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

Interest income	-	383	835
Dividend income	-	2,203	394
Net revaluation deficit on investment properties	(204,127)	-	-
Net loss on financial assets at fair value through profit or loss	-	(4,447)	(8,796)

The segment results for the year ended 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>
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)
<u>Revenue from external customers</u>	<u>242,076</u>	<u>5,004</u>	<u>289,240</u>	<u>536,320</u>
Segment (loss)/profit before depreciation	(445,260)	10,279	(30,321)	(465,302)
<u>Depreciation</u>	<u>(12,144)</u>	<u>-</u>	<u>(2,956)</u>	<u>(15,100)</u>
<u>Segment operating (loss)/profit</u>	<u>(457,404)</u>	<u>10,279</u>	<u>(33,277)</u>	<u>(480,402)</u>
Other net income	2,170	-	12,015	14,185
Finance costs	(16,002)	(29)	(1,308)	(17,339)
	<u>(13,832)</u>	<u>(29)</u>	<u>10,707</u>	<u>(3,154)</u>
<u>Segment (loss)/profit before income tax (Note)</u>	<u>(471,236)</u>	<u>10,250</u>	<u>(22,570)</u>	<u>(483,556)</u>
Unallocated other income				4,087
Unallocated corporate expenses				<u>(2,322)</u>
Loss before income tax				<u>(481,791)</u>

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 assets and liabilities as at 31 December 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>
Reportable segment assets (including cash and bank balances)	5,639,955	640,146	1,226,896	7,506,997
Inter-segment elimination	-	-	(6,387)	(6,387)
Deferred tax assets				33,206
Taxation recoverable				813
Unallocated assets				3,482
Total assets				7,538,111
Reportable segment liabilities	829,096	-	253,490	1,082,586
Inter-segment elimination	(1,523)	-	(4,864)	(6,387)
Deferred tax liabilities				40,611
Taxation payable				10,044
Unallocated liabilities				872
Total liabilities				1,127,726
Capital expenditure	30,603	-	188	

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>
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>	

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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong (place of domicile)	234,802	244,206	5,127,759	5,243,462
Americas				
- U.S.A.	344,854	164,070	187,666	166,041
- Others	44,862	22,348	-	-
Europe	193,185	87,909	209,087	255,005
Asia Pacific other than Hong Kong	41,906	16,799	93,770	101,886
Others	1,154	988	-	-
	625,961	292,114	490,523	522,932
	860,763	536,320	5,618,282	5,766,394

Major customers

The Group's customer base includes three (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\$185,193,000, HK\$168,930,000 and HK\$141,060,000 (2020: HK\$171,722,000 and HK\$100,923,000) respectively.

4. Other net (loss)/income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net investment (loss)/gain and income from		
Playmates Toys' treasury investments	(7,567)	9,465
Government subsidies	5,910	6,132
Gain on disposal of subsidiaries (<i>Note 11(iii)</i>)	1,399	-
Net foreign exchange loss on bank loans	-	(1,969)
Others (<i>Note</i>)	(392)	4,661
	(650)	18,289

Note:

Others in 2020 included a reversal of provision for legal costs of HK\$3.9 million.

5. Loss before income tax

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	299,088	129,394
Write down/(Reversal of write down) of inventories	330	(139)
Product development and tooling costs	18,896	20,275
Royalties expenses	84,688	54,498
Direct operating expenses arising from investment properties that generate rental income	4,617	3,518
Direct operating expenses arising from investment properties that did not generate rental income	1,493	1,387
Provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	28,960	11,428
Reversal of unutilised provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	(4,130)	(14,634)
Depreciation		
- other property, plant and equipment	11,223	13,384
- right-of-use assets	3,613	1,732
Directors' and staff remunerations	81,655	87,281
Allowance for customer concession	4,572	2,408
Reversal of allowance for customer concession	(6,640)	(116)
Loss on disposal of other property, plant and equipment	-	5
<u>Auditors' remuneration</u>	<u>2,000</u>	<u>1,800</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 year. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	27,627	28,439
Overseas taxation	4,100	2,585
Over provision in prior years – Hong Kong	(30)	(209)
<u>Over provision in prior years – overseas</u>	<u>(78)</u>	<u>(345)</u>
	<u>31,619</u>	<u>30,470</u>
Deferred taxation		
<u>Origination and reversal of temporary differences</u>	<u>(9,807)</u>	<u>10,227</u>
<u>Income tax expense</u>	<u>21,812</u>	<u>40,697</u>

7. Dividends

(a) Dividends attributable to the year

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
First interim dividend of HK cents 1.5 per share (2020: HK cents 1.5 per share)	31,350	31,577
Second interim dividend of HK cents 1.5 per share (2020: HK cents 3.0 per share)	31,350	62,700
Special interim dividend of HK cents 1.5 per share (2020: HK cents 3.0 per share)	31,350	62,700
	94,050	156,977

At a meeting held on 13 August 2021, the board of directors declared a first interim dividend of HK cents 1.5 per share, which was paid on 16 September 2021.

At a meeting held on 4 March 2022, the board of directors declared a second interim dividend of HK cents 1.5 per share and a special interim dividend of HK cents 1.5 per share to be paid on 8 April 2022 to shareholders whose names appear on the Company's register of members on 22 March 2022. 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 2021.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the year:		
Second interim dividend of HK cents 3.0 per share (2020: HK cents 1.5 per share)	62,700	31,747
Second 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\$49,430,000 (2020: loss of HK\$507,600,000) and the weighted average number of ordinary shares of 2,090,085,000 shares (2020: 2,107,502,000 shares) in issue during the year.

Diluted loss per share for the years ended 31 December 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 years ended 31 December 2021 and 2020.

9. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 60 days	85,735	31,790
61 – 90 days	35,541	8,815
91 – 180 days	3,918	1,229
Over 180 days	3,685	3,802
	<u>128,879</u>	<u>45,636</u>

10. Trade payables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	27,056	7,917
31 – 60 days	5	1,727
Over 60 days	1,524	1,211
	<u>28,585</u>	<u>10,855</u>

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. This connected transaction was exempt from independent shareholders’ approval requirement pursuant to Chapter 14A of the Listing Rules. 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 year ended 31 December 2021 are shown as below:

	Pophleys HK\$'000	Sakurai FNB HK\$'000	Total HK\$'000
(i) Consideration:			
Cash received	59,488	520	60,008
Receivables	-	240	240
	59,488	760	60,248
(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)
	52,687	418	53,105
(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)
	932	467	1,399
The gain on disposal of subsidiaries is recognised in the consolidated income statement and is included in other net (loss)/income (Note 4).			
(iv) Net cash inflow on disposal of subsidiaries:			
Cash and cash equivalents received	59,488	520	60,008
Less: Cash and cash equivalents disposed of	-	(68)	(68)
	59,488	452	59,940

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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Playmates Holdings's global revenue for the year ended 31 December 2021 was HK\$860.8 million (2020: HK\$536.3 million); reflecting an increase of 60.5% compared to the prior year. Before taking into account revaluation deficit on investment properties, the Group's operating profit was HK\$213.5 million (2020: HK\$164.9 million).

The Group recorded a net revaluation deficit on investment properties of HK\$204.1 million (2020: HK\$647.5 million). After taking into account such net revaluation deficit on investment properties, net loss attributable to shareholders was HK\$49.4 million (2020: HK\$507.6 million). Basic loss per share was HK cents 2.36 (2020: HK cents 24.09). Net asset value per share was HK\$3.07 as at 31 December 2021 (2020: HK\$3.11).

Property Investments and Associated Businesses

Aggregate turnover of the property investments and associated businesses during 2021 was HK\$233.1 million (2020: HK\$242.1 million), reflecting a 3.7% decrease compared to the prior year. Revenue from the property investments and property management businesses decreased 0.7% to HK\$227.4 million (2020: HK\$229.2 million), while revenue from the food and beverage business decreased by 56.4% to HK\$5.6 million (2020: HK\$12.9 million) due to the disposal of our equity interest in the business in May 2021. The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.4 billion (2020: HK\$5.5 billion). A net revaluation deficit of HK\$204.1 million was recorded in the consolidated income statement of the Group (2020: HK\$647.5 million). Segment operating loss including net revaluation deficit was HK\$17.3 million (2020: HK\$457.4 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 7.7% of the fair value of the Group's overall investment property portfolio (2020: 8.4%).

During the year, 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 this annual results announcement.

Aggregate rental income generated from the investment properties of the Group was HK\$207.4 million, a decrease of 0.4% from the prior year (2020: HK\$208.3 million). Overall occupancy rate was 62% as at 31 December 2021 (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 disrupted due to the COVID-19 epidemic and the associated travel restrictions and social distancing measures in place during 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 was substantially completed during the year 2021, and 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\$20.0 million, a decrease of 4.3% from prior year (2020: HK\$20.9 million).

(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 this annual results 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 staff, tenants and visitors.

Playmates Toys

Playmates Toys group worldwide turnover for the year ended December 31, 2021 was HK\$625 million (2020: HK\$289 million), representing an increase of 116% compared to the prior year. The favourable comparison was driven by: (i) lower consumer demand for toys during the first half of 2020, when governments in all major markets imposed lockdowns during the initial COVID-19 pandemic surge, (ii) government stimulus leading to increased consumer spending in major markets during 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. The US continued to be our biggest market in 2021, contributing 55% of revenue. Europe as a whole contributed 31%, the rest of the Americas 7% and 7% came from Asia Pacific.

Gross profit ratio on toy sales was 49% (2020: 49%). Although product development, tooling and packaging expenses were lower compared to the prior year, the benefit was reduced by: (i) a higher percentage of overall sales generated in markets outside the US, which carried a lower gross margin, and (ii) increases in finished product and logistics costs. Operating expenses increased by 38% from the prior year, but moderated as a percentage of revenue, reflecting continued cost control measures.

Playmates Toys group reported an operating profit of HK\$37.8 million (2020: operating loss of HK\$32.5 million). Net profit was HK\$43.0 million (2020: net loss of HK\$30.1 million).

We expect the COVID-19 pandemic to continue to present severe challenges to our operating environment in 2022, including global supply chain disruptions, and elevated logistics and input costs. 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 31 December 2021, fair market value of the Group's investment portfolio was HK\$161.0 million (31 December 2020: HK\$85.2 million) representing 2.1% of the total assets of the Group (31 December 2020: 1.1%). This comprised HK\$71.8 million of equities listed in Hong Kong (31 December 2020: HK\$41.3 million), HK\$88.1 million of equities listed overseas (31 December 2020: HK\$41.0 million) and HK\$1.1 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 0.4% of the total assets of the Group. The top 10 listed securities in aggregate represented 1.7% of the total assets of the Group and included The Walt Disney Company (DIS.US), Apple Inc. (AAPL.US), Amazon.com, Inc. (AMZN.US), Wharf Real Estate Investment Company Limited (1997.HK), Tencent Holdings Limited (700.HK), New World Development Company Limited (17.HK), Vitasoy International Holdings Limited (345.HK), Sun Hung Kai Properties Limited (16.HK), Henderson Land Development Company Limited (12.HK) and NVIDIA Corporation (NVDA.US).

The Group reported a net loss from investments of HK\$4.4 million in 2021 (2020: net gain of HK\$5.6 million). In 2021, dividend and interest income generated from the portfolio were HK\$2.6 million (2020: HK\$5.0 million).

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

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 2021, trade receivables related to toy operation were HK\$124,378,000 (2020: HK\$41,291,000) and inventories related to toy operation were HK\$58,007,000 (2020: HK\$10,283,000) or 9.3% (2020: 3.6%) of revenue of toy operation.

The property investments and associated businesses generated a relatively steady income stream throughout the year. Overall occupancy rate was 62% as at 31 December 2021 (2020: 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 2021, the Group's financial assets at fair value through profit or loss amounted to HK\$160,955,000 (2020: HK\$85,156,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2021 was 10.4% 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 31 December 2021 (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 31 December 2021, the Group's cash and bank balances were HK\$1,464,689,000 (2020: HK\$1,475,511,000), of which HK\$1,272,770,000 (2020: HK\$1,317,433,000) was denominated in United States dollar, HK\$66,066,000 (2020: HK\$12,527,000) in British pound, HK\$46,372,000 (2020: HK\$50,065,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year, 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 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 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 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 2021.

DIVIDENDS

The board of directors declared a second interim dividend of HK cents 1.5 per share and a special interim dividend of HK cents 1.5 per share. The said second interim dividend and special interim dividend will be paid on 8 April 2022 to the shareholders on the Register of Members of the Company on 22 March 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 March 2022 to 22 March 2022, 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 18 March 2022.

On behalf of the Board
CHAN Kwong Fai, Michael
Chairman

Hong Kong, 4 March 2022

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

Mr. Chan Kwong Fai, Michael (*Chairman*), Ms. Chan, Helen (*Executive Director*), Mr. Chan Kong Keung, Stephen (*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*)