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## PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

#### RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023 as follows:

#### Consolidated Income Statement

For the year ended 31 December 2023

	Note	2023 US\$'000 (Note 12)	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	3	<b>163,025</b>	<b>1,271,590</b>	719,629
Cost of sales		<b>(62,501)</b>	<b>(487,506)</b>	(281,574)
<b>Gross profit</b>		<b>100,524</b>	<b>784,084</b>	438,055
Other revenue	4	-	-	29,227
Marketing and licensing expenses		<b>(26,051)</b>	<b>(203,199)</b>	(97,412)
Selling and distribution expenses		<b>(12,733)</b>	<b>(99,317)</b>	(38,585)
Administration expenses		<b>(20,110)</b>	<b>(156,850)</b>	(128,642)
Net revaluation deficit on investment properties		<b>(23,606)</b>	<b>(184,129)</b>	(330,246)
<b>Operating profit/(loss)</b>		<b>18,024</b>	<b>140,589</b>	(127,603)
Other net income/(loss)	5	<b>6,390</b>	<b>49,841</b>	(32,334)
Finance costs		<b>(2,682)</b>	<b>(20,923)</b>	(16,931)
<b>Profit/(Loss) before income tax</b>	6	<b>21,732</b>	<b>169,507</b>	(176,868)
<b>Income tax expense</b>	7	<b>(6,299)</b>	<b>(49,131)</b>	(31,132)
<b>Profit/(Loss) for the year</b>		<b>15,433</b>	<b>120,376</b>	(208,000)

	Note	2023 US\$'000 (Note 12)	2023 HK\$'000	2022 HK\$'000
<b>Profit/(loss) for the year attributable to:</b>				
Owners of the Company		1,326	10,340	(212,779)
Non-controlling interests		14,107	110,036	4,779
		<b>15,433</b>	<b>120,376</b>	<b>(208,000)</b>
<b>Earnings/(Loss) per share</b>				
	9	US cents	HK cents	HK cents
Basic		0.06	0.50	(10.24)
Diluted		0.06	0.50	(10.24)

### Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 US\$'000 (Note 12)	2023 HK\$'000	2022 HK\$'000
<b>Profit/(Loss) for the year</b>	<b>15,433</b>	<b>120,376</b>	<b>(208,000)</b>
<b>Other comprehensive income, including reclassification adjustments:</b>			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences arising on translation of foreign subsidiaries	471	3,671	(25,061)
Items that will not be reclassified subsequently to profit or loss:			
- Remeasurement of long service payment liabilities			
- Gross	(12)	(89)	-
- Tax impact	2	15	-
	<b>(10)</b>	<b>(74)</b>	<b>-</b>
<b>Other comprehensive income for the year</b>	<b>461</b>	<b>3,597</b>	<b>(25,061)</b>
<b>Total comprehensive income for the year</b>	<b>15,894</b>	<b>123,973</b>	<b>(233,061)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	1,790	13,958	(240,514)
Non-controlling interests	14,104	110,015	7,453
	<b>15,894</b>	<b>123,973</b>	<b>(233,061)</b>

## Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 US\$'000 (Note 12)	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>				
Fixed assets				
- Investment properties		632,515	4,933,614	5,096,744
- Other property, plant and equipment		17,863	139,337	145,171
		<b>650,378</b>	<b>5,072,951</b>	5,241,915
Right-of-use assets		1,127	8,789	12,426
Goodwill		766	5,976	5,976
Prepayments		-	-	1,135
Deferred tax assets		6,683	52,126	34,063
		<b>658,954</b>	<b>5,139,842</b>	5,295,515
<b>Current assets</b>				
Inventories		7,549	58,886	23,700
Trade receivables	10	42,374	330,521	65,467
Deposits paid, other receivables and prepayments		5,867	45,759	48,020
Taxation recoverable		1,582	12,340	4,554
Financial assets at fair value through profit or loss		12,221	95,324	132,178
Cash and deposits with banks		140,376	1,094,933	1,083,324
		<b>209,969</b>	<b>1,637,763</b>	1,357,243
<b>Current liabilities</b>				
Bank loans		27,843	217,175	151,200
Trade payables	11	11,717	91,390	12,471
Deposits received, other payables and accrued charges		28,066	218,908	140,437
Provisions		8,386	65,413	37,924
Lease liabilities		511	3,987	3,668
Taxation payable		6,896	53,792	10,856
		<b>83,419</b>	<b>650,665</b>	356,556
<b>Net current assets</b>		<b>126,550</b>	<b>987,098</b>	1,000,687
<b>Total assets less current liabilities</b>		<b>785,504</b>	<b>6,126,940</b>	6,296,202

	2023 <i>Note</i> <b>US\$'000</b> <i>(Note 12)</i>	2023 <b>HK\$'000</b>	2022 <b>HK\$'000</b>
<b>Non-current liabilities</b>			
Bank loans	1,333	10,400	183,975
Lease liabilities	801	6,250	10,237
Long service payment liabilities	248	1,938	-
Deferred tax liabilities	5,419	42,265	42,091
	<b>7,801</b>	<b>60,853</b>	236,303
<b>Net assets</b>	<b>777,703</b>	<b>6,066,087</b>	6,059,899
<b>Equity</b>			
Share capital	2,654	20,700	20,735
Reserves	701,658	5,472,941	5,554,125
<b>Equity attributable to the owners of the Company</b>			
	<b>704,312</b>	<b>5,493,641</b>	5,574,860
<b>Non-controlling interests</b>	<b>73,391</b>	<b>572,446</b>	485,039
<b>Total equity</b>	<b>777,703</b>	<b>6,066,087</b>	6,059,899

*Notes:*

#### **1. Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial statements have been prepared under the historical cost basis except for investment properties and financial assets at fair value through profit or loss which are stated at fair values.

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022, except for the adoption of the new or amended HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2023. Details of these changes in accounting policies are set out in Note 2.

## 2. Changes in accounting policies

### (a) *Adoption of new or amended HKFRSs*

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

### (b) *New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism*

In June 2022 the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

Applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date. Since the amount of the catch-up profit or loss adjustment was not material, the Group did not restate the comparative figures in the consolidated financial statements.

### 3. Revenue and segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, property investments, property management and investment holding. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue from contracts with customers:		
- Sale of toys	<b>1,109,399</b>	504,248
- Property management income	<b>21,654</b>	21,157
	<b>1,131,053</b>	525,405
Revenue from other sources:		
- Rental income from investment properties	<b>133,651</b>	189,607
- Dividend income	<b>1,973</b>	2,663
- Interest income	<b>4,913</b>	1,954
	<b>140,537</b>	194,224
<b>Total revenue</b>	<b>1,271,590</b>	719,629

### ***Segment results, assets and liabilities***

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior executive management of the Group that are used to make strategic decision, the Group has presented the following three reportable segments.

Property investments and 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 equity and managed funds for interest income and dividend income and to gain from the appreciation in instruments' values.

Toy business: this segment engages in the design, development, marketing and distribution of toys and family entertainment activity products.

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment to assess segment performance and allocate resources between segments.

Inter-segment revenue represents inter-company rental and property management fee charged on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

The segment results for the year ended 31 December 2023 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	-	-	1,109,399	1,109,399
- Over time	22,430	-	-	22,430
Gross revenue from other sources	138,911	6,886	-	145,797
Inter-segment revenue	<u>(6,036)</u>	-	-	<u>(6,036)</u>
<b>Revenue from external customers</b>	<b>155,305</b>	<b>6,886</b>	<b>1,109,399</b>	<b>1,271,590</b>
Segment (loss)/profit before depreciation	(67,302)	6,836	213,447	152,981
Depreciation	<u>(8,407)</u>	-	<u>(4,218)</u>	<u>(12,625)</u>
<b>Segment operating (loss)/profit</b>	<b>(75,709)</b>	<b>6,836</b>	<b>209,229</b>	<b>140,356</b>
Other net income/(loss)	128	(5,424)	55,068	49,772
Finance costs	<u>(17,295)</u>	<u>(31)</u>	<u>(3,550)</u>	<u>(20,876)</u>
	<u>(17,167)</u>	<u>(5,455)</u>	<u>51,518</u>	<u>28,896</u>
Segment (loss)/profit before income tax <i>(Note)</i>	<u>(92,876)</u>	<u>1,381</u>	<u>260,747</u>	<u>169,252</u>
Unallocated corporate income				<u>255</u>
Profit before income tax				<u>169,507</u>

*Note:*

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

Interest income	23	4,913	36,089
Dividend income	-	1,973	664
Net revaluation deficit on investment properties	(184,129)	-	-
Net gain/(loss) on financial assets at fair value through profit or loss	-	(5,424)	18,315



The segment results for the year ended 31 December 2022 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	-	-	504,248	504,248
- Over time	21,933	-	-	21,933
Gross revenue from other sources	194,831	4,617	-	199,448
Inter-segment revenue	(6,000)	-	-	(6,000)
<u>Revenue from external customers</u>	<u>210,764</u>	<u>4,617</u>	<u>504,248</u>	<u>719,629</u>
Segment (loss)/profit before depreciation	(148,123)	4,568	38,761	(104,794)
<u>Depreciation</u>	<u>(8,727)</u>	<u>-</u>	<u>(4,370)</u>	<u>(13,097)</u>
<u>Segment operating (loss)/profit</u>	<u>(156,850)</u>	<u>4,568</u>	<u>34,391</u>	<u>(117,891)</u>
Other net income/(loss)	1,024	(16,120)	(17,257)	(32,353)
Finance costs	(14,593)	(25)	(2,229)	(16,847)
	<u>(13,569)</u>	<u>(16,145)</u>	<u>(19,486)</u>	<u>(49,200)</u>
Segment (loss)/profit before income tax <i>(Note)</i>	<u>(170,419)</u>	<u>(11,577)</u>	<u>14,905</u>	<u>(167,091)</u>
Unallocated corporate expenses				<u>(9,777)</u>
Loss before income tax				<u>(176,868)</u>

*Note:*

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

Interest income	513	1,954	11,223
Dividend income	-	2,663	588
Net revaluation deficit on investment properties	(330,246)	-	-
Net loss on financial assets at fair value through profit or loss	-	(16,120)	(29,812)

The segment assets and liabilities as at 31 December 2023 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>
Reportable segment assets (including cash and deposits with banks)	<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>
Reportable segment liabilities	<u>272,871</u>	-	<u>352,957</u>	625,828
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>
Capital expenditure	<u>19,039</u>	-	<u>640</u>	

The segment assets and liabilities as at 31 December 2022 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 cash and deposits with banks)	<u>5,271,397</u>	<u>207,370</u>	<u>1,144,259</u>	<u>6,623,026</u>
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	<u>375,353</u>	<u>-</u>	<u>179,722</u>	<u>555,075</u>
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>
Capital expenditure	<u>16,029</u>	<u>-</u>	<u>290</u>	

### ***Geographical information***

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

	Revenue from external customers		Specified non-current assets	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<b>161,121</b>	213,289	<b>4,629,707</b>	4,802,816
Americas				
- U.S.A.	<b>765,746</b>	303,150	<b>185,413</b>	189,368
- Others	<b>68,726</b>	46,765	-	-
Europe	<b>225,297</b>	128,709	<b>190,739</b>	184,209
Asia Pacific other than Hong Kong	<b>49,597</b>	25,046	<b>81,857</b>	85,059
Others	<b>1,103</b>	2,670	-	-
	<b>1,110,469</b>	506,340	<b>458,009</b>	458,636
	<b>1,271,590</b>	719,629	<b>5,087,716</b>	5,261,452

#### *Major customers*

The Group's customer base includes two (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\$292,271,000 and HK\$262,184,000 (2022: HK\$154,891,000, HK\$96,769,000, HK\$90,358,000 and HK\$87,766,000) respectively.

#### 4. Other revenue

Other revenue in 2022 represents forfeiture of unrecouped purchase commitment guarantee deposits from toy distributors at the expiry of distribution agreements. There was no such forfeiture in 2023.

#### 5. Other net income/(loss)

	2023	2022
	HK\$'000	HK\$'000
Net gain/(loss) on financial assets at fair value through profit or loss ( <i>Note</i> ):		
- unrealised	<b>4,006</b>	(44,847)
- realised	<b>8,885</b>	(1,085)
From Playmates Toys' treasury:		
- interest income	<b>36,089</b>	11,223
- dividend income	<b>664</b>	588
Government subsidies	-	1,104
Others	<b>197</b>	683
	<b>49,841</b>	(32,334)

#### *Note:*

In the net gain/(loss) on financial assets at fair value through profit or loss, unrealised gain of HK\$14,643,000 (2022: unrealised loss of HK\$29,812,000) and realised gain of HK\$3,672,000 (2022: HK\$nil) was attributable to Playmates Toys' treasury investment.

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	437,726	243,563
(Reversal of write down)/write down of inventories	(2,648)	2,942
Product development and tooling costs	30,803	18,348
Royalties expenses	164,879	68,276
Direct operating expenses arising from investment properties that generate rental income	5,499	5,215
Direct operating expenses arising from investment properties that did not generate rental income	1,854	1,497
Provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	83,698	30,655
Reversal of unutilised provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	(4,445)	(3,880)
Depreciation		
- other property, plant and equipment	9,378	9,670
- right-of-use assets	3,637	3,637
Directors' and staff remunerations	93,187	72,018
Allowance for customer concession	3,980	14,251
Reversal of allowance for customer concession	-	(9,647)
Net foreign exchange (gain)/loss	(4,935)	385
Gain on disposal of other property, plant and equipment	(40)	(73)
Auditors' remuneration	2,250	2,000

## 7. 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 year. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	27,133	23,073
Overseas taxation	39,840	5,983
Over provision in prior years – Hong Kong	(18)	(30)
Under provision in prior years – overseas	244	86
	<u>67,199</u>	<u>29,112</u>
Deferred taxation		
Origination and reversal of temporary differences	(18,068)	2,020
Income tax expense	<u>49,131</u>	<u>31,132</u>

## 8. Dividends

### (a) Dividends attributable to the year

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
First interim dividend of HK cents 1.5 per share (2022: HK cents 1.5 per share)	31,050	31,183
Second interim dividend of HK cents 1.5 per share (2022: HK cents 1.5 per share)	31,050	31,072
Special interim dividend of HK cents 1.5 per share (2022: HK cents 1.5 per share)	31,050	31,071
	<u>93,150</u>	<u>93,326</u>

At a meeting held on 25 August 2023, the board of directors declared a first interim dividend of HK cents 1.5 per share, which was paid on 29 September 2023.

At a meeting held on 15 March 2024, the board of directors declared a second interim dividend of HK cents 1.5 per share and a special interim dividend of HK cents 1.5 per share to be paid on 24 April 2024 to shareholders whose names appear on the Company's register of members on 9 April 2024. This second interim dividend and special interim dividend declared after the end of the reporting period have not been recognised as liabilities in the financial statements for the year ended 31 December 2023.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the year:		
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
	<u>62,143</u>	<u>62,400</u>

## 9. 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\$10,340,000 (2022: loss of HK\$212,779,000) and the weighted average number of ordinary shares of 2,070,737,000 shares (2022: 2,078,438,000 shares) in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 December 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 years ended 31 December 2023 and 2022.

## 10. Trade receivables

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days (2022: 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>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 60 days	<b>254,223</b>	41,102
61 – 90 days	<b>71,745</b>	20,335
91 – 180 days	<b>4,250</b>	3,339
Over 180 days	<b>303</b>	691
	<b>330,521</b>	65,467

## 11. Trade payables

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	<b>91,315</b>	11,556
31 – 60 days	<b>66</b>	48
Over 60 days	<b>9</b>	867
	<b>91,390</b>	12,471

## 12. 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 31 December 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Group Overview*

Playmates Holdings's global revenue for the year ended 31 December 2023 was HK\$1,271.6 million (2022: HK\$719.6 million); reflecting an increase of 76.7% compared to the prior year. Before taking into account the net revaluation deficit on investment properties, the Group's operating profit was HK\$324.7 million (2022: HK\$202.6 million).

The Group recorded a net revaluation deficit on investment properties of HK\$184.1 million (2022: HK\$330.2 million). After taking into account such net revaluation deficit on investment properties, net profit attributable to shareholders was HK\$10.3 million (2022: net loss attributable to shareholders of HK\$212.8 million). Basic earnings per share was HK cents 0.50 (2022: Basic loss per share of HK cents 10.24). Net asset value per share was HK\$2.93 as at 31 December 2023 (2022: HK\$2.92).

### *Property Investments and Management*

Turnover of property investments and management during 2023 was HK\$155.3 million (2022: HK\$210.8 million), reflecting a 26.3% decrease compared to the prior year. The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$4.9 billion (2022: HK\$5.1 billion). A net revaluation deficit of HK\$184.1 million was recorded in the consolidated income statement of the Group (2022: HK\$330.2 million). Segment operating loss including net revaluation deficit was HK\$75.7 million (2022: HK\$156.9 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 8.1% of the fair value of the Group's overall investment property portfolio (2022: 7.8%).

Aggregate rental income generated from the investment properties of the Group was HK\$133.6 million, a decrease of 29.5% from the prior year (2022: HK\$189.6 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 was 74% as at 31 December 2023 (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 during 2023. However, the improvement in demand for retail and commercial premises in the vicinity has not been as significant as anticipated.



**(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 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 was HK\$21.7 million, an increase of 2.4% from prior year (2022: HK\$21.2 million).

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 for the year ended 2023 was HK\$1,109 million (2022: HK\$504 million), representing an increase of 120% compared to the prior year period. The favourable comparison was driven by the successful relaunch of our *Teenage Mutant Ninja Turtles* toy line, supported by the global release of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* animated movie during the summer of 2023. The U.S. continued to be our biggest market in 2023, contributing 69% of revenue. Europe as a whole contributed 20%, the rest of the Americas 6% and 5% came from Asia Pacific.

Gross profit ratio on toy sales was 57% (2022: 47%). Higher gross profit margin in 2023 reflected favourable product mix, a higher percentage of overall sales generated in the U.S. market with higher gross margin, lower ocean freight costs, and reduced writedowns and closeout discounts on excess inventory. Operating expenses increased by 122% compared to the prior year period, reflecting higher variable costs in line with the increase in turnover. Administration expenses increased 32% compared to the prior year period but decreased as a percentage of revenue.

Playmates Toys group reported an operating profit of HK\$210 million in 2023 (2022: HK\$34.5 million). Other net income during the current year period included a HK\$18 million unrealized and realized gain on our equities investment position and HK\$36 million in interest income. During the prior year period, we recorded a HK\$30 million unrealized investment loss and HK\$11 million in interest income. Playmates Toys group's net profit in 2023 was HK\$224 million (2022: HK\$9.7 million).

There will be challenges and opportunities in the year ahead. Although we will be lapping the 2023 release of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* movie, Paramount is planning to release a spinoff animated series on Paramount+ during 2024 that should provide support for the brand. Our *Godzilla x Kong* product line is off to a good start at retail, and will be further boosted by the global release of the *Godzilla x Kong: The New Empire* movie in March 2024. *Miraculous Ladybug & Cat Noir* continues to attract a wide fanbase around the world, and our toy line will maintain retail distribution in 2024, supported by new content on Disney and Netflix.

## 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, delivered solid box office results and drove strong toy sales in 2023. The movie is available for streaming on Paramount+ and other video-on-demand platforms.

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+ starting in 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' cinematic Monsterverse will follow up the explosive showdown of "Godzilla vs. Kong" with the anticipated sequel "*Godzilla x Kong: The New Empire*", which delves further into the histories of these Titans and their origins, as well as the mysteries of Hollow Earth, while uncovering the mythic battle that helped forge these extraordinary beings and tied them to humankind forever.

As the global master licensee, Playmates Toys is producing highly detailed action figures in various collectible sizes, deluxe feature figures that bring the Titans to life, and for the first time ever, role play masks so that kids can become their favorite Titan monster.

### *Miraculous: Tales of Ladybug & Cat Noir*

Disney has acquired seasons six and seven of the popular *Miraculous: Tales of Ladybug & Cat Noir* animated series, along with three new hour-long specials. All of this new content will premiere on Disney Channels worldwide starting Fall 2024, and will subsequently roll out on Disney+. The animated musical feature, *Miraculous Ladybug & Cat Noir: The Movie*, continues to stream on Netflix. This content pipeline will help sustain the brand's popularity around the world and retail support for our toy line in 2024.

## ***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 31 December 2023, fair market value of the Group's investment portfolio was HK\$95.3 million (31 December 2022: HK\$132.2 million) representing 1.4% of the total assets of the Group (31 December 2022: 2.0%). This comprised HK\$33.2 million of equities listed in Hong Kong (31 December 2022: HK\$65.9 million) and HK\$62.1 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 1.1% of the total assets of the Group and included The Walt Disney Company (DIS.US), Amazon.com, Inc. (AMZN.US), NVIDIA Corporation (NVDA.US), Wharf Real Estate Investment Company Limited (1997.HK), Apple Inc. (AAPL.US), Microsoft Corporation (MSFT.US), Netflix, Inc. (NFLX.US), Alphabet Inc. (GOOG.US), Tencent Holdings Limited (700.HK) and Sun Hung Kai Properties Limited (16.HK).

The Group reported a net gain from investments of HK\$12.9 million in 2023 (2022: net loss of HK\$45.9 million). In 2023, dividend and interest income generated from the portfolio were HK\$43.7 million (2022: HK\$17.0 million).

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

## **FINANCIAL ANALYSIS**

The toy business is inherently seasonal in nature. As a result, a disproportionately high balance of trade receivables is typically generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling season. As at 31 December 2023, trade receivables related to toy operation were HK\$328,827,000 (2022: HK\$60,962,000) and inventories related to toy operation were HK\$58,886,000 (2022: HK\$23,700,000) or 5.3% (2022: 4.7%) of revenue of toy operation. The higher trade receivables and inventories at 2023 year-end reflected increased shipments and customer orders during the fourth quarter of 2023.

The property investments and management businesses generated a relatively steady income stream throughout the year. Overall occupancy rate was 74% as at 31 December 2023 (2022: 63%). Accounts receivables were minimal as at the year end.

Financial assets at fair value through profit or loss include investment in listed equities. As at 31 December 2023, the Group's financial assets at fair value through profit or loss amounted to HK\$95,324,000 (2022: HK\$132,178,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2023 was 3.4% compared to 5.0% at 31 December 2022. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.5 at 31 December 2023 (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 31 December 2023, the Group's cash and deposits with banks were HK\$1,094,933,000 (2022: HK\$1,083,324,000), of which HK\$1,000,777,000 (2022: HK\$914,039,000) was denominated in United States dollar, HK\$51,871,000 (2022: HK\$55,977,000) in British pound, HK\$4,297,000 (2022: HK\$44,061,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

## **PURCHASE, SALES OR REDEMPTION OF SHARES**

During the year, 3,340,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$0.55 to HK\$0.63 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## **CORPORATE GOVERNANCE**

The board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The board is committed to maintaining and ensuring high standards of 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 ("Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 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.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the risk management and internal control system, the effectiveness of the internal audit function and financial reporting matters including a review of the accounts for the year ended 31 December 2023.

## **DIVIDENDS**

The board of directors declared a second interim dividend of HK cents 1.5 per share and a special interim dividend of HK cents 1.5 per share. The said second interim dividend and special interim dividend will be paid on 24 April 2024 to the shareholders on the Register of Members of the Company on 9 April 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 8 April 2024 to 9 April 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 5 April 2024.

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

Hong Kong, 15 March 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*)