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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 2024

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Highlights

	<b>2024</b>	2023
<b>For the six months ended 30 June</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Group revenue	<b>526,666</b>	427,006
- from toy business	<b>445,141</b>	347,231
- from property investments and management businesses	<b>79,339</b>	76,792
- from investment business	<b>2,186</b>	2,983
Gross profit	<b>324,137</b>	259,934
Net revaluation (deficit)/ surplus on investment properties	<b>(249,529)</b>	4,123
Operating (loss)/profit	<b>(121,081)</b>	120,219
(Loss)/Profit before income tax	<b>(80,414)</b>	144,531
(Loss)/Profit attributable to owners of the Company	<b>(159,880)</b>	96,291
(Loss)/Earnings per share	<b>HK cents</b>	<b>HK cents</b>
- Basic	<b>(7.72)</b>	4.65
- Diluted	<b>(7.72)</b>	4.65
Interim dividend per share	<b>1.50</b>	1.50

##### Property Investments and Management

The property investments and management segment recorded a 3.3% increase in revenue to HK\$79.3 million during the first half of 2024 compared to the same period last year (same period in 2023: HK\$76.8 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$4.7 billion. A net revaluation deficit of HK\$249.5 million was recorded in the consolidated income statement of the Group (same period in 2023: net revaluation surplus of HK\$4.1 million). Segment operating loss including property revaluation was HK\$190.3 million (same period in 2023: segment operating profit of HK\$58.8 million).

**(a) Property Investments**

The Group's major investment properties include (i) a commercial building, The Toy House, at 100 Canton Road; (ii) a number of residential units at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. The Group's property portfolio also includes overseas investment properties in the United Kingdom, the United States of America and Japan, which in aggregate accounted for 8.3% of the fair value of the Group's overall investment property portfolio (31 December 2023: 8.1%).

Aggregate rental income generated from the investment properties of the Group was HK\$68.5 million, an increase of 3.9% from the prior year period (same period in 2023: HK\$65.9 million). Overall occupancy rate of the Group's investment properties was 68% (31 December 2023: 74%).

**(i) Commercial**

The Group's investment in commercial properties consists of The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The changes in consumption patterns of inbound tourists to Hong Kong, together with the increase in local consumers' outbound travel, have made the first half of 2024 a challenging period for many retail businesses in Hong Kong. This dynamic has dampened demand for retail and commercial premises in the vicinity. However, we expect Canton Road to remain one of the premier shopping districts in Hong Kong over the long term.

**(ii) Residential**

The Group's principal investment in residential properties includes units in Hillview on MacDonnell Road, Mid-Levels, Hong Kong. Continued high interest rates and a subdued economic environment have put Hong Kong's residential property market under pressure during the first half of 2024. On the other hand, our interior renovation and improvement works which have been carried out successively since 2021 should enhance the value of the property over the long term.

**(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 subsequent stage in the approval process (special waiver application) is currently in progress. 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 0.9% to HK\$10.8 million as compared to HK\$10.9 million during the same period last year.

We continue to maintain a long-term view of our property investments and will 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 arising from the ever-changing global economy and market conditions.

## **Playmates Toys**

Playmates Toys worldwide turnover during the first half of 2024 was HK\$445 million (same period in 2023: HK\$347 million), representing an increase of 28% compared to the prior year period. The favourable comparison was driven by the successful relaunch of our *Godzilla x Kong* product line, supported by the March 2024 release of the *Godzilla x Kong: The New Empire* movie, partially offset by lower shipment volume of our *Teenage Mutant Ninja Turtles* toy line compared to the prior year period, which included the positive impact of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* animated movie release.

Gross profit ratio on toy sales was 56% (same period in 2023: 54%). Higher gross profit margin in the first half of 2024 reflected: (i) a higher percentage of overall sales generated in the US market, which carries a higher gross margin, (ii) reduced discounting of excess inventory, and (iii) lower product development and tooling costs as a percentage of sales. Operating expenses increased by 47% compared to the prior year period, reflecting higher promotional and distribution expenses in the US market. Administration expenses increased 22% compared to the prior year period but decreased slightly as a percentage of revenue.

Playmates Toys group reported an operating profit of HK\$68.4 million during the first half of 2024 (same period in 2023: HK\$56.2 million). Other net income during the current year period included a HK\$20.7 million unrealized and realized gain on Playmates Toys group's listed equities investment position (same period in 2023: HK\$15.9 million) and HK\$29.8 million in interest income (same period in 2023: HK\$15.7 million). Playmates Toys group's net profit during the first half of 2024 was HK\$91.5 million (same period in 2023: HK\$87.0 million).

Looking forward to the second half of 2024, the cumulative impact of inflation over the past few years will continue to stretch household budgets across many markets around the world and lead to increasingly value-conscious purchasing. In addition, lapping the *TMNT* movie release last year will continue to present challenging year-over-year comparisons. However, the launch of the *Tales of The Teenage Mutant Ninja Turtles* animated series on Paramount+ this summer should provide support for the TMNT brand. We also expect continued positive contribution from our *Godzilla x Kong* product line.

Beyond 2024, we continue to be optimistic about the long-term future of *TMNT*, as well as the new brands under development for 2025 and 2026.

## **Brand Overview**

### ***Teenage Mutant Ninja Turtles ("TMNT")***

Paramount Pictures and Nickelodeon Movies are developing a sequel to *Teenage Mutant Ninja Turtles: Mutant Mayhem* and a two-season series that will serve as a "bridge" between the films. The spinoff series, titled *Tales of The Teenage Mutant Ninja Turtles*, debuts on Paramount+ in August 2024. Both the movie sequel and the Paramount+ series will be produced by Seth Rogen's Point Grey Pictures. We are actively developing new products to coincide with the upcoming content.

## ***Godzilla x Kong***

In Spring 2024, Legendary Pictures released ***Godzilla x Kong: The New Empire***, which delivered strong box office results around the world and continues to drive strong toy sales. As the global master licensee, we are developing extensions to our current product line of highly detailed action figures in various sizes and role play accessories.

## ***Power Rangers***

We have recently entered into a global license agreement with Hasbro, a leading toy and game company, to produce and distribute ***Power Rangers*** toys. We are developing an extensive kid-targeted ***Mighty Morphin Power Rangers*** toy line, scheduled to debut in Fall 2025.

## **Portfolio Investments**

The Group engages in portfolio investments which involve investing in listed equity shares. 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 2024, fair market value of the Group's investment portfolio was HK\$98.4 million (31 December 2023: HK\$95.3 million) representing 1.5% of the total assets of the Group (31 December 2023: 1.4%). This comprised of HK\$29.0 million of equities listed in Hong Kong (31 December 2023: HK\$33.2 million) and HK\$69.4 million of equities listed overseas (31 December 2023: HK\$62.1 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 1.3% of the total assets of the Group, and included NVIDIA Corporation (NVDA.US), Amazon.com, Inc. (AMZN.US), The Walt Disney Company (DIS.US), Alphabet Inc. (GOOG.US), Apple Inc. (AAPL.US), Microsoft Corporation (MSFT.US), Netflix, Inc. (NFLX.US), Walmart Inc. (WMT.US), Tencent Holdings Limited (700.HK) and Wharf Real Estate Investment Company Limited (1997.HK).

The Group reported a net gain from investments of HK\$18.5 million in the first half of 2024 (same period in 2023: HK\$17.4 million). During the first half of 2024, dividend and interest income generated from the portfolio were HK\$32.2 million (same period in 2023: HK\$18.9 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 2024

	Note	Unaudited		
		Six months ended 30 June		
		2024	2024	2023
		US\$'000	HK\$'000	HK\$'000
		(Note 11)		
<b>Revenue</b>	3	67,521	526,666	427,006
Cost of sales		(25,965)	(202,529)	(167,072)
<b>Gross profit</b>		41,556	324,137	259,934
Marketing and licensing expenses		(11,750)	(91,651)	(59,278)
Selling and distribution expenses		(4,067)	(31,725)	(24,856)
Administration expenses		(9,270)	(72,313)	(59,704)
Net revaluation (deficit)/surplus on investment properties		(31,991)	(249,529)	4,123
<b>Operating (loss)/profit</b>		(15,522)	(121,081)	120,219
Other net income	4	6,237	48,651	33,309
Finance costs		(1,024)	(7,984)	(8,997)
<b>(Loss)/Profit before income tax</b>	5	(10,309)	(80,414)	144,531
<b>Income tax expense</b>	6	(4,421)	(34,485)	(5,492)
<b>(Loss)/Profit for the period</b>		(14,730)	(114,899)	139,039
<b>(Loss)/Profit for the period attributable to:</b>				
Owners of the Company		(20,497)	(159,880)	96,291
Non-controlling interests		5,767	44,981	42,748
		(14,730)	(114,899)	139,039
		US cents	HK cents	HK cents
<b>(Loss)/Earnings per share</b>	8			
Basic		(0.99)	(7.72)	4.65
Diluted		(0.99)	(7.72)	4.65

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Unaudited		
	Six months ended 30 June		
	2024	2024	2023
	US\$'000	HK\$'000	HK\$'000
	(Note 11)		
<b>(Loss)/Profit for the period</b>	<b>(14,730)</b>	<b>(114,899)</b>	139,039
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences arising on translation of foreign subsidiaries	(1,403)	(10,936)	915
<b>Total comprehensive income for the period</b>	<b>(16,133)</b>	<b>(125,835)</b>	139,954
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	(21,900)	(170,816)	97,206
Non-controlling interests	5,767	44,981	42,748
	<b>(16,133)</b>	<b>(125,835)</b>	139,954

## Condensed Consolidated Statement of Financial Position

As at 30 June 2024

		Unaudited 30 June 2024 US\$'000 (Note 11)	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
<b>Non-current assets</b>				
Fixed assets				
- Investment properties		599,405	4,675,356	4,933,614
- Other property, plant and equipment		17,309	135,017	139,337
		<b>616,714</b>	<b>4,810,373</b>	5,072,951
Right-of-use assets		894	6,970	8,789
Goodwill		766	5,976	5,976
Prepayments		1,171	9,130	-
Deferred tax assets		5,910	46,096	52,126
		<b>625,455</b>	<b>4,878,545</b>	5,139,842
<b>Current assets</b>				
Inventories		6,658	51,932	58,886
Trade receivables	9	17,386	135,613	330,521
Deposits paid, other receivables and prepayments		8,273	64,528	45,759
Taxation recoverable		1,012	7,892	12,340
Financial assets at fair value through profit or loss		12,620	98,438	95,324
Cash and deposits with banks		147,423	1,149,898	1,094,933
		<b>193,372</b>	<b>1,508,301</b>	1,637,763
<b>Current liabilities</b>				
Bank loans		22,077	172,200	217,175
Trade payables	10	7,497	58,478	91,390
Deposits received, other payables and accrued charges		21,712	169,353	218,908
Provisions		6,049	47,183	65,413
Lease liabilities		533	4,159	3,987
Taxation payable		4,818	37,578	53,792
		<b>62,686</b>	<b>488,951</b>	650,665
<b>Net current assets</b>		<b>130,686</b>	<b>1,019,350</b>	987,098
<b>Total assets less current liabilities</b>		<b>756,141</b>	<b>5,897,895</b>	6,126,940

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <i>Note</i> <b>US\$'000</b> <i>(Note 11)</i>	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>HK\$'000</b>	Audited 31 December 2023 <b>HK\$'000</b>
<b>Non-current liabilities</b>			
Bank loans	872	6,800	10,400
Lease liabilities	528	4,117	6,250
Long service payment liabilities	268	2,087	1,938
Deferred tax liabilities	5,352	41,746	42,265
	<b>7,020</b>	<b>54,750</b>	<b>60,853</b>
<b>Net assets</b>	<b>749,121</b>	<b>5,843,145</b>	<b>6,066,087</b>
<b>Equity</b>			
Share capital	2,653	20,697	20,700
Reserves	671,778	5,239,863	5,472,941
<b>Equity attributable to owners of the Company</b>	<b>674,431</b>	<b>5,260,560</b>	<b>5,493,641</b>
<b>Non-controlling interests</b>	<b>74,690</b>	<b>582,585</b>	<b>572,446</b>
<b>Total equity</b>	<b>749,121</b>	<b>5,843,145</b>	<b>6,066,087</b>



## **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 2023 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 2023.

### **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. 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 management 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 equities 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>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from contracts with customers:		
- Sale of toys	<b>445,141</b>	347,231
- Property management income	<b>10,804</b>	10,882
	<b>455,945</b>	358,113
Revenue from other sources:		
- Rental income from investment properties	<b>68,535</b>	65,910
- Dividend income	<b>507</b>	1,036
- Interest income	<b>1,679</b>	1,947
	<b>70,721</b>	68,893
<b>Total revenue</b>	<b>526,666</b>	427,006

### 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 2024 are as follows:

	<b>Property investments and management businesses</b>	<b>Investment business</b>	<b>Toy business</b>	<b>Total</b>
	<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	-	-	445,141	445,141
- Over time	11,192	-	-	11,192
Gross revenue from other sources	71,163	2,186	-	73,349
<u>Inter-segment revenue</u>	<u>(3,016)</u>	<u>-</u>	<u>-</u>	<u>(3,016)</u>
<u>Revenue from external customers</u>	<u>79,339</u>	<u>2,186</u>	<u>445,141</u>	<u>526,666</u>
Segment (loss)/profit before depreciation	(186,254)	2,161	70,284	(113,809)
<u>Depreciation</u>	<u>(4,066)</u>	<u>-</u>	<u>(2,074)</u>	<u>(6,140)</u>
<u>Segment operating (loss)/profit</u>	<u>(190,320)</u>	<u>2,161</u>	<u>68,210</u>	<u>(119,949)</u>
Other net income	19	(2,227)	50,822	48,614
<u>Finance costs</u>	<u>(6,336)</u>	<u>(21)</u>	<u>(1,612)</u>	<u>(7,969)</u>
	<u>(6,317)</u>	<u>(2,248)</u>	<u>49,210</u>	<u>40,645</u>
Segment (loss)/profit before income tax	(196,637)	(87)	117,420	(79,304)
Unallocated corporate expenses				<u>(1,110)</u>
Loss before income tax				<u>(80,414)</u>

The segment results for the six months ended 30 June 2023 are as follows:

	Property investments and management 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	-	-	347,231	347,231
- Over time	11,270	-	-	11,270
Gross revenue from other sources	68,538	2,983	-	71,521
<u>Inter-segment revenue</u>	<u>(3,016)</u>	<u>-</u>	<u>-</u>	<u>(3,016)</u>
<u>Revenue from external customers</u>	<u>76,792</u>	<u>2,983</u>	<u>347,231</u>	<u>427,006</u>
Segment profit before depreciation	63,076	2,958	58,014	124,048
<u>Depreciation</u>	<u>(4,316)</u>	<u>-</u>	<u>(2,126)</u>	<u>(6,442)</u>
<u>Segment operating profit</u>	<u>58,760</u>	<u>2,958</u>	<u>55,888</u>	<u>117,606</u>
Other net income	14	1,418	31,847	33,279
<u>Finance costs</u>	<u>(7,637)</u>	<u>(14)</u>	<u>(1,307)</u>	<u>(8,958)</u>
	<u>(7,623)</u>	<u>1,404</u>	<u>30,540</u>	<u>24,321</u>
Segment profit before <u>income tax</u>	<u>51,137</u>	<u>4,362</u>	<u>86,428</u>	<u>141,927</u>
Unallocated corporate income				<u>2,604</u>
Profit before income tax				<u>144,531</u>

The segment assets and liabilities as at 30 June 2024 are as follows:

	<b>Property investments and management businesses</b>	<b>Investment business</b>	<b>Toy business</b>	<b>Total</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Reportable segment assets (including cash and deposits with banks)	<b>4,850,717</b>	<b>58,552</b>	<b>1,427,864</b>	<b>6,337,133</b>
Inter-segment elimination	<b>(41)</b>	-	<b>(8,779)</b>	<b>(8,820)</b>
Deferred tax assets				<b>46,096</b>
Taxation recoverable				<b>7,892</b>
Unallocated assets				<b><u>4,545</u></b>
Total assets				<b><u>6,386,846</u></b>
<b>Reportable segment liabilities</b>	<b><u>216,365</u></b>	<b>-</b>	<b><u>256,063</u></b>	<b>472,428</b>
Inter-segment elimination	<b>(1,513)</b>	-	<b>(7,307)</b>	<b>(8,820)</b>
Deferred tax liabilities				<b>41,746</b>
Taxation payable				<b>37,578</b>
Unallocated liabilities				<b><u>769</u></b>
Total liabilities				<b><u>543,701</u></b>

The segment assets and liabilities as at 31 December 2023 are as follows:

	Property investments and management 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 <u>cash and deposits with banks)</u>	<u>5,093,657</u>	<u>105,254</u>	<u>1,518,396</u>	<u>6,717,307</u>
Inter-segment elimination	(41)	-	(11,202)	(11,243)
Deferred tax assets				52,126
Taxation recoverable				12,340
Unallocated assets				<u>7,075</u>
Total assets				<u>6,777,605</u>
<u>Reportable segment liabilities</u>	<u>272,871</u>	<u>-</u>	<u>352,957</u>	<u>625,828</u>
Inter-segment elimination	(1,514)	-	(9,729)	(11,243)
Deferred tax liabilities				42,265
Taxation payable				53,792
Unallocated liabilities				<u>876</u>
Total liabilities				<u>711,518</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
	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	<b>81,629</b>	79,072	<b>4,381,865</b>	4,629,707
Americas				
- U.S.A.	<b>309,462</b>	209,918	<b>183,320</b>	185,413
- Others	<b>25,826</b>	31,034	-	-
Europe	<b>90,536</b>	80,498	<b>198,159</b>	190,739
Asia Pacific other than Hong Kong	<b>18,825</b>	25,678	<b>69,105</b>	81,857
Others	<b>388</b>	806	-	-
	<b>445,037</b>	347,934	<b>450,584</b>	458,009
	<b>526,666</b>	427,006	<b>4,832,449</b>	5,087,716

### 3.3 Major customers

The Group's customer base includes two (2023: four) 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\$157,994,000 and HK\$102,552,000 (2023: HK\$63,012,000, HK\$51,730,000, HK\$47,600,000 and HK\$46,491,000) respectively.

#### 4. Other net income

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Net gain on financial assets at fair value through profit or loss ( <i>Note</i> ):		
- unrealised	14,005	10,491
- realised	4,511	6,866
From Playmates Toys' treasury:		
- Interest income	29,811	15,692
- Dividend income	240	217
Others	84	43
	<b>48,651</b>	<b>33,309</b>

*Note:*

In the net gain on financial assets at fair value through profit or loss, unrealised gain of HK\$17,303,000 (2023: HK\$13,875,000) and realised gain of HK\$3,439,000 (2023: HK\$2,063,000) was attributable to Playmates Toys' treasury investment.

#### 5. (Loss)/Profit before income tax

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Cost of inventories sold	184,619	147,480
Product development and tooling costs	10,638	11,656
Royalties expenses	58,936	50,149
Directors' and staff remunerations	39,857	30,558
Depreciation		
- other property, plant and equipment	4,518	4,818
- right-of-use assets	1,818	1,818
Interest expenses		
- on bank loans	6,323	7,623
- on lease liabilities	242	329
Net foreign exchange gain	(315)	(3,953)



## 6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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	
	2024	2023
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	15,565	9,377
Overseas taxation	12,897	5,716
Under provision in prior years – overseas	-	243
	<u>28,462</u>	<u>15,336</u>
Deferred taxation		
Origination and reversal of temporary differences	6,023	(9,844)
<b>Income tax expense</b>	<b>34,485</b>	<b>5,492</b>

The Group's cumulative unrecognised tax losses as of 30 June 2024 amounted to HK\$4,368,000 (31 December 2023: HK\$6,869,000). 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	
	2024	2023
	HK\$'000	HK\$'000
Interim dividend of HK cents 1.5 per share (2023: HK cents 1.5 per share)	<u>31,045</u>	<u>31,050</u>

At a meeting held on 23 August 2024, the board of directors has resolved to pay an interim dividend of HK cents 1.5 per share to be paid on 27 September 2024 to shareholders whose names appear on the Company's Register of Members on 10 September 2024.

The interim dividends 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 2024.

The Company does not hold any treasury shares (whether in its own name or which is deposited with CCASS) and no interim dividends will be received in relation thereto.

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

	Six months ended 30 June	
	2024	2023
	<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 1.5 per share (2023: HK cents 1.5 per share)	31,046	31,072
Special interim dividend of HK cents 1.5 per share (2023: HK cents 1.5 per share)	31,045	31,071
	<hr/>	<hr/>
	62,091	62,143

## 8. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK\$159,880,000 (2023: profit of HK\$96,291,000) and the weighted average number of ordinary shares of 2,069,760,000 shares (2023: 2,071,486,000 shares) in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30 June 2024 and 2023 equals to the basic (loss)/earnings per share as there were no potential ordinary shares.

The dilutive effect of the share options issued by the Group's listed subsidiary, Playmates Toys Limited was insignificant for the six months ended 30 June 2024 and 2023.

## 9. Trade receivables

	<b>30 June</b> <b>2024</b> <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Trade receivables	<b>165,398</b>	353,732
Less: Allowance for customer concession	<b>(29,785)</b>	(23,211)
	<b>135,613</b>	<b>330,521</b>

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 (2023: 60 to 90 days). For property investments and management business, 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>2024</b> <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
0 – 60 days	<b>105,528</b>	254,223
61 – 90 days	<b>29,057</b>	71,745
91 – 180 days	<b>525</b>	4,250
Over 180 days	<b>503</b>	303
	<b>135,613</b>	<b>330,521</b>

## 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>2024</b> <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
0 – 30 days	<b>57,407</b>	91,315
31 – 60 days	<b>259</b>	66
Over 60 days	<b>812</b>	9
	<b>58,478</b>	<b>91,390</b>

## 11. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.8 to US\$1 ruling at 30 June 2024.

## FINANCIAL ANALYSIS

The property investments and management businesses generated a relatively steady income stream throughout the period. Overall occupancy rate was 68% as at 30 June 2024 (31 December 2023: 74%).

Financial assets at fair value through profit or loss include investment in listed equities. As at 30 June 2024, the Group's financial assets at fair value through profit or loss amounted to HK\$98,438,000 (31 December 2023: HK\$95,324,000).

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 2024, trade receivables related to toy business were HK\$133,954,000 (31 December 2023: HK\$328,827,000) and inventories were HK\$51,932,000 (31 December 2023: HK\$58,886,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2024 was 2.8% compared to 3.4% at 31 December 2023. The current ratio, calculated as the ratio of current assets to current liabilities, was 3.1 at 30 June 2024 (31 December 2023: 2.5).

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 2024, the Group's cash and deposits with banks were HK\$1,149,898,000 (31 December 2023: HK\$1,094,933,000), of which HK\$1,068,200,000 (31 December 2023: HK\$1,000,777,000) was denominated in United States dollar, HK\$41,116,000 (31 December 2023: HK\$51,871,000) in British pound, HK\$4,368,000 (31 December 2023: HK\$4,297,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, 310,000 shares of HK\$0.01 each were repurchased by the Company at a price of HK\$0.56 per share through the Stock Exchange. The Company did not have any treasury share during the period ended 30 June 2024.

## 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 C1 of the Listing Rules throughout the six months ended 30 June 2024, 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.

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 2024. 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 2024.

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

The Register of Members of the Company will be closed from 9 September 2024 to 10 September 2024, 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 6 September 2024. The interim dividend will be paid on 27 September 2024 to the shareholders on the Register of Members of the Company on 10 September 2024.

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

Hong Kong, 23 August 2024

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*)