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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 2022**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Highlights**

<b>For the six months ended 30 June</b>	<b>2022 HK\$'000</b>	<b>2021 HK\$'000</b>
Group revenue	378,717	327,075
- from toy business	267,462	213,988
- from property investments and associated businesses	109,704	111,837
- from investment business	1,551	1,250
Gross profit	236,436	215,962
Net revaluation deficit on investment properties	(105,803)	(142,880)
Operating loss	(18,370)	(37,133)
Loss before income tax	(49,869)	(41,374)
Loss attributable to owners of the Company	(58,222)	(64,610)
Loss per share	<i>HK cents</i>	<i>HK cents</i>
- Basic	(2.80)	(3.09)
- Diluted	(2.80)	(3.09)
Interim dividend per share	1.50	1.50

**Property Investments and Associated Businesses**

The property investments and associated businesses recorded a 1.9% decrease in revenue to HK\$109.7 million during the first half of 2022 compared to the same period last year (same period in 2021: HK\$111.8 million). Revenue from the property investments and property management businesses increased by 3.3% to HK\$109.7 million (same period in 2021: HK\$106.2 million), while no revenue was generated from the food and beverage business due to the disposal of our equity interest in the business in May 2021 (same period in 2021: HK\$5.6 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.3 billion. A net revaluation deficit of HK\$105.8 million was recorded in the consolidated income statement of the Group (same period in 2021: HK\$142.9 million). Segment operating loss including net revaluation deficit was HK\$13.2 million (same period in 2021: HK\$57.2 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 2021: 7.7%).

Aggregate rental income generated from the investment properties of the Group was HK\$99.2 million, an increase of 3.1% from the prior period (same period in 2021: HK\$96.2 million), with an overall occupancy rate of 63% (31 December 2021: 62%).

**(i) Commercial**

The Group's investment in commercial properties consists of The Toy House, 100 Canton Road, 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 the first half of 2022.

**(ii) Residential**

The Group's principal investment in residential properties includes units in Hillview on MacDonnell Road, Mid-Levels, Hong Kong. Interior renovation and improvement works are being performed successively on our Hillview units during 2022. We expect these works to enhance the value of the property over the long 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 increased by 4.9% to HK\$10.6 million as compared to HK\$10.1 million during the same period last 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 staff, tenants and visitors.

### Playmates Toys

Playmates Toys group worldwide revenue during the first half of 2022 was HK\$267 million (same period in 2021: HK\$214 million), representing an increase of 25% compared to the prior year period. The favourable comparison was driven by the expansion of our *Miraculous: Tales of Ladybug & Cat Noir* toy line, partially offset by a contraction in *Godzilla vs. Kong* product sales compared to last year.

Gross profit ratio on toy sales was 49% (same period in 2021: 52%). Lower gross profit margin in the first half of 2022 reflected higher ocean freight costs and provision on inventory writedown. Operating expenses increased by 17% compared to the prior year period, reflecting contractual incentive payment to a licensor in the current year period based on brand profitability, partially offset by a 15% reduction in administration expenses.

Playmates Toys group reported an operating profit for the period of HK\$18.7 million (same period in 2021: HK\$15.5 million). Playmates Toys group’s loss before income tax of HK\$7.3 million (same period in 2021: profit before income tax of HK\$14.5 million) included a HK\$26.2 million mark-to-market unrealized loss on its equities investment position. Playmates Toys group’s equity investments represented 5% of its total assets at period end. These equity investments are in companies that are leaders within their industries, with strong balance sheets. We believe these companies are well-positioned to navigate through economic cycles, and ultimately deliver strong shareholder returns over the long run. Net loss during the first half of 2022 was HK\$1.4 million (same period in 2021: net profit of HK\$14.5 million).

We expect our operating environment to be challenging in the second half of the year. Many major economies are experiencing persistent high inflation. As a result, non-essential goods (including toys) are experiencing a slowdown, as many families struggle with dramatically higher food and energy prices. At the same time, supply chain disruptions over the past year prompted a pull-forward in inventory purchases, which has become a challenge to digest this year, just as consumer spending is slowing. Many retailers are also pulling back on orders, which has further compounded inventory issues that many, including us, are facing. As the supply chain bottleneck has shifted to warehouse capacity, we are taking decisive steps to reduce our inventory level, which will result in additional costs in the near-term, but will allow us to capitalize on upcoming opportunities.

Despite these near-term challenges, our team remains dedicated to bringing innovative toys to fans around the world, and building profitable, long-term, brand franchises.

## **Portfolio Investments**

The Group engages in portfolio investments which include 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 2022, fair market value of the Group's investment portfolio was HK\$135.1 million (31 December 2021: HK\$161.0 million) representing 1.8% of the total assets of the Group (31 December 2021: 2.1%). This comprised of HK\$66.1 million of equities listed in Hong Kong (31 December 2021: HK\$71.8 million), HK\$68.4 million of equities listed overseas (31 December 2021: HK\$88.1 million) and HK\$0.6 million of unlisted managed funds (31 December 2021: HK\$1.1 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 1.4% of the total assets of the Group, and included The Walt Disney Company (DIS.US), Apple Inc. (AAPL.US), Wharf Real Estate Investment Company Limited (1997.HK), Amazon.com, Inc. (AMZN.US), 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), CK Hutchison Holdings Limited (1.HK) and Alphabet Inc. (GOOG.US).

The Group reported a net loss from investments of HK\$41.3 million in the first half of 2022 (same period in 2021: net gain of HK\$6.3 million). During the first half of 2022, dividend and interest income generated from the portfolio were HK\$2.4 million (same period in 2021: HK\$1.8 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 2022

	Note	Unaudited		
		Six months ended 30 June		
		2022	2022	2021
		US\$'000	HK\$'000	HK\$'000
		(Note 11)		
<b>Revenue</b>	3	<b>48,866</b>	<b>378,717</b>	327,075
Cost of sales		<b>(18,359)</b>	<b>(142,281)</b>	(111,113)
<b>Gross profit</b>		<b>30,507</b>	<b>236,436</b>	215,962
Marketing and licensing expenses		(7,227)	(56,009)	(34,137)
Selling and distribution expenses		(1,804)	(13,981)	(11,919)
Administration expenses		(8,240)	(63,857)	(70,681)
Net (loss)/gain on financial assets at fair value through profit or loss		(1,956)	(15,156)	6,522
Net revaluation deficit on investment properties		(13,652)	(105,803)	(142,880)
<b>Operating loss</b>		<b>(2,372)</b>	<b>(18,370)</b>	(37,133)
Other net (loss)/income	4	(3,171)	(24,578)	2,377
Finance costs		(893)	(6,921)	(6,618)
<b>Loss before income tax</b>	5	<b>(6,436)</b>	<b>(49,869)</b>	(41,374)
<b>Income tax expense</b>	6	<b>(1,167)</b>	<b>(9,047)</b>	(14,404)
<b>Loss for the period</b>		<b>(7,603)</b>	<b>(58,916)</b>	(55,778)
<b>(Loss)/Profit for the period attributable to:</b>				
Owners of the Company		(7,513)	(58,222)	(64,610)
Non-controlling interests		(90)	(694)	8,832
		<b>(7,603)</b>	<b>(58,916)</b>	(55,778)
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share</b>	8			
Basic		<b>(0.36)</b>	<b>(2.80)</b>	(3.09)
Diluted		<b>(0.36)</b>	<b>(2.80)</b>	(3.09)

**Condensed Consolidated Statement of Comprehensive Income**  
*For the six months ended 30 June 2022*

	<b>Unaudited</b>		
	<b>Six months ended 30 June</b>		
	<b>2022</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>(Note 11)</i>		
<b>Loss for the period</b>	<b>(7,603)</b>	<b>(58,916)</b>	<b>(55,778)</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences arising on translation of foreign subsidiaries	<b>(4,249)</b>	<b>(32,933)</b>	<b>(1,882)</b>
- Release of exchange reserve upon disposal of a subsidiary	-	-	<b>5,869</b>
Item that will not be reclassified to profit or loss:			
- Surplus on revaluation of land and buildings	-	-	<b>98,216</b>
<b>Total comprehensive income for the period</b>	<b>(11,852)</b>	<b>(91,849)</b>	<b>46,425</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	<b>(11,762)</b>	<b>(91,155)</b>	<b>37,593</b>
Non-controlling interests	<b>(90)</b>	<b>(694)</b>	<b>8,832</b>
	<b>(11,852)</b>	<b>(91,849)</b>	<b>46,425</b>

## Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Unaudited 30 June 2022 US\$'000 <i>(Note 11)</i>	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
<b>Non-current assets</b>			
Fixed assets			
- Investment properties	683,812	5,299,543	5,432,064
- Other property, plant and equipment	19,108	148,084	155,874
	702,920	5,447,627	5,587,938
Right-of-use assets	1,826	14,153	15,959
Goodwill	771	5,976	5,976
Prepayments	1,952	15,125	8,409
Deferred tax assets	5,487	42,521	33,206
	712,956	5,525,402	5,651,488
<b>Current assets</b>			
Inventories	8,750	67,815	58,007
Trade receivables	9	8,353	64,732
Deposits paid, other receivables and prepayments	8,797	68,180	73,280
Taxation recoverable	-	-	813
Financial assets at fair value through profit or loss	17,427	135,062	160,955
Cash and bank balances	188,505	1,460,914	1,464,689
	231,832	1,796,703	1,886,623
<b>Current liabilities</b>			
Bank loans	71,226	552,000	581,600
Trade payables	10	3,100	24,028
Deposits received, other payables and accrued charges	25,359	196,524	212,262
Provisions	5,287	40,977	37,287
Lease liabilities	451	3,493	3,346
Taxation payable	3,049	23,632	10,044
	108,472	840,654	873,124
<b>Net current assets</b>	<b>123,360</b>	<b>956,049</b>	<b>1,013,499</b>
<b>Total assets less current liabilities</b>	<b>836,316</b>	<b>6,481,451</b>	<b>6,664,987</b>

	Unaudited 30 June 2022 <i>Note</i> <i>US\$'000</i> <i>(Note 11)</i>	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank loans	24,784	192,075	200,175
Lease liabilities	1,550	12,016	13,816
Deferred tax liabilities	5,268	40,827	40,611
	<b>31,602</b>	<b>244,918</b>	254,602
<b>Net assets</b>	<b>804,714</b>	<b>6,236,533</b>	6,410,385
<b>Equity</b>			
Share capital	2,684	20,800	20,900
Reserves	740,498	5,738,862	5,900,320
<b>Equity attributable to owners of the Company</b>			
	743,182	5,759,662	5,921,220
<b>Non-controlling interests</b>	<b>61,532</b>	<b>476,871</b>	489,165
<b>Total equity</b>	<b>804,714</b>	<b>6,236,533</b>	6,410,385

## 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 2021 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 2021.

### 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.

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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from contracts with customers:		
- Sale of toys	<b>267,462</b>	213,988
- Restaurant income	-	5,627
- Property management income	<b>10,551</b>	10,059
	<b>278,013</b>	229,674
Revenue from other sources:		
- Rental income from investment properties	<b>99,153</b>	96,151
- Dividend income	<b>1,141</b>	1,029
- Interest income	<b>410</b>	221
	<b>100,704</b>	97,401
<b>Total revenue</b>	<b>378,717</b>	327,075

### **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 2022 are as follows:

	<b>Property investments and associated businesses</b>	<b>Investment business</b>	<b>Toy business</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Gross revenue from contracts with customers by timing of revenue recognition				
- Point in time	-	-	267,462	267,462
- Over time	10,939	-	-	10,939
Gross revenue from other sources	101,768	1,551	-	103,319
<u>Inter-segment revenue</u>	<u>(3,003)</u>	<u>-</u>	<u>-</u>	<u>(3,003)</u>
<u>Revenue from external customers</u>	<u>109,704</u>	<u>1,551</u>	<u>267,462</u>	<u>378,717</u>
Segment (loss)/profit before depreciation	(8,773)	(13,769)	20,833	(1,709)
<u>Depreciation</u>	<u>(4,418)</u>	<u>-</u>	<u>(2,190)</u>	<u>(6,608)</u>
<u>Segment operating (loss)/profit</u>	<u>(13,191)</u>	<u>(13,769)</u>	<u>18,643</u>	<u>(8,317)</u>
Other net (loss)/income	256	-	(24,834)	(24,578)
<u>Finance costs</u>	<u>(5,722)</u>	<u>(15)</u>	<u>(1,135)</u>	<u>(6,872)</u>
	<u>(5,466)</u>	<u>(15)</u>	<u>(25,969)</u>	<u>(31,450)</u>
Segment (loss)/profit before income tax	(18,657)	(13,784)	(7,326)	(39,767)
Unallocated corporate expenses				<u>(10,102)</u>
Loss before income tax				<u>(49,869)</u>

The segment results for the six months ended 30 June 2021 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	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 <u>income tax</u>	<u>(60,585)</u>	<u>7,559</u>	<u>14,459</u>	<u>(38,567)</u>
Unallocated corporate expenses				<u>(2,807)</u>
Loss before income tax				<u>(41,374)</u>

The segment assets and liabilities as at 30 June 2022 are as follows:

	<b>Property investments and associated businesses</b>	<b>Investment business</b>	<b>Toy business</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment assets (including cash and bank balances)	<u>5,497,345</u>	<u>601,020</u>	<u>1,174,425</u>	7,272,790
Inter-segment elimination	(41)	-	(3,944)	(3,985)
Deferred tax assets				42,521
Unallocated assets				<u>10,779</u>
Total assets				<u>7,322,105</u>
<u>Reportable segment liabilities</u>	<u>789,681</u>	-	<u>234,533</u>	1,024,214
Inter-segment elimination	(1,512)	-	(2,473)	(3,985)
Deferred tax liabilities				40,827
Taxation payable				23,632
Unallocated liabilities				<u>884</u>
Total liabilities				<u>1,085,572</u>

The segment assets and liabilities as at 31 December 2021 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>5,639,955</u>	<u>640,146</u>	<u>1,226,896</u>	7,506,997
Inter-segment elimination	-	-	(6,387)	(6,387)
Deferred tax assets				33,206
Taxation recoverable				813
Unallocated assets				<u>3,482</u>
Total assets				<u>7,538,111</u>
<u>Reportable segment liabilities</u>	<u>829,096</u>	<u>-</u>	<u>253,490</u>	1,082,586
Inter-segment elimination	(1,523)	-	(4,864)	(6,387)
Deferred tax liabilities				40,611
Taxation payable				10,044
Unallocated liabilities				<u>872</u>
Total liabilities				<u>1,127,726</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		Specified	
	external customers		non-current assets	
	Six months ended 30 June		30 June	31 December
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Hong Kong (place of domicile)</u>	<b>110,796</b>	113,164	<b>5,025,124</b>	5,127,759
Americas				
- U.S.A.	<b>156,577</b>	136,781	<b>190,315</b>	187,666
- Others	<b>25,591</b>	14,235	-	-
Europe	<b>67,899</b>	49,462	<b>186,697</b>	209,087
Asia Pacific other than				
Hong Kong	<b>16,541</b>	13,433	<b>80,745</b>	93,770
Others	<b>1,313</b>	-	-	-
	<b>267,921</b>	213,911	<b>457,757</b>	490,523
	<b>378,717</b>	327,075	<b>5,482,881</b>	5,618,282

### 3.3 Major customers

The Group's customer base includes four (2021: 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\$81,849,000, HK\$53,193,000, HK\$52,685,000 and HK\$43,263,000 (2021: HK\$84,832,000 and HK\$76,951,000) respectively.

**4. Other net (loss)/income**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Playmates Toys' treasury investments		
- Net unrealised investment loss	<b>(26,173)</b>	(210)
- Interest income	<b>621</b>	587
- Dividend income	<b>221</b>	-
Government subsidies	<b>736</b>	582
Gain on disposal of subsidiaries	-	1,399
Others	<b>17</b>	19
	<b>(24,578)</b>	2,377

**5. Loss before income tax**

Loss before income tax is stated after charging the following:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>125,949</b>	97,147
Product development and tooling costs	<b>7,864</b>	6,264
Royalties expenses	<b>36,684</b>	30,249
Directors' and staff remunerations	<b>30,360</b>	39,870
Depreciation		
- other property, plant and equipment	<b>4,819</b>	6,264
- right-of-use assets	<b>1,807</b>	1,807
Interest expenses		
- on bank loans	<b>5,711</b>	5,367
- on lease liabilities	<b>412</b>	478
Net foreign exchange loss	<b>7,607</b>	1,578

## 6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	13,448	12,912
Overseas taxation	3,425	1,810
Over provision in prior years – overseas	-	(111)
	<u>16,873</u>	<u>14,611</u>
Deferred taxation		
Origination and reversal of temporary differences	(7,826)	(207)
<b>Income tax expense</b>	<u>9,047</u>	<u>14,404</u>

The Group's cumulative unrecognised tax losses as of 30 June 2022 amounted to HK\$117,294,000 (31 December 2021: HK\$112,704,000). 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	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend of HK cents 1.5 per share (2021: HK cents 1.5 per share)	<u>31,200</u>	<u>31,350</u>

At a meeting held on 19 August 2022, the board of directors has resolved to pay an interim dividend of HK cents 1.5 per share to be paid on 23 September 2022 to shareholders whose names appear on the Company's Register of Members on 7 September 2022.

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 2022.

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK cents 1.5 per share (2021: HK cents 3.0 per share)	<b>31,200</b>	62,700
Special interim dividend of HK cents 1.5 per share (2021: HK cents 3.0 per share)	<b>31,200</b>	62,700
	<b>62,400</b>	125,400

**8. Loss per share**

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$58,222,000 (2021: HK\$64,610,000) and the weighted average number of ordinary shares of 2,080,637,000 shares (2021: 2,090,186,000 shares) in issue during the period.

Diluted loss per share for the six months ended 30 June 2022 and 2021 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 2022 and 2021.

**9. Trade receivables**

	<b>30 June</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>84,573</b>	145,592
Less: Allowance for customer concession	<b>(19,841)</b>	(16,713)
	<b>64,732</b>	128,879

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:

	<b>30 June</b> <b>2022</b> <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
0 – 60 days	<b>39,270</b>	85,735
61 – 90 days	<b>15,062</b>	35,541
91 – 180 days	<b>3,266</b>	3,918
Over 180 days	<b>7,134</b>	3,685
	<b>64,732</b>	128,879

#### **10. Trade payables**

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

	<b>30 June</b> <b>2022</b> <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
0 – 30 days	<b>22,688</b>	27,056
31 – 60 days	-	5
Over 60 days	<b>1,340</b>	1,524
	<b>24,028</b>	28,585

#### **11. 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 2022.

## FINANCIAL ANALYSIS

The property investments and associated businesses generated a relatively steady income stream throughout the period. Overall occupancy rate was 63% as at 30 June 2022 (31 December 2021: 62%).

Financial assets at fair value through profit or loss include investments in listed equities and managed funds. As at 30 June 2022, the Group's financial assets at fair value through profit or loss amounted to HK\$135,062,000 (31 December 2021: HK\$160,955,000).

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 2022, trade receivables related to toy business were HK\$59,270,000 (31 December 2021: HK\$124,378,000) and inventories were HK\$67,815,000 (31 December 2021: HK\$58,007,000). Higher inventories at 30 June 2022 reflected the Group's pull-forward inventory purchases in response to the global supply chain disruptions over the past year.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2022 was 10.2% compared to 10.4% at 31 December 2021. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.1 at 30 June 2022 (31 December 2021: 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 30 June 2022, the Group's cash and bank balances were HK\$1,460,914,000 (31 December 2021: HK\$1,464,689,000), of which HK\$1,287,095,000 (31 December 2021: HK\$1,272,770,000) was denominated in United States dollar, HK\$58,501,000 (31 December 2021: HK\$66,066,000) in British pound, HK\$43,468,000 (31 December 2021: HK\$46,372,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, 10,000,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$0.78 to HK\$0.81 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 Part 2 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022, except the followings:

The Code Provision C.2.1 provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The Company does not have a designated chief executive. 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 Code Provision C.1.6 provides that generally the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders. Mr. Tsim Tak Lung, who retired as a non-executive director of the Company at the conclusion of the annual general meeting on 27 April 2022 (“**AGM**”), was unable to attend the AGM due to other prior engagement.

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 December 2022. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

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 2022.

#### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 6 September 2022 to 7 September 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 5 September 2022. The interim dividend will be paid on 23 September 2022 to the shareholders on the Register of Members of the Company on 7 September 2022.

On behalf of the Board  
**Chan Kwong Fai, Michael**  
*Chairman*

Hong Kong, 19 August 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*) and Mr. Tang Wing Yung, Thomas (*Independent Non-executive Director*)