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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 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

	2023	2022
For the six months ended 30 June	HK\$'000	HK\$'000
Group revenue	427,006	378,717
- from toy business	347,231	267,462
- from property investments and associated businesses	76,792	109,704
- from investment business	2,983	1,551
Gross profit	259,934	236,436
Net revaluation surplus/(deficit) on investment properties	4,123	(105,803)
Operating profit/(loss)	120,219	(3,214)
Profit/(Loss) before income tax	144,531	(49,869)
Profit/(Loss) attributable to owners of the Company	96,291	(58,222)
Earnings/(Loss) per share	HK cents	HK cents
- Basic	4.65	(2.80)
- Diluted	4.65	(2.80)
Interim dividend per share	1.50	1.50

Property Investments and Associated Businesses

The property investments and associated businesses recorded a 30.0% decrease in revenue to HK\$76.8 million during the first half of 2023 compared to the same period last year (same period in 2022: HK\$109.7 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.1 billion. A net revaluation surplus of HK\$4.1 million was recorded in the consolidated income statement of the Group (same period in 2022: net revaluation deficit of HK\$105.8 million). Segment operating profit including property revaluation was HK\$58.8 million (same period in 2022: segment operating loss of HK\$13.2 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 7.7% of the fair value of the Group's overall investment property portfolio (31 December 2022: 7.8%).

Aggregate rental income generated from the investment properties of the Group was HK\$65.9 million, a decrease of 33.5% from the prior period (same period in 2022: HK\$99.2 million), due primarily to the renewal of a significant lease on the commercial podium floors of The Toy House at a lower market rent than the previous lease period which ended in 2022. Details of this lease renewal were disclosed in the announcement of the Company dated 28 October 2022. Overall occupancy rate of the Group's investment properties was 69% (31 December 2022: 63%).

(i) Commercial

The Group's investment in commercial properties consists of The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong. We expect Canton Road to remain one of the premier shopping districts in Hong Kong over the long term. With the reopening of the border between Hong Kong and mainland China in February 2023, retail and commercial activities have benefited from the resumption of tourism travel and has improved the demand for commercial premises in the vicinity.

(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 have been carried out successively since 2021. We expect these upgrades will 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 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 3.1% to HK\$10.9 million as compared to HK\$10.6 million during the same period last year.

We continue to maintain a long-term view of our property investments and associated businesses, 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 2023 was HK\$347 million (same period in 2022: HK\$267 million), representing an increase of 30% compared to the prior year period. The favourable comparison was driven by initial shipments of our *Teenage Mutant Ninja Turtles* toy line supported by the global release of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* animated movie.

Gross profit ratio on toy sales was 54% (same period in 2022: 49%). Higher gross profit margin in the first half of 2023 reflected favourable product mix, lower ocean freight costs and reduced writedowns on excess inventory, partially offset by higher product development and tooling costs. Operating expenses increased by 20% compared to the prior year period, reflecting higher variable costs, in particular distribution expenses. Administration expenses increased 12.5% compared to the prior year period but decreased slightly as a percentage of revenue.

Playmates Toys group reported an operating profit of HK\$56.2 million during the first half of 2023 (same period in 2022: HK\$18.7 million). Other net income during the current year period included a HK\$13.9 million mark-to-market unrealized gain and HK\$2.1 million realized gain on our listed equities investment position and HK\$15.7 million in interest income. During the prior year period, we recorded a HK\$26.2 million unrealized investment loss and HK\$0.6 million in interest income. Net profit during the first half of 2023 was HK\$87.0 million (same period in 2022: net loss of HK\$1.4 million).

We continue to be optimistic about the second half of the year. The relaunch of our *Teenage Mutant Ninja Turtles* toy line is off to a strong start in all major markets around the world, driven by the positive response to the *Teenage Mutant Ninja Turtles: Mutant Mayhem* animated film released during the summer. *Miraculous Ladybug & Cat Noir: The Movie* has also gained popularity on Netflix since its debut. We are hopeful that it will have a positive impact on our *Miraculous: Tales of Ladybug & Cat Noir* toy line starting in the second half of the year.

Brand Overview

Teenage Mutant Ninja Turtles (“TMNT”)

The Paramount Pictures animated movie *Teenage Mutant Ninja Turtles: Mutant Mayhem*, developed by Paramount Animation and produced by Seth Rogen’s Point Grey Pictures, has delivered strong box office results since its release in August 2023. Consumer response to both the movie and our *TMNT* toy line has been positive. Our multi-platform marketing and promotional efforts will continue throughout this Fall in order to sustain the current momentum.

In addition, Paramount Pictures and Nickelodeon Movies are developing a sequel to *Teenage Mutant Ninja Turtles: Mutant Mayhem* and planning a two-season series that will serve as a “bridge” between the films. The spinoff series, titled *Tales of The Teenage Mutant Ninja Turtles*, will appear on Paramount+. 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.

Miraculous: Tales of Ladybug & Cat Noir

The highly popular *Miraculous: Tales of Ladybug & Cat Noir* animated series continues to air in over 120 countries worldwide and stream across multiple digital platforms, including Disney Channel, Disney+ and Netflix, with Season 5 rolling out on Disney platforms throughout 2023.

The animated musical feature, *Miraculous Ladybug & Cat Noir: The Movie*, had a strong debut on Netflix during the summer. We are hopeful that it will bring an expanded audience into the *Miraculous* universe and provide a boost to our toy line starting in the second half of the year.

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 2023, fair market value of the Group's investment portfolio was HK\$119.4 million (31 December 2022: HK\$132.2 million) representing 1.8% of the total assets of the Group (31 December 2022: 2.0%). This comprised of HK\$55.5 million of equities listed in Hong Kong (31 December 2022: HK\$65.9 million) and HK\$63.9 million of equities listed overseas (31 December 2022: HK\$66.3 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 The Walt Disney Company (DIS.US), Wharf Real Estate Investment Company Limited (1997.HK), Tencent Holdings Limited (700.HK), Amazon.com, Inc. (AMZN.US), NVIDIA Corporation (NVDA.US), Apple Inc. (AAPL.US), Microsoft Corporation (MSFT.US), Sun Hung Kai Properties Limited (16.HK), New World Development Company Limited (17.HK) and Alphabet Inc. (GOOG.US).

The Group reported a net gain from investments of HK\$17.4 million in the first half of 2023 (same period in 2022: net loss of HK\$41.3 million). During the first half of 2023, dividend and interest income generated from the portfolio were HK\$18.9 million (same period in 2022: HK\$2.4 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 2023

	Note	Unaudited		
		Six months ended 30 June		
		2023	2023	2022
		US\$'000	HK\$'000	HK\$'000
		(Note 11)		
Revenue	3	54,744	427,006	378,717
Cost of sales		(21,419)	(167,072)	(142,281)
Gross profit		33,325	259,934	236,436
Marketing and licensing expenses		(7,600)	(59,278)	(56,009)
Selling and distribution expenses		(3,187)	(24,856)	(13,981)
Administration expenses		(7,654)	(59,704)	(63,857)
Net revaluation surplus/(deficit) on investment properties		529	4,123	(105,803)
Operating profit/(loss)		15,413	120,219	(3,214)
Other net income/(loss)	4	4,270	33,309	(39,734)
Finance costs		(1,153)	(8,997)	(6,921)
Profit/(Loss) before income tax	5	18,530	144,531	(49,869)
Income tax expense	6	(704)	(5,492)	(9,047)
Profit/(Loss) for the period		17,826	139,039	(58,916)
Profit/(Loss) for the period attributable to:				
Owners of the Company		12,345	96,291	(58,222)
Non-controlling interests		5,481	42,748	(694)
		17,826	139,039	(58,916)
Earnings/(Loss) per share	8	<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic		0.60	4.65	(2.80)
Diluted		0.60	4.65	(2.80)

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2023

	Unaudited		
	Six months ended 30 June		
	2023	2023	2022
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 11)</i>		
Profit/(Loss) for the period	17,826	139,039	(58,916)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences arising on translation of foreign subsidiaries	<u>117</u>	<u>915</u>	<u>(32,933)</u>
Total comprehensive income for the period	<u>17,943</u>	<u>139,954</u>	<u>(91,849)</u>
Total comprehensive income attributable to:			
Owners of the Company	12,462	97,206	(91,155)
Non-controlling interests	<u>5,481</u>	<u>42,748</u>	<u>(694)</u>
	<u>17,943</u>	<u>139,954</u>	<u>(91,849)</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Unaudited 30 June 2023 US\$'000 (Note 11)	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Non-current assets				
Fixed assets				
- Investment properties		654,585	5,105,766	5,096,744
- Other property, plant and equipment		18,200	141,961	145,171
		672,785	5,247,727	5,241,915
Right-of-use assets		1,360	10,607	12,426
Goodwill		766	5,976	5,976
Prepayments		285	2,221	1,135
Deferred tax assets		5,557	43,341	34,063
		680,753	5,309,872	5,295,515
Current assets				
Inventories		7,915	61,735	23,700
Trade receivables	9	22,476	175,311	65,467
Deposits paid, other receivables and prepayments		6,693	52,213	48,020
Taxation recoverable		-	-	4,554
Financial assets at fair value through profit or loss		15,306	119,383	132,178
Cash and bank balances		138,464	1,080,019	1,083,324
		190,854	1,488,661	1,357,243
Current liabilities				
Bank loans		40,138	313,075	151,200
Trade payables	10	9,462	73,802	12,471
Deposits received, other payables and accrued charges		20,702	161,465	140,437
Provisions		4,716	36,788	37,924
Lease liabilities		490	3,825	3,668
Taxation payable		2,774	21,639	10,856
		78,282	610,594	356,556
Net current assets		112,572	878,067	1,000,687
Total assets less current liabilities		793,325	6,187,939	6,296,202

	Unaudited 30 June 2023 <i>Note</i> US\$'000 <i>(Note 11)</i>	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Non-current liabilities			
Bank loans	1,795	14,000	183,975
Lease liabilities	1,060	8,269	10,237
Deferred tax liabilities	5,334	41,607	42,091
	8,189	63,876	236,303
Net assets	785,136	6,124,063	6,059,899
Equity			
Share capital	2,654	20,700	20,735
Reserves	716,304	5,587,176	5,554,125
Equity attributable to owners of the Company	718,958	5,607,876	5,574,860
Non-controlling interests	66,178	516,187	485,039
Total equity	785,136	6,124,063	6,059,899

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 2022 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 2022.

2. Changes in accounting policies

The HKICPA has issued a new standard and 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:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
- Sale of toys	347,231	267,462
- Property management income	10,882	10,551
	358,113	278,013
Revenue from other sources:		
- Rental income from investment properties	65,910	99,153
- Dividend income	1,036	1,141
- Interest income	1,947	410
	68,893	100,704
Total revenue	427,006	378,717

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 2023 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	-	-	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>
<u>Segment profit before 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 results for the six months ended 30 June 2022 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	-	-	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)	1,387	20,833	13,447
<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>1,387</u>	<u>18,643</u>	<u>6,839</u>
Other net income/(loss)	256	(15,156)	(24,834)	(39,734)
<u>Finance costs</u>	<u>(5,722)</u>	<u>(15)</u>	<u>(1,135)</u>	<u>(6,872)</u>
	<u>(5,466)</u>	<u>(15,171)</u>	<u>(25,969)</u>	<u>(46,606)</u>
Segment loss 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 assets and liabilities as at 30 June 2023 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	<u>5,268,597</u>	<u>210,433</u>	<u>1,284,656</u>	<u>6,763,686</u>
Inter-segment elimination	(43)	-	(13,624)	(13,667)
Deferred tax assets				43,341
Unallocated assets				<u>5,173</u>
Total assets				<u>6,798,533</u>
Reportable segment liabilities	<u>364,932</u>	<u>-</u>	<u>257,101</u>	<u>622,033</u>
Inter-segment elimination	(1,513)	-	(12,154)	(13,667)
Deferred tax liabilities				41,607
Taxation payable				21,639
Unallocated liabilities				<u>2,858</u>
Total liabilities				<u>674,470</u>

The segment assets and liabilities as at 31 December 2022 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)	5,271,397	207,370	1,144,259	6,623,026
Inter-segment elimination	(41)	-	(16,037)	(16,078)
Deferred tax assets				34,063
Taxation recoverable				4,554
Unallocated assets				<u>7,193</u>
Total assets				<u>6,652,758</u>
Reportable segment liabilities	375,353	-	179,722	555,075
Inter-segment elimination	(1,505)	-	(14,573)	(16,078)
Deferred tax liabilities				42,091
Taxation payable				10,856
Unallocated liabilities				<u>915</u>
Total liabilities				<u>592,859</u>

3.2 Geographical information

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

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		30 June	31 December
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	79,072	110,796	4,811,810	4,802,816
Americas				
- U.S.A.	209,918	156,577	187,505	189,368
- Others	31,034	25,591	-	-
Europe	80,498	67,899	188,783	184,209
Asia Pacific other than Hong Kong	25,678	16,541	78,433	85,059
Others	806	1,313	-	-
	347,934	267,921	454,721	458,636
	427,006	378,717	5,266,531	5,261,452

3.3 Major customers

The Group's customer base includes four (2022: 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\$63,012,000, HK\$51,730,000, HK\$47,600,000 and HK\$46,491,000 (2022: HK\$81,849,000, HK\$53,193,000, HK\$52,685,000 and HK\$43,263,000) respectively.

4. Other net income/(loss)

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net gain/(loss) on financial assets at fair value through profit or loss (<i>Note</i>):		
- unrealised	10,491	(41,329)
- realised	6,866	-
From Playmates Toys' treasury:		
- Interest income	15,692	621
- Dividend income	217	221
Government subsidies	-	736
Others	43	17
	33,309	(39,734)

Note:

In the net gain/(loss) on financial assets at fair value through profit or loss, unrealised gain of HK\$13,875,000 (2022: unrealised loss of HK\$26,173,000) and realised gain of HK\$2,063,000 (2022: HK\$nil) was attributable to Playmates Toys' treasury investment.

5. Profit/(Loss) before income tax

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cost of inventories sold	147,480	125,949
Product development and tooling costs	11,656	7,864
Royalties expenses	50,149	36,684
Directors' and staff remunerations	30,558	30,360
Depreciation		
- other property, plant and equipment	4,818	4,819
- right-of-use assets	1,818	1,807
Interest expenses		
- on bank loans	7,623	5,711
- on lease liabilities	329	412
Net foreign exchange (gain)/loss	(3,953)	7,607

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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	
	2023	2022
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	9,377	13,448
Overseas taxation	5,716	3,425
Under provision in prior years – overseas	243	-
	<u>15,336</u>	<u>16,873</u>
Deferred taxation		
Origination and reversal of temporary differences	(9,844)	(7,826)
Income tax expense	5,492	9,047

The Group's cumulative unrecognised tax losses as of 30 June 2023 amounted to HK\$23,190,000 (31 December 2022: HK\$113,231,000). 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	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend of HK cents 1.5 per share (2022: HK cents 1.5 per share)	<u>31,050</u>	<u>31,200</u>

At a meeting held on 25 August 2023, the board of directors has resolved to pay an interim dividend of HK cents 1.5 per share to be paid on 29 September 2023 to shareholders whose names appear on the Company's Register of Members on 12 September 2023.

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 2023.

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

	Six months ended 30 June	
	2023	2022
	<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 (2022: HK cents 1.5 per share)	31,072	31,200
Special interim dividend of HK cents 1.5 per share (2022: HK cents 1.5 per share)	31,071	31,200
	62,143	62,400

8. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$96,291,000 (2022: loss of HK\$58,222,000) and the weighted average number of ordinary shares of 2,071,486,000 shares (2022: 2,080,637,000 shares) in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30 June 2023 and 2022 equals to the basic earnings/(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 2023 and 2022.

9. Trade receivables

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Trade receivables	195,813	86,892
Less: Allowance for customer concession	(20,502)	(21,425)
	175,311	65,467

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, no credit term is granted to tenants and customers. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
0 – 60 days	160,917	41,102
61 – 90 days	14,141	20,335
91 – 180 days	27	3,339
Over 180 days	226	691
	175,311	65,467

10. Trade payables

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

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
0 – 30 days	73,701	11,556
31 – 60 days	-	48
Over 60 days	101	867
	73,802	12,471

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 2023.

FINANCIAL ANALYSIS

The property investments and associated businesses generated a relatively steady income stream throughout the period. Overall occupancy rate was 69% as at 30 June 2023 (31 December 2022: 63%).

Financial assets at fair value through profit or loss include investments in listed equities and managed funds. As at 30 June 2023, the Group's financial assets at fair value through profit or loss amounted to HK\$119,383,000 (31 December 2022: HK\$132,178,000).

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 2023, trade receivables related to toy business were HK\$172,991,000 (31 December 2022: HK\$60,962,000) and inventories were HK\$61,735,000 (31 December 2022: HK\$23,700,000). The higher trade receivables and inventories at interim period end reflected a pickup in customer orders and shipments during the second quarter of 2023.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2023 was 4.8% compared to 5.0% at 31 December 2022. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.4 at 30 June 2023 (31 December 2022: 3.8).

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 2023, the Group's cash and bank balances were HK\$1,080,019,000 (31 December 2022: HK\$1,083,324,000), of which HK\$905,508,000 (31 December 2022: HK\$914,039,000) was denominated in United States dollar, HK\$55,399,000 (31 December 2022: HK\$55,977,000) in British pound, HK\$47,705,000 (31 December 2022: HK\$44,061,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, 3,340,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$0.58 to HK\$0.63 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 2023, 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 2023. 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 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 September 2023 to 12 September 2023, 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 8 September 2023. The interim dividend will be paid on 29 September 2023 to the shareholders on the Register of Members of the Company on 12 September 2023.

On behalf of the Board
Chan Kwong Fai, Michael
Chairman

Hong Kong, 25 August 2023

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*)