

2021

ANNUAL REPORT

Table of Contents

	<i>Page</i>
Corporate Information	2
Statement from the Chairman	3
Management Discussion and Analysis	4
Directors and Senior Management	7
Report of the Directors	10
Corporate Governance Report	24
Environmental, Social and Governance Report	34
Independent Auditor's Report	57
Consolidated Income Statement	63
Consolidated Statement of Comprehensive Income	64
Consolidated Statement of Financial Position	65
Consolidated Cash Flow Statement	67
Consolidated Statement of Changes in Equity	69
Notes to the Financial Statements	71
Five Year Financial Summary	132

Corporate Information

Directors

CHAN Kwong Fai, Michael
(Chairman and Executive Director)
CHAN, Helen (Executive Director)
CHAN Kong Keung, Stephen
(Executive Director)
LEE Ka Sze, Carmelo
(Non-executive Director)
LO Kai Yiu, Anthony
(Independent Non-executive Director)
OR Ching Fai, Raymond
(Independent Non-executive Director)
TANG Wing Yung, Thomas
(Independent Non-executive Director)
TSIM Tak Lung
(Deputy Chairman and Non-executive Director)

Company Secretary

NG Ka Yan

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

23/F., The Toy House
100 Canton Road
Tsimshatsui
Kowloon, Hong Kong

Auditors

Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal Advisors

Conyers Dill & Pearman
Deacons

Principal Bankers

The Bank of East Asia, Limited
Hang Seng Bank Limited
UBS AG

Principal Share Registrars

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Branch Share Registrars

Tricor Abacus Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

The shares of Playmates Holdings Limited
are listed for trading on The Stock
Exchange of Hong Kong Limited
(Stock Code: 635)

Website

www.playmates.net

Statement from the Chairman

Dear Fellow Shareholders,

2021 proved to be the second year in a row of unprecedented challenges to our industry and many others. As a result of the continuing COVID-19 pandemic, cross-border travel remained subdued, preventing the full recovery of many retail businesses in Hong Kong. Although consumer demand for toys remained resilient during the second year of the pandemic (overall toy sales in the US market were up by 8% in unit terms and 13% in dollar terms), supply chain disruptions worsened throughout 2021. From factory worker shortages, to container shortages and congestion at major ports around the world, getting products to consumers was a significant challenge.

Our team navigated through these extraordinary circumstances with hard work and dedication. Our Company generated \$214 million in operating profit before property revaluation, and Playmates Toys delivered a profitable year. Our property investments and property management businesses generated stable income in a challenging environment. The **Godzilla vs. Kong** movie was a break-out theatrical success during the pandemic, and the Playmates Toys product line performed strongly. **Miraculous: Tales of Ladybug & Cat Noir** continues to be a big hit around the world, driving toy success in every launch market. The Playmates Toys team reacted to the supply chain disruptions proactively by committing to inventory and container space early, and were able to mitigate inventory shortages to some extent. However, compared to a normal year, a higher level of inventory carried into 2022, as a result of late shipments that missed the 2021 Holidays, and as preparation for continued supply chain delays in 2022. Logistics and input costs also remain at elevated levels.

Looking forward to 2022, the trajectory of the COVID-19 pandemic remains uncertain, but continued vaccination efforts should help bring about the resumption of tourism travel to Hong Kong. For Playmates Toys, expansion of the **Miraculous: Tales of Ladybug & Cat Noir** toy program will continue, and will be the main driver of 2022 results. Playmates Toys will continue to offer products inspired by the broader **MonsterVerse** and Toho's Classic Monsters, as well as **Spy Ninjas** line extensions. Playmates Toys will also bring to market a line of products based on the **Star Trek** franchise, starting with collector products aimed at long time **Star Trek** fans, followed by kid-targeted toys based on the hit Paramount+ series **Star Trek: Prodigy**.

The operational and cost challenges that we faced in 2021 will last into 2022, as new COVID variants emerge, and backlogs appear at various parts of the supply chain, but our team remains as motivated as ever to tackle these challenges.

Last but not least, on behalf of the entire Playmates family, I would like to thank Mr. Sidney To for his many years of service, and wish him a happy retirement. I am grateful to my fellow shareholders and board members, my Playmates teammates, and all our business partners for their trust and support.

Yours truly,

CHAN Kwong Fai, Michael

Chairman of the board

Hong Kong, 4 March 2022

Management Discussion and Analysis

Group Overview

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

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

Property Investments and Associated Businesses

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

(a) Property Investments

The Group's major investment properties include (i) a commercial building, The Toy House, at 100 Canton Road; (ii) a number of residential units at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. The Group's property portfolio also includes overseas investment properties in the United Kingdom, the United States of America and Japan, which in aggregate accounted for 7.7% of the fair value of the Group's overall investment property portfolio (2020: 8.4%).

During the year, the Group disposed of its entire equity interest in Pophleys Limited, a wholly owned subsidiary which principal assets comprise a property and furnishings in the United Kingdom. Details of the disposal are disclosed in the announcements of the Company dated 9 March 2021 and note 32(a) to the consolidated financial statements.

Aggregate rental income generated from the investment properties of the Group was HK\$207.4 million, a decrease of 0.4% from the prior year (2020: HK\$208.3 million). Overall occupancy rate was 62% as at 31 December 2021 (2020: 68%).

(i) Commercial

The Group's investment in commercial properties consists of the building, The Toy House, on Canton Road in Tsimshatsui, Kowloon, Hong Kong. Although we expect Canton Road to remain one of the premier shopping districts in Hong Kong over the long term, retail and commercial activities in the area have been disrupted due to the COVID-19 epidemic and the associated travel restrictions and social distancing measures in place during 2021.

(ii) Residential

The Group's principal investment in residential properties includes units in Hillview on MacDonnell Road, Mid-Levels, Hong Kong. A major renovation of the exterior and common facilities of the building was substantially completed during the year 2021, and is expected to enhance the value of the property over the longer term. With limited supply of up-market residential properties in Mid-Levels, we are optimistic that our investment in the Hillview units will benefit from this renovation.

(iii) *Industrial*

The Group's investment in industrial properties consists of Playmates Factory Building in Tuen Mun, New Territories, Hong Kong. With the revived government policy to revitalize and optimize the use of existing industrial buildings, the Group submitted a planning application in June 2019 to the Town Planning Board of Hong Kong to seek permission for the wholesale conversion of Playmates Factory Building for commercial uses. On January 3, 2020, this application was conditionally approved. The Group will continue to monitor the economic environment before proceeding with the building conversion and deciding on the scale of the project.

(b) **Property Management**

The Group engaged Savills Property Management Limited ("Savills") to manage The Toy House and Playmates Factory Building. Savills provides comprehensive property management services, including repair and maintenance, building security, general cleaning for common areas, hand-over and take-over of premises, and the monitoring of reinstatement and refurbishment works.

Income generated from the property management business segment was HK\$20.0 million, a decrease of 4.3% from prior year (2020: HK\$20.9 million).

(c) **Food & Beverage Business**

The Group disposed of its entire equity interest in the two Japanese restaurants to its joint venture partner in May 2021, details of which are disclosed in note 32(b) to the consolidated financial statements. The joint venture partner will continue to operate the two restaurants at The Toy House and has entered into new tenancy agreements at the prevailing market rate with the Group.

We will continue to maintain a long-term view of our property investments and associated businesses, and adjust the balance of our property portfolio to achieve our strategic objective of seeking investment returns through capital appreciation and growth in recurring income. In the meantime, we will closely monitor the risks and uncertainties in connection with the pandemic and continue to take necessary and appropriate measures to protect the health and safety of our staff, tenants and visitors.

Playmates Toys

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

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

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

We expect the COVID-19 pandemic to continue to present severe challenges to our operating environment in 2022, including global supply chain disruptions, and elevated logistics and input costs. We are actively working with our suppliers to minimize cost increases and shipment delays as much as possible.

Management Discussion and Analysis

Portfolio Investments

The Group engages in portfolio investments which involve investing in listed equity shares and managed funds. The investment policy provides for a set of prudent guidance and control framework to achieve the objective of managing a portfolio that is highly liquid and offers reasonable risk-adjusted returns through capital appreciation and dividend and interest income.

As of 31 December 2021, fair market value of the Group's investment portfolio was HK\$161.0 million (31 December 2020: HK\$85.2 million) representing 2.1% of the total assets of the Group (31 December 2020: 1.1%). This comprised HK\$71.8 million of equities listed in Hong Kong (31 December 2020: HK\$41.3 million), HK\$88.1 million of equities listed overseas (31 December 2020: HK\$41.0 million) and HK\$1.1 million of unlisted managed funds (31 December 2020: HK\$2.9 million). None of the individual securities positions held by the Group had a market value that exceeded 0.4% of the total assets of the Group. The top 10 listed securities in aggregate represented 1.7% of the total assets of the Group and included The Walt Disney Company (DIS.US), Apple Inc. (AAPL.US), Amazon.com, Inc. (AMZN.US), Wharf Real Estate Investment Company Limited (1997.HK), Tencent Holdings Limited (700.HK), New World Development Company Limited (17.HK), Vitasoy International Holdings Limited (345.HK), Sun Hung Kai Properties Limited (16.HK), Henderson Land Development Company Limited (12.HK) and NVIDIA Corporation (NVDA.US).

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

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

Directors and Senior Management

Biographical details of directors are shown below:

CHAN Kwong Fai, Michael

Chairman and Executive Director

Mr. Chan, aged 37, was appointed a director of the Company in December 2021. He has been involved in various aspects of the Group's operations since joining the Group in 2010, and has served as president of Playmates Toys Limited's U.S. subsidiary since 2017. Prior to joining the Group, Mr. Chan was part of KKR's Private Equity team in Menlo Park, California, U.S., where he was actively involved in a number of transactions as well as portfolio company management. Prior to joining KKR, Mr. Chan worked at Citigroup in New York City, where he was a member of the Consumer Retail Investment Banking team. Mr. Chan graduated from Yale University with bachelor's degrees in Economics and History. He is also the chairman and executive director of the board of Playmates Toys Limited. Mr. Chan is a brother of Ms. Chan, Helen and Mr. Chan Kong Keung, Stephen.

CHAN, Helen

Executive Director

Ms. Chan, aged 42, was appointed a director of the Company in May 2017. She graduated magna cum laude from Yale University in 2001 with a bachelor's degree in Economics. She subsequently worked in New York City as a consultant with one of the leading financial consulting firms for 2 years. She then obtained her Masters of Business Administration in Marketing and Finance at the Wharton School of Business in 2005.

After graduating business school, Ms. Chan pursued a career in retail with one of the largest global luxury retailers. She joined the company as a Merchandising Senior Analyst in their New York headquarters. Her responsibilities increased over time as she rotated through various teams in the organization. She was then transferred to Hong Kong in 2009 to assist with the regionalization initiative of the company. She was promoted to Director of Asia Merchandising in 2011 where she was responsible for spearheading the merchandising needs of the region.

In 2014, after 9 years in the retail industry, Ms. Chan joined the Company where she is responsible for the management of the real estate portfolio and treasury investments of the Group. Ms. Chan is a sister of Mr. Chan Kwong Fai, Micheal and Mr. Chan Kong Keung, Stephen.

CHAN Kong Keung, Stephen

Executive Director

Mr. Chan, aged 34, was appointed a director of the Company in May 2021. He has been a Vice President for Overseas Investments for a fellow subsidiary of the Group since 2014. Prior to joining the Group, Mr. Chan worked as a Management Trainee and a Commercial Banking Relationship Manager for an international banking corporation from 2009 until 2013. He holds a Bachelor of Arts Degree in Philosophy from the University of Cambridge in Britain in 2009. He is also an executive director of the board of Playmates Toys Limited. Mr. Chan is a brother of Ms. Chan, Helen and Mr. Chan Kwong Fai, Michael.

Directors and Senior Management

LEE Ka Sze, Carmelo

Non-executive Director

Mr. Lee, aged 61, was appointed a director of the Company in November 2019. He is a practicing solicitor and a partner of Messrs. Woo Kwan Lee & Lo, Solicitors & Notaries. Mr. Lee obtained a Bachelor of Laws degree and Postgraduate Certificate in Laws from The University of Hong Kong and qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory, Australia.

Mr. Lee is currently one of the chairmen of The Listing Review Committee of The Stock Exchange of Hong Kong Limited, a convenor and a member of the Financial Reporting Review Panel of the Financial Reporting Council of Hong Kong, a chairman of the Appeal Tribunal Panel (Buildings), and a non-official member of the InnoHK Steering Committee.

Mr. Lee is a non-executive director of Safety Godown Company Limited and an independent non-executive director of KWG Group Holding Limited. All of these companies are listed on the Stock Exchange. He was a non-executive director of CSPC Pharmaceutical Group Limited (until 1 January 2021), Hopewell Holdings Limited (until 3 May 2019), Planetree International Development Limited (until 30 April 2019) and Termbray Industries International (Holdings) Limited (until 13 September 2019). He was also an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (until 12 May 2020) and Esprit Holdings Limited (until 1 January 2021). Save as disclosed above, Mr. Lee has not held any directorships in public companies the securities of which are listed on the securities market in Hong Kong or overseas in the last three years.

LO Kai Yiu, Anthony

Independent Non-executive Director

Mr. Lo, aged 73 was appointed a director of the Company in 1993. He is qualified as a chartered accountant by the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants. In addition to over 12 years of professional accounting experience, he has over 33 years of experience in investment banking and other financial services. Mr. Lo serves as a director of a number of public and private companies.

OR Ching Fai, Raymond

Independent Non-executive Director

Dr. Or, aged 72, graduated from the University of Hong Kong with a Bachelor's degree in Economics and Psychology. He was conferred an Honorary Doctor of Social Science by the City University of Hong Kong in 2014, an Honorary Fellow by Hang Seng Management College (now known as Hang Seng University of Hong Kong) in 2017 and an Honorary University Fellow by The University of Hong Kong in 2009.

Dr. Or is currently a chairman and a non-executive director of China Strategic Holdings Limited. He is also an independent non-executive director of Chow Tai Fook Jewellery Group Limited and Regina Miracle International (Holdings) Limited. He was the non-executive chairman and a non-executive director of Esprit Holdings Limited (until 1 January 2021), and an independent non-executive director of Television Broadcasts Limited (until 1 January 2020) and Industrial and Commercial Bank of China Limited (until 31 October 2018). All of which are listed on The Stock Exchange of Hong Kong Limited. Dr. Or is appointed as an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited in December 2018. Apart from the above disclosed, Dr. Or has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

TANG Wing Yung, Thomas

Independent Non-executive Director

Mr. Tang, aged 66, was appointed a director of the Company in November 2019. He obtained a Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants and has over 38 years of experience in accounting and finance.

Mr. Tang is currently an executive director and group chief financial officer of Sino Land Company Limited and Sino Hotels (Holdings) Limited. He was an executive director and group chief financial officer of Esprit Holdings Limited. All these companies are listed on the main board of The Stock Exchange of Hong Kong Limited.

TSIM Tak Lung

Deputy Chairman and Non-executive Director

Mr. Tsim, aged 75, is a consultant on corporate communication and strategic planning. He is on the boards of several public and private companies in Hong Kong. He was appointed a director of the Company in 1997.

Report of the Directors

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2021.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 18 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

Business Review

Information about a fair review of, and an indication of likely future development in, the Group's business is set out in the "Statement from the Chairman" and "Management Discussion and Analysis" of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year, if any, can also be found in the abovementioned sections and the notes to the financial statements. An analysis of the financial key performance indicators is set out in the "Management Discussion and Analysis" and the "Five Year Financial Summary" of this annual report.

Principal risks and uncertainties

In addition to the risks and uncertainties facing the Company contained in the "Statement from the Chairman" and "Management Discussion and Analysis" of this annual report, and the Environmental, Social and Governance Report, the following is a list of principal risks and uncertainties that may affect the business, financial condition, results of operations and growth prospects of the Company. However, this list is not exhaustive as there may be other risks and uncertainties resulting from changes in economic condition and operating environment over time:

1. *Economic and Political Risk:*

Adverse changes in the economic and political environment and government policies may affect our ability to execute our strategies.

2. *Business Risk:*

Investment properties account for a significant portion of the Group's total assets. Any significant change in the fair value of the Group's investment properties may affect our financial results, although such change may not reflect the Group's operating and cash flow performance. Furthermore, our rental income from investment properties may be adversely impacted by strong competition in the market.

The toy industry is inherently unpredictable. We rely on third party licenses, and our revenue is currently derived from a few licensed brands. Any reduction in sales of these brands may adversely affect our performance and financial condition. We also rely significantly on a few major customers, and any change in their buying patterns and/or reduction in their business volume may adversely affect our financial results and prospects.

3. *Compliance Risk:*

Non-compliance with product safety and laws and regulations may lead to financial loss and reputational damage. Product safety is the Group's number one priority. We have robust processes and procedures in place to ensure compliance with all applicable laws and regulations. Changes in related laws and regulations may lead to increased compliance costs.

4. *Financial Risk:*

The Group is exposed to financial risks related to currency, pricing, credit and liquidity in the normal course of business. For details of such financial risks, please refer to note 35.2 to the financial statements.

5. *People Risk:*

Loss of key executives may affect our ability to execute our strategies.

6. *Cyber risk and security:*

Cyber threats and attacks may affect our reputation and business operations. The Group has a policy in relation to use of computer, email and social media usage in place since 2006 which has been regularly updated in light of the latest changes. Training on various information security awareness is provided to directors and staff regularly. In addition, the Group has implemented protective measures for the security of our network and Information Technology (“IT”) systems, and monitors suspicious cyber activities with the assistance of external IT consultants.

7. *Data fraud or theft:*

Company data, including customer details, financial data as well as other operational data, is important to our business. Any loss of the said data may affect our business operation and cause losses to the Group. The Group has implemented relevant internal control procedures and systems to ensure that such data is properly protected.

The Group has developed a risk management and internal control system to identify current risks and has undertaken necessary measures to mitigate the risks identified. Details of the Group’s risk management and internal control system are set out in the Corporate Governance Report of this annual report.

Relationships with stakeholders

Our business requires that we collaborate with an array of stakeholders including customers, licensors, suppliers and employees. We strive to deal fairly with our stakeholders and to establish a long-standing and close relationship with them. We expect our stakeholders to work with us on the basis of a shared commitment to integrity, legal and ethical behaviour and mutual trust.

Customers

We consider customers as one of the most important stakeholders. Our commitment to and continued vigilance over quality and safety are essential in maintaining the trust of our consumers. In the U.S., we sell directly to various customers including national mass merchandise retailers. Outside the U.S., we sell to over 40 countries, primarily in Europe, North America, Latin America and Asia Pacific including Australia. Our international sales and distribution efforts are managed through our network of independent distributors. For more information on the major customers, trade terms and trade receivables, please refer to notes 5.3, 20 and 35.2.2 to the financial statements.

Licensors

The entertainment industry and toy invention and design community are major sources of concepts and ideas for the creation and development of new products. We maintain close working relationships or contacts with major entertainment licensors and the toy invention and design community worldwide. These relationships or contacts help us gain access to licensed rights in entertainment properties, technologies and toy inventions.

Report of the Directors

Business Review (Continued)

Relationships with stakeholders (Continued)

Suppliers

Supply chain is a critical part of our operations. Our suppliers must meet our selection criteria, which include security, safety, cost and delivery. Our selection criteria of suppliers are also based on their reliability and quality of products, and with whom we can build long-term relationships. We require all of our suppliers to comply with relevant manufacturing requirements and safety standards of the industry.

Employees

Employees are important to our sustainable development. We are committed to providing equal employment opportunity and a safe and harassment-free working environment. Employees are encouraged to attend trainings including professional development programs offered by professional organizations so as to refresh their skills and knowledge. We also strive to ensure that the employees are fairly and reasonably remunerated based on industry practice.

Environmental policies

We are committed to minimizing the environmental impact of our operations and to complying with all applicable environmental laws in the countries in which we conduct business. We also require our suppliers to obtain all necessary permission from the relevant regulators and operate in strict compliance with all applicable environmental laws including the environmental requirements as required by the International Council of Toys Industries CARE Seal of Compliance or other equivalent standards.

Compliance with laws and regulations

Compliance procedures are in place to ensure compliance with applicable laws and regulations. Our professional employees attend on-going professional development programs in order to keep them abreast of the latest development of the laws and regulations. External legal advisors are engaged to advise on the compliance matters if and when necessary. The Company complies with the relevant laws and regulations that have a significant impact on the Company including the Companies Ordinance, Securities and Futures Ordinance (“SFO”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

For more information on our relationship with the stakeholders, environmental policies and compliance with laws and regulations, please refer to the Environmental, Social and Governance Report of this annual report.

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group’s major suppliers and customers were as follows:

Purchases

– the largest supplier	21%
– five largest suppliers in aggregate	85%

Sales

– the largest customer	22%
– five largest customers in aggregate	71%

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company’s share capital) had any interest in the major suppliers or customers noted above.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 63.

The directors have declared a first interim dividend of HK cents 1.5 per ordinary share, totalling HK\$31,350,000, which was paid on 16 September 2021.

The directors have declared a second interim dividend of HK cents 1.5 per ordinary share and a special interim dividend of HK cents 1.5 per ordinary share, totally HK\$62,700,000, which is calculated on the basis of 2,090,000,000 ordinary shares in issue at the date of board meeting held on 4 March 2022.

Dividend Policy

The Company has adopted a Dividend Policy which allows the shareholders of the Company to share the profits of the Company whilst retaining adequate reserves for the Group's future growth. The declaration and amount of dividends shall be determined at the sole discretion of the Board. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:-

- (a) the Company's actual and expected financial performance;
- (b) dividends received from the Company's subsidiaries and associates;
- (c) retained earnings and distributable reserves of the Company and its subsidiaries and associates;
- (d) the liquidity position of the Group;
- (e) the Group's expected working capital requirements;
- (f) general business conditions and strategies;
- (g) taxation considerations;
- (h) possible effects on creditworthiness;
- (i) legal, statutory and regulatory restrictions;
- (j) contractual restrictions; and
- (k) any other factors that the Board deem appropriate.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 69 to 70. Movements in the reserves of the Company during the year are set out in note 29.2 to the financial statements.

Distributable reserves of the Company at 31 December 2021, calculated under the Companies Act 1981 of Bermuda, amounted to HK\$1,392,720,000 (2020: HK\$1,398,723,000).

Report of the Directors

Financial Analysis

Analysis of bank loans and other borrowings

Particulars of the Group's utilised banking facilities are set out in note 23 to the financial statements.

Liquidity and financial resources

The toy business is inherently seasonal in nature. As a result, a disproportionately high balance of trade receivables is typically generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling season. As at 31 December 2021, trade receivables related to toy operation were HK\$124,378,000 (2020: HK\$41,291,000) and inventories related to toy operation were HK\$58,007,000 (2020: HK\$10,283,000) or 9.3% (2020: 3.6%) of revenue of toy operation.

The property investments and associated businesses generated a relatively steady income stream throughout the year. Overall occupancy rate was 62% as at 31 December 2021 (2020: 68%). Accounts receivables were minimal as at the year end.

Financial assets at fair value through profit or loss include listed equity and managed funds. As at 31 December 2021, the Group's financial assets at fair value through profit or loss amounted to HK\$160,955,000 (2020: HK\$85,156,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2021 was 10.4% compared to 10.0% at 31 December 2020. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.2 at 31 December 2021 (2020: 2.4).

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 31 December 2021, the Group's cash and bank balances were HK\$1,464,689,000 (2020: HK\$1,475,511,000), of which HK\$1,272,770,000 (2020: HK\$1,317,433,000) was denominated in United States dollar, HK\$66,066,000 (2020: HK\$12,527,000) in British pound, HK\$46,372,000 (2020: HK\$50,065,000) in Euro and the remaining balance was mainly denominated in Hong Kong dollar.

Employees

As at 31 December 2021, the Group had a total of 71 employees in Hong Kong, the United States of America and the United Kingdom (2020: 109 employees).

The Group remunerates its employees largely based on industry practice, including contributory provident funds, insurance and medical benefits. The Group has also adopted a discretionary bonus programme for all management and staff and share option plans for its employees with awards under both programmes determined annually based upon the performance of the Group and the individual employees.

Financial Guarantee

Details of the Company's financial guarantee contracts are set out in note 23 to the financial statements.

Bank Loans

Details of the Group's bank loans as at 31 December 2021 are set out in note 23 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$446,000 (2020: HK\$371,000).

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 15 to the financial statements.

Principal Properties

Details of the principal properties of the Group held for investment purposes are set out in note 15 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 29.1 to the financial statements.

Five Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 132.

Purchase, Sale or Redemption of Shares

During the year, 2,500,000 shares of HK\$0.01 each were repurchased by the Company at prices ranging from HK\$0.91 to HK\$0.94 per share on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The particulars of the repurchases are set out in note 29.1 to the financial statements.

Directors

The directors who held office during the year and up to the date of this report were:

Mr. CHAN Kwong Fai, Michael (*Chairman*) – appointed on 3 December 2021

Ms. CHAN, Helen (*Executive Director*)

Mr. CHAN Kong Keung, Stephen (*Executive Director*) – appointed on 21 May 2021

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*) – appointed on 21 May 2021

Mr. TANG Wing Yung, Thomas (*Independent Non-executive Director*)

Mr. TSIM Tak Lung (*Deputy Chairman and Non-executive Director*)

Mr. TO Shu Sing, Sidney (*Chairman*) – resigned and retired on 31 December 2021

Mr. CHENG Bing Kin, Alain (*Executive Director*) – resigned on 31 August 2021

Mr. IP Shu Wing, Charles (*Independent Non-executive Director*) – resigned on 21 May 2021

Mr. YU Hon To, David (*Independent Non-executive Director*) – retired on 21 May 2021

Pursuant to Bye-law 86(2) of the Company, Mr. Chan Kwong Fai, Michael shall hold office until the next following annual general meeting. Mr. Chan will offer himself for re-election at the forthcoming annual general meeting.

Pursuant to Bye-law 87(1) of the Company, Mr. Lee Ka Sze, Carmelo, Mr. Tang Wing Yung, Thomas and Mr. Tsim Tak Lung shall retire by rotation at the forthcoming annual general meeting. Mr. Lee and Mr. Tang will offer themselves for re-election at the same meeting. Mr. Tsim confirmed that he will not offer himself for re-election and will retire at the forthcoming annual general meeting.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules and the Company considers such directors to be independent.

Report of the Directors

Directors' Service Contracts

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

Directors' Interests in Transactions, Arrangements and Contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which any director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provision

Pursuant to the Bye-laws of the Company, the directors are entitled to be indemnified out of the Company's assets against actions and damages in connection with execution of their duties. Pursuant to a code provision of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, the Company has also arranged appropriate director and officer liability insurance policy covering potential legal actions that might be taken against its directors.

Share Options

The following shows the particulars of the share options of a subsidiary of the Company that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 41(2) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Share Options of Playmates Toys Limited ("PTL")

Share options of PTL, an indirect non-wholly owned subsidiary of the Company, are granted to directors of PTL, employees of PTL group and other participants, pursuant to the Share Option Scheme of PTL adopted on 25 January 2008 ("2008 PTL Scheme") and the Share Option Scheme of PTL adopted on 21 May 2018 ("2018 PTL Scheme"). Details of the Schemes are as follows:

Purpose	:	(i)	To motivate the eligible participants to optimise their performance and efficiency for the benefit of PTL and its subsidiaries ("PTL Group"); and
		(ii)	To attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are or will be beneficial to the PTL Group.
Participants	:	(i)	Directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the PTL Group or a company in which the PTL Group holds an interest or a subsidiary of such company; or
		(ii)	The trustees of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any person/party mentioned in (i) above; or
		(iii)	A company beneficially owned by any person/party mentioned in (i) above.

Total number of ordinary shares available for issue under the 2008 PTL Scheme and 2018 PTL Scheme and the percentage of issued share capital that it represents as at 4 March 2022	:	<p>2008 PTL Scheme 6,616,500 ordinary shares, representing 0.56% of the issued capital.</p> <p>2018 PTL Scheme 45,268,000 ordinary shares, representing 3.84% of the issued capital</p>
Maximum entitlement of each participant	:	Unless approved by shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued ordinary shares of PTL.
The period within which the ordinary shares must be taken up under an option	:	The options are exercisable in stages and no option will be exercisable later than 10 years after its date of grant.
The amount payable on acceptance of the option	:	HK\$10.00 (or such other nominal sum in any currency as the board may determine).
Period within which payments/ calls must/may be made or loans for such purposes must be repaid	:	Not applicable.
The basis for determining the exercise price	:	<p>Determined by the board and shall not be less than the highest of:</p> <p>(i) the closing price of an ordinary share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day;</p> <p>(ii) an amount equivalent to the average closing price of an ordinary share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant option; and</p> <p>(iii) the nominal value of an ordinary share on the date of grant.</p>
The remaining life of the 2008 PTL Scheme and the 2018 PTL Scheme	:	<p>2008 PTL Scheme Remained in force until 31 January 2018.</p> <p>2018 PTL Scheme Remains in force until 21 May 2028.</p>

Report of the Directors

Share Options (Continued)

Share Options of PTL (Continued)

The following shows the particulars of the share options of PTL granted to directors of the Company, directors of PTL, employees of PTL Group and other participants, pursuant to the 2008 PTL Scheme and the 2018 PTL Scheme, that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 13(1)(b) of Appendix 16 of the Listing Rules during the year:

Participant	Date of grant	Exercise Price HK\$	Number of share options				Balance at 31 December 2021	Vesting/ Exercise Period and Remarks (Note)
			Balance at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year		
2018 PTL Scheme								
CHAN Kwong Fai, Michael <i>Chairman and Director of the Company and PTL</i>	29 June 2018	0.826	2,000,000	-	-	-	2,000,000	(1)
CHAN, Helen <i>Director of the Company</i>	29 June 2018	0.826	1,000,000	-	-	-	1,000,000	(1)
CHAN Kong Keung, Stephen <i>Director of the Company and PTL</i>	29 June 2018	0.826	1,000,000	-	-	-	1,000,000	(1)
CHENG Bing Kin, Alain <i>Director of the Company and PTL</i>	29 June 2018	0.826	1,200,000	-	-	1,200,000	-	(1) & (6)
TO Shu Sing, Sidney <i>Chairman and Director of the Company and PTL</i>	29 June 2018	0.826	2,000,000	-	-	-	2,000,000	(1) & (7)
<i>Directors of PTL</i>								
CHOW Yu Chun, Alexander	29 June 2018	0.826	500,000	-	-	-	500,000	(1)
LEE Ching Kwok, Rin	29 June 2018	0.826	500,000	-	-	500,000	-	(1) & (8)
TRAN Vi-hang, William	29 June 2018	0.826	1,000,000	-	-	-	1,000,000	(1)
<i>Continuous Contract Employees of PTL Group, excluding directors of PTL</i>	29 June 2018	0.826	13,552,000	-	-	1,364,000	12,188,000	(1)
<i>Other Participants</i>	29 June 2018	0.826	5,580,000	-	-	-	5,580,000	(1)
	12 April 2019	0.792	20,000,000	-	-	-	20,000,000	(2)

Participant	Date of grant	Exercise Price HK\$	Number of share options				Balance at 31 December 2021	Vesting/ Exercise Period and Remarks (Note)
			Balance at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year		
2008 PTL Scheme								
<i>Directors of PTL</i>								
CHOW Yu Chun, Alexander	13 April 2012	0.415	250,000	-	-	-	250,000	(3)
	15 May 2013	0.930	525,000	-	-	-	525,000	(4)
<i>Continuous Contract Employees of PTL Group, excluding directors of PTL</i>	18 April 2011	0.315	528,000	-	-	528,000	-	(5)
	13 April 2012	0.415	1,297,500	-	-	176,000	1,121,500	(3)
	15 May 2013	0.930	3,505,500	-	-	352,000	3,153,500	(4)
<i>Other Participants</i>	18 April 2011	0.315	574,000	-	-	574,000	-	(5)
	13 April 2012	0.415	752,000	-	-	-	752,000	(3)
	15 May 2013	0.930	814,500	-	-	-	814,500	(4)

Notes:

- (1) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 29 June 2018, 29 June 2019, 29 June 2020 and 29 June 2021 respectively to 28 June 2028.
- (2) Divided into 2 tranches: (i) 10,000,000 share options are exercisable from 12 April 2019 to 31 December 2023; and (ii) 10,000,000 share options are exercisable from 31 December 2020 to 31 December 2023.
- (3) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 13 April 2012, 13 April 2013, 13 April 2014 and 13 April 2015 respectively to 12 April 2022.
- (4) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 15 May 2013, 15 May 2014, 15 May 2015 and 15 May 2016 respectively to 14 May 2023.
- (5) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 18 April 2011, 18 April 2012, 18 April 2013 and 18 April 2014 respectively to 17 April 2021.
- (6) Mr. Cheng Bing Kin, Alain resigned as an executive director of the Company and PTL on 31 August 2021 and his unexercised share options lapsed during the year.
- (7) Mr. To Shu Sing, Sidney resigned and retired as the chairman and executive director of the Company and PTL on 31 December 2021 and his unexercised share options lapsed in January 2022.
- (8) Mr. Lee Ching Kwok, Rin retired as an independent non-executive director of PTL on 21 May 2021 and his unexercised share options lapsed during the year.

No options were cancelled during the year.

Apart from the aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

Directors' Interests and Short Positions in Shares and Underlying Shares of the Company or Any Associated Corporation

As at 31 December 2021, the interests of each director of the Company in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Stock Exchange) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (“**Model Code**”) were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares held	Percentage interest held
CHAN Kwong Fai, Michael	Personal	104,000,000 ordinary shares	4.98%
CHAN, Helen	Personal	28,000,000 ordinary shares	1.34%
CHAN Kong Keung, Stephen	Personal	2,600,000 ordinary shares	0.12%
LO Kai Yiu, Anthony	Personal	250,000 ordinary shares	0.01%
TO Shu Sing, Sidney (<i>Note</i>)	Personal	20,000,000 ordinary shares	0.96%
TSIM Tak Lung	Personal	722,000 ordinary shares	0.03%

Long positions in shares of PTL

Name of director	Nature of interest	Number of shares held	Percentage interest held
CHAN Kwong Fai, Michael	Personal	3,274,000 ordinary shares	0.28%
LO Kai Yiu, Anthony	Personal	376,000 ordinary shares	0.03%
TO Shu Sing, Sidney (<i>Note</i>)	Personal	10,000,000 ordinary shares	0.85%
TSIM Tak Lung	Personal	259,632 ordinary shares	0.02%

Long positions in underlying shares of PTL

Name of Director	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interest held
CHAN Kwong Fai, Michael	Personal	2,000,000 share options	2,000,000 shares	0.17%
CHAN, Helen	Personal	1,000,000 share options	1,000,000 shares	0.08%
CHAN Kong Keung, Stephen	Personal	1,000,000 share options	1,000,000 shares	0.08%
TO Shu Sing, Sidney (Note)	Personal	2,000,000 share options	2,000,000 shares	0.17%

Note: Mr. To Shu Sing, Sidney resigned and retired as the chairman and executive director of the Company on 31 December 2021.

Unless stated otherwise, all the aforesaid shares and equity derivatives were beneficially owned by the directors concerned. The percentage shown was the number of shares or underlying shares the relevant director was interested expressed as a percentage of the number of issued shares of the relevant companies as at 31 December 2021.

Details of the share options held by the directors of the Company are disclosed in the above section headed "Share Options".

Save as disclosed above, as at 31 December 2021, none of the directors of the Company were interested or deemed to be interested in short positions in the shares and underlying shares of equity derivatives of the Company or any associated corporation as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company Required to be Recorded under Section 336 of the SFO

As at 31 December 2021, person (other than the directors of the Company) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, was recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares held	Percentage interest held
Chan Chun Hoo, Thomas	Personal, Associate and Corporation (Note i)	1,345,400,000 ordinary shares	64.37%
TGC Assets Limited	Corporation (Note ii)	1,073,400,000 ordinary shares	51.36%

Notes:

- (i) Mr. Chan Chun Hoo, Thomas ("Mr. Chan") was interested in and deemed to be interested in 1,345,400,000 shares of the Company of which 142,000,000 shares were held by Mr. Chan directly, 130,000,000 shares were held by his wife and 1,073,400,000 shares were held by TGC Assets Limited ("TGC").
- (ii) Mr. Chan is the beneficial owner of all of the issued share capital of TGC and he was deemed to be interested in those shares.

Report of the Directors

Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company Required to be Recorded under Section 336 of the SFO (Continued)

Save as disclosed above, as at 31 December 2021, none of the person (other than the directors of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Pre-emptive Rights

There are no pre-emptive rights provisions with respect to any issue or transfer of shares of the Company in the Bye-laws of the Company nor are there any such pre-emptive rights provisions generally applicable under Bermuda law.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 1999 and subsequently amended in 2005, 2009, 2012, 2015 and 2021.

The Audit Committee provides an important link between the board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises five non-executive directors, namely Mr. Lo Kai Yiu, Anthony as chairman, Mr. Lee Ka Sze, Carmelo, Dr. Or Ching Fai, Raymond, Mr. Tang Wing Yung, Thomas and Mr. Tsim Tak Lung as members.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

Auditors

Grant Thornton Hong Kong Limited will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting. There was no change in auditors of the Company in any of the preceding three years.

Connected Transaction

During the year, the Group conducted the following connected transaction of the Company under Chapter 14A of the Listing Rules.

On 9 March 2021, Prestige Properties (Overseas) Limited ("Vendor"), an indirect wholly-owned subsidiary of the Company, as the vendor and TGC Assets Limited ("Purchaser"), a substantial shareholder of the Company, as the Purchaser entered into the Sale and Purchase Agreement, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to acquire the entire issued share capital of Pophleys Limited ("Disposal Company"); and (ii) the Vendor agreed to sell and assign and the Purchaser agreed to purchase and take the assignment of a loan being the aggregate amount then outstanding and owing by the Disposal Company to the Vendor as at completion, for the total consideration of GBP5,500,000, subject to adjustment.

The Disposal Company was an investment holding company and its principal asset comprises a property known as Pophleys, City Road, Radnage, Buckinghamshire HP14 4DW, United Kingdom (“Property”) and certain furniture.

The Directors considered that the above disposal represented a good opportunity for the Company to realize the value of the Property at a reasonable price. The net proceeds from the Disposal would be used by the Group for its future investment and/or general working capital purpose. The Directors (including the independent non-executive directors) were of the view that the Sale and Purchase Agreement were on normal commercial terms and entered into by the Group in its ordinary and usual course of business, and that the terms thereunder were fair and reasonable and in the interests of the Company and its shareholders as a whole.

As at the date of the Sale and Purchase Agreement, the Purchaser was interested in 1,073,030,000 shares of the Company representing 51.34% of the issued share capital of the Company. As the Purchaser was a substantial shareholder of the Company, it was a connected person of the Company and therefore the above disposal constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The said connected transaction, which details were contained in the announcement dated 9 March 2021, was exempt from independent shareholders’ approval requirement pursuant to Chapter 14A of the Listing Rules.

Save and except the transactions disclosed above and in note 33 to the financial statements, there is no contract of significance between the Group and our controlling shareholder or any of its subsidiaries.

On behalf of the board
Chan Kwong Fai, Michael
Chairman

Hong Kong, 4 March 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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 the Corporate Governance Code (“Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the year ended 31 December 2021, except the followings:

- (a) Code Provision A.2.1 provides that the roles of the chairman and the chief executive officer should not be performed by the same individual. The Company does not have a designated chief executive officer. The board oversees the management, businesses, strategy and financial performance of the Group. The day-to-day business of the Group is handled by the executive directors collectively. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is adequate to ensure an effective management and control of the Group’s businesses and operations. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.
- (b) Following the resignation of Mr. Ip Shu Wing, Charles and the retirement of Mr. Yu Hon To, David at the annual general meeting on 21 May 2021, (1) the members of the Audit Committee did not comprise a majority of independent non-executive directors (“INEDs”) as required under Rule 3.21 of the Listing Rules; (2) the chairman of the Compensation Committee fell vacant and the members of the Compensation Committee did not comprise a majority of INEDs as required under Rule 3.25 of the Listing Rules; and (3) the members of the Nomination Committee did not comprise a majority of INEDs as required under Code Provision A.5.1, during the period from 21 May 2021 to 27 May 2021. As announced by the Company on 28 May 2021, the said vacancies had been filled up in compliance with the relevant Listing Rules and Code Provision.

The board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

Composition and Responsibilities

The board of directors of the Company comprises:

CHAN Kwong Fai, Michael (*Chairman*)
CHAN, Helen (*Executive Director*)
CHAN Kong Keung, Stephen (*Executive Director*)
LEE Ka Sze, Carmelo (*Non-executive Director*)
LO Kai Yiu, Anthony (*Independent Non-executive Director*)
OR Ching Fai, Raymond (*Independent Non-executive Director*)
TANG Wing Yung, Thomas (*Independent Non-executive Director*)
TSIM Tak Lung (*Deputy Chairman and Non-executive Director*)

TO Shu Sing, Sidney (*Chairman*) – resigned and retired on 31 December 2021
CHENG Bing Kin, Alain (*Executive Director*) – resigned on 31 August 2021
IP Shu Wing, Charles (*Independent Non-executive Director*) – resigned on 21 May 2021
YU Hon To, David (*Independent Non-executive Director*) – retired on 21 May 2021

The board comprises three executive directors (one of whom is the Chairman) and five non-executive directors. Of the five non-executive directors, three are independent non-executive directors. In addition, two of the independent non-executive directors possess appropriate professional accounting qualifications and financial management expertise.

The principal focus of the board is on the overall strategic development of the Group. The board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules. The independent non-executive directors are explicitly identified in all corporate communications.

Appointment and Re-election

Each of the directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Bye-laws of the Company. In accordance with the relevant provisions in the Bye-laws of the Company, the appointment of directors is considered by the board and newly appointed directors are required to stand for election by shareholders at the first annual general meeting following their appointment. Each director, including the chairman of the board and/or the managing director, shall be subject to retirement by rotation at least once every three years.

Support and Professional Development of Directors

All directors are provided with monthly updates on the Group's performance, position and prospects.

There is an established procedure for directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance policy covering potential legal actions that might be taken against its directors.

Pursuant to the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2021, all directors have participated in continuous professional development programmes such as in-house briefings and external seminars to develop and refresh their knowledge and skills. Materials on new or salient changes to laws and regulations applicable to the Group were provided to the directors. All directors have provided the Company with their respective training record pursuant to the Code.

Corporate Governance Report

The participation of each director of the Company in continuous professional development was as recorded in the table below:

Directors	Reading	Attending in-house briefings/seminars/conferences
CHAN Kwong Fai, Michael	✓	✓
CHAN, Helen	✓	✓
CHAN Kong Keung, Stephen	✓	✓
LEE Ka Sze, Carmelo	✓	✓
LO Kai Yiu, Anthony	✓	✓
OR Ching Fai, Raymond	✓	✓
TANG Wing Yung, Thomas	✓	✓
TSIM Tak Lung	✓	✓
TO Shu Sing, Sidney (resigned and retired on 31 December 2021)	✓	✓

Board Meetings and Proceedings

The board meets regularly throughout the year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. Senior executives are from time to time invited to attend board meetings to make presentations or answer the board's enquiries. The Chairman focuses on Group strategy and is responsible for ensuring all key issues are considered by the board in a timely manner. Notice of at least 14 days has been given to all directors for all regular board meetings and the directors can include matters for discussion in the agenda whenever they consider appropriate and necessary. Agenda and accompanying board papers in respect of regular board meetings are dispatched in full to all directors within a reasonable time before the meeting. Directors have to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the board at board meetings and abstain from voting as appropriate.

Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings; all directors have access to board papers and related materials, and are provided with adequate information in a timely manner; this enables the board to make informed decision on matters placed before it.

The board held four meetings in 2021. Details of directors' attendance at the board meetings, other committee meetings and the annual general meeting during the year are set out in the following table.

Directors	Meetings attended/held				AGM
	Board	Audit Committee	Compensation Committee	Nomination Committee	
CHAN Kwong Fai, Michael <i>Note 1</i>	N/A	N/A	N/A	N/A	N/A
CHAN, Helen	4/4	N/A	N/A	N/A	1/1
CHAN Kong Keung, Stephen <i>Note 2</i>	3/3	N/A	N/A	N/A	N/A
CHENG Bing Kin, Alain <i>Note 3</i>	3/3	N/A	N/A	N/A	1/1
IP Shu Wing, Charles <i>Note 4</i>	1/1	N/A	1/1	1/1	1/1
LEE Ka Sze, Carmelo	4/4	2/2	N/A	3/3	1/1
LO Kai Yiu, Anthony	4/4	2/2	2/2	3/3	1/1
Or Ching Fai, Raymond <i>Note 5</i>	3/3	1/1	1/1	1/1	N/A
TANG Wing Yung, Thomas <i>Note 6</i>	4/4	2/2	1/1	3/3	1/1
TO Shu Sing, Sidney <i>Note 7</i>	4/4	N/A	2/2	3/3	1/1
TSIM Tak Lung	4/4	2/2	2/2	N/A	1/1
YU Hon To, David <i>Note 8</i>	1/1	1/1	1/1	N/A	1/1

Note:

1. Mr. Chan Kwong Fai, Michael was appointed on 3 December 2021. He was appointed as the chairman of the Nomination Committee and a member of the Compensation Committee on 31 December 2021.
2. Mr. Chan Kong Keung, Stephen was appointed on 21 May 2021.
3. Mr. Cheng Bing Kin, Alain resigned on 31 August 2021.
4. Mr. Ip Shu Wing, Charles resigned on 21 May 2021. He ceased to be the chairman of the Compensation Committee and a member of the Nomination Committee on the same day.
5. Dr. Or Ching Fai, Raymond was appointed on 21 May 2021. He was appointed as a member of the Audit Committee, the Compensation Committee and the Nomination Committee on 28 May 2021.
6. Mr. Tang Wing Yung, Thomas was appointed as the chairman of the Compensation Committee on 28 May 2021.
7. Mr. To Shu Sing, Sidney resigned and retired on 31 December 2021. He ceased to be the chairman of the Nomination Committee and a member of the Compensation Committee on the same day.
8. Mr. Yu Hon To, David retired on 21 May 2021. He ceased to be a member of the Audit Committee and the Compensation Committee on the same day.

Corporate Governance Report

BOARD COMMITTEES

As an integral part of good corporate governance, the board has established the Audit Committee, Compensation Committee and Nomination Committee to oversee particular aspects of the Company's affairs. Each of these Committees comprises a majority of independent non-executive directors with defined written terms of reference.

Audit Committee

The Audit Committee was established in 1999 and its current members include:

LO Kai Yiu, Anthony – *Committee Chairman (Independent Non-executive Director)*

LEE Ka Sze, Carmelo *(Non-executive Director)*

OR Ching Fai, Raymond *(Independent Non-executive Director)*

TANG Wing Yung, Thomas *(Independent Non-executive Director)*

TSIM Tak Lung *(Deputy Chairman and Non-executive Director)*

The majority of the Audit Committee members are independent non-executive directors. The board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee exceeds the requirements under Rule 3.21 of the Listing Rules which requires a minimum of three members and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The written terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

The Audit Committee meets at least twice a year to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the board and the Company's external auditors in matters coming within the scope of its written terms of reference and keeps under review the independence and objectivity of the external auditors.

The Audit Committee has held two meetings during the financial year. During the year, the Audit Committee reviewed the Company's interim and annual results for the year ended 31 December 2021. It 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. It also reviewed the independence and the appointment of the external auditors and its remuneration.

At the meeting held on 4 March 2022, the Audit Committee reviewed this report, the Directors' Report and accounts for the year ended 31 December 2021 together with the annual results announcement, with a recommendation to the board of directors for approval.

Compensation Committee

The Compensation Committee was established in 2004 and its current members include:

TANG Wing Yung, Thomas *(Independent Non-executive Director)- Committee Chairman*

CHAN Kwong Fai, Michael *(Chairman)*

LO Kai Yiu, Anthony *(Independent Non-executive Director)*

OR Ching Fai, Raymond *(Independent Non-executive Director)*

TSIM Tak Lung *(Deputy Chairman and Non-executive Director)*

The majority of the Compensation Committee members are independent non-executive directors. The Compensation Committee advises the board on the Group's overall policy and structure for the remuneration of directors and senior management. The written terms of reference of the Compensation Committee are posted on the websites of the Company and the Stock Exchange.

The Compensation Committee held two meetings during the year. The Compensation Committee met to determine the policy for the remuneration of directors and the Group and assess the performance of executive directors and members of senior management. It also considered and made recommendations to the board on the remuneration terms of the newly appointed directors.

Remuneration Policy for Non-executive Director and Executive Directors

The Compensation Committee is charged with the duties to advise the board on the Group's overall policy and structure for the remuneration of directors and senior management. The Compensation Committee also makes recommendations to the board from time to time on the remuneration of the non-executive directors. Pursuant to the written terms of reference of the Compensation Committee, the compensation of non-executive directors, including the Compensation Committee members, shall be reviewed by executive directors initially, and the executive directors shall communicate their findings to the Compensation Committee. The Compensation Committee will then consider and make recommendations to the full board for final approval. The Compensation Committee is also responsible for determining the remuneration for executive directors and the Chairman of the board. In carrying out its functions and responsibilities, the Compensation Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors and the desirability of performance-based remuneration. The Compensation Committee ensures that no director or any of his associate is involved in deciding his own remuneration.

Details of the directors' fee and other emoluments of the directors of the Company are set out in note 14.1 to the financial statements.

Nomination Committee

The Nomination Committee was established in February 2012 and its current members include:

CHAN Kwong Fai, Michael (*Chairman*)- *Committee Chairman*

LEE Ka Sze, Carmelo (*Non-executive Director*)

LO Kai Yiu, Anthony (*Independent Non-executive Director*)

OR Ching Fai, Raymond (*Independent Non-executive Director*)

TANG Wing Yung, Thomas (*Independent Non-executive Director*)

The majority of the Nomination Committee members are independent non-executive directors. The principal responsibility of the Nomination Committee is to review the size, structure and composition of the board, identify individuals suitably qualified to become board members, and assess the independence of independent non-executive directors. The written terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee held three meetings during the year. The Nomination Committee reviewed the structure, size and diversity of the Board, assessed the independence of all independent non-executive directors and made recommendation to the board on the appointment and re-appointment of directors. During the year, the Nomination Committee considered nomination of Mr. Chan Kwong Fai, Michael, Mr. Chan Kong Keung, Stephen and Dr. Or Ching Fai, Raymond as new directors of the Company in accordance with the process and objective criteria contained in the Nomination Policy (including but not limited to skills, knowledge, experience, expertise, professional and educational qualifications), with due regard to the benefits of diversity as set out in the Board Diversity Policy.

Corporate Governance Report

Board Diversity Policy

The board has adopted a Board Diversity Policy since August 2013. Such policy aims at achieving board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the board.

Nomination Policy

The board has adopted a Nomination Policy in December 2018. Such policy sets out the criteria and procedures of considering candidates to be appointed or re-appointed as directors of the Company. When the Board recognises the need to appoint a director, the Nomination Committee may identify or select candidates recommended to the Committee, with or without assistance from external agencies. The Nomination Committee may then use any process that it considers appropriate in connection with its evaluation of a candidate, including but not limited to personal interviews and background checks. The Nomination Committee will have regard to the following factors when considering a candidate including without limitation:

- skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;
- effect on the board's composition and diversity;
- commitment of the candidate to devote sufficient time to effectively carry out his/her duties;
- potential or actual conflicts of interest that may arise;
- independence of the candidate.

CORPORATE GOVERNANCE FUNCTIONS

The board is collectively responsible for performing the corporate governance duties as below:

- (i) develop and review the Company's policies and practices on corporate governance;
- (ii) review and monitor the training and continuous professional development of directors and senior management;
- (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) develop, review and monitor the code of conduct applicable to employees and directors; and
- (v) review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company in 2004. All the members of the board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021. The Model Code also applies to other specified senior management of the Group.

DIRECTORS' INTERESTS

Details of directors' interests in the securities of the Company are set out in pages 20 to 21 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The board has overall responsibility for maintaining an adequate system of risk management and internal controls of the Group and reviewing its effectiveness. The board is committed to implementing an effective and sound risk management and internal control system to safeguard the interest of shareholders and the Company's assets.

The internal control process is accomplished by the board, management and other designated personnel, and designed to provide reasonable assurance regarding the achievement of objectives.

Our approach adopted for assessing the internal controls systems is based on those set by the COSO (the Committee of Sponsoring Organisations of the Treadway Commission), a globally recognized framework which categorizes internal controls into five components as the basis of reviewing its effectiveness, namely Control Environment, Risk Assessment, Information and Communication, Control Activities and Monitoring. In assessing our internal control system based on the above principles, we have taken into consideration of the nature of business as well as the organization structure. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

Risk Management

The board is responsible for overseeing overall risk management framework of the Group. Risk is inherent in the Group's business and the markets in which it operates. The Group's overall risk management process is overseen by the board and risk management is also integrated into ongoing business activities, including business planning, capital allocation decisions, internal control and day-to-day operations. The board together with senior management, business units, auditors and internal audit consultant are committed to identifying and mitigating key risks through an effective risk management framework.

The Group's risk management framework includes different layers of roles and responsibilities. Business units regularly review their risk profiles, and carry out risk management and reporting activities from time to time. Senior management is responsible for assessing material risks at the Group level, tracking progress of mitigation plans and reporting to the board regularly. The internal audit function performed by the Consultant (as defined below) also provides assurance to the board whether the control environments are adequate. The board oversees material risks that require attention and supervises the risk management process as a whole.

Control Effectiveness

The board has conducted an annual review of the risk management and internal control system which covered the relevant financial, operational, compliance controls and risk management functions within the established framework. The board's annual review has also considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The board considered that the risk management and internal control system for the year was effective and adequate. No significant areas of concerns that may affect the financial, operational, compliance controls and risk management functions of the Group have been identified. The directors are satisfied with the effectiveness of the Group's risk management and internal controls and consider that key areas of the Group's system of internal controls are reasonably implemented, which provide prevention of material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting, efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

Corporate Governance Report

There was no internal audit function within the Group during the year. The board has appointed an external independent professional (“**Consultant**”) to perform the internal audit function for the Group for the year. The Consultant has reviewed the effectiveness of the Group’s material internal controls so as to provide assurance that key business and operational risks are identified and managed. The Consultant has reported to the board with its findings and makes recommendations to improve the risk management and internal control of the Group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more effective to appoint external independent professionals to perform internal audit functions for the Group.

With respect to procedures and internal controls for handling and dissemination of inside information, the Company has procedures and policies in place for ensuring compliance with the inside information disclosure requirements under the regulatory regime. The Company has provided Guidelines on Securities Dealing Restrictions and Disclosure Requirements to all directors and relevant employees at the relevant time in respect of assessing, reporting and disseminating inside information, and abiding shares dealing restrictions. The Company has also included in its code of business conduct and staff handbook a strict prohibition on the unauthorized disclosure or use of confidential information.

AUDITORS’ REMUNERATION

For the year ended 31 December 2021, the auditors of the Group only provided audit services to the Group and the remuneration paid by the Group to the auditors for the performance of audit services was HK\$2,000,000. In order to maintain their independence, the auditors will not be employed for non-audit work unless prior approval is obtained from the Audit Committee.

DIRECTORS’ AND INDEPENDENT AUDITORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the accounts of the Company for the year ended 31 December 2021. The statement of the auditors of the Company about their reporting responsibilities on the accounts is set out in the auditor’s report on pages 57 to 62 of this annual report.

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event in which the Chairman and all directors will make an effort to attend. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. In order to enhance minority shareholders’ rights, all resolutions put to votes by shareholders at general meetings were passed by poll. The poll results will be published on the websites of the Company and the Stock Exchange on the same date of the meetings. The Company’s corporate communications including interim and annual reports, announcements and circulars as required under the Listing Rules are published on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting and putting forward proposals at general meetings

Pursuant to the Bye-laws of the Company, shareholders holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition to the board or the company secretary, to require a special general meeting to be called by the board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act 1981 ("Act").

Pursuant to the Act, either any number of the shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than one hundred of such shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Shareholders may make enquiries to the board by writing to the company secretary at the principal office of the Company.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year, there is no substantial change in the Memorandum of Association and Bye-laws of the Company.

Environmental, Social and Governance Report

ABOUT THE REPORT

Playmates Holdings Limited (hereinafter referred to as the “Company” or “Playmates Holdings”) together with its subsidiary Playmates Toys Limited (collectively, the “Group” or “we”) has its core activities in the creation, design, marketing and global distribution of branded toys. With a sound reputation and the experience of over 40 years, we are one of the most reputable toy marketing companies globally. The Group also engages in property investments and property management businesses.

Having a deep ambition to construct long-term trusted ties with our stakeholders in the community, the Group is pleased to publish our 2021 environmental, social and governance (“ESG”) report (the “Report”) summarising our ESG performance and initiatives.

Scope of the Report

The Report examines the Company’s ESG management approaches, and the Group’s corresponding performance within our operational boundaries, which remain unchanged from the previous reporting boundary, including the sales of toys, property investment, F&B business and administrative activities in Hong Kong and the U.S. Offices from 1 January, 2021 to 31 December, 2021 (the “Reporting Period”, “2021”).

Reporting Standard

The Report has been prepared in accordance with the “Comply or Explain” provisions of the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEx ESG Reporting Guide”). The Report has been reviewed and approved by the Board of Directors of the Company (the “Board”).

Reporting Principles

During the preparation process, the Group adheres to the fundamental reporting principles, namely materiality, quantitative, balance and consistency, as outlined in the HKEx ESG Reporting Guide.

1. Materiality

We performed a materiality assessment to determine the material ESG issues and focus of this Report. The materiality matrix and details of stakeholder engagement are illustrated in later section of this Report.

2. Quantitative

All disclosed information, environmental and social KPIs were organised and calculated according to HKEx ESG Reporting Guide and standardised methodologies. The assumption and calculation principles are illustrated in the relevant sections.

3. Balance

The Board has acknowledged its responsibility to oversee the Company’s sustainable development and review the truthfulness, accuracy and completeness of this report. This report has been prepared without bias.

4. Consistency

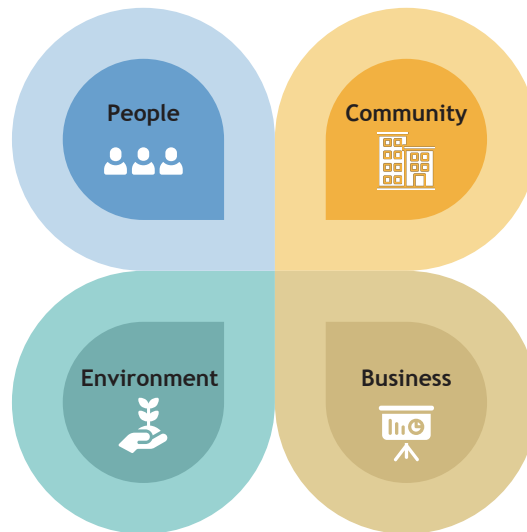
Unless otherwise specified, this Report has been prepared in the same way in terms of the reporting scope and methodologies when compared to those in previous years. We adopted consistent environmental and social data management approach to allow a fair comparison of our performance over time.

Contact and Feedback

The Group strives to build a trusted relationship with the community. We formulate our business strategies for the best interests of our stakeholders; therefore, we treasure your feedback on this ESG Report and our sustainability performance. If you have any comments or suggestions, please feel free to contact us via investor.relations@playmates.net.

OUR SUSTAINABILITY MANAGEMENT APPROACH

Aiming at achieving business sustainability in a long run, the Group has established its Corporate Social Responsibility (“CSR”) Policy by adopting a four-pillar approach focusing on aspects of business, people, community and environment. With our dedication to fostering the well-being of our stakeholders, our objectives and commitments towards the four aspects are outlined in the policy to lead the Group towards its sustainability pathway.



Four-pillar approach of the CSR Policy

Sustainability Governance

As stipulated in the policy, the Board takes up the overall responsibility to formulate the CSR strategy, regularly review the CSR practices and performance of the Group as well as the CSR Policy. The sustainability targets and goals are reviewed by the Board regularly. A CSR taskforce, comprising executives and representatives from different departments, has been established and authorised to conduct day-to-day operations to implement the CSR Policy.

ESG Risks Management

ESG risks which may impact the Group’s business and operations are incorporated into the risk assessment framework and updated by the management regularly. Each ESG risk is evaluated in terms of the significance of impact and likelihood of occurrence before prioritization. Risks with high priority are categorized as material ESG risks and will be reported to the Board from time to time.

Board meeting is organised quarterly to review the risk assessment framework, the ESG risks as well as the feedbacks collected through stakeholder engagement before formulating responsive business strategies. To ensure the risk management and internal control systems are implemented properly and effectively, the Audit Committee is responsible to oversee and discuss the systems with management. Board meeting is held every three months to inform, communicate and report the identified ESG risks to the Board.

During the Reporting Period, climate physical risk, effectiveness of disaster recovery plan, widespread disease and IT security were identified. Mitigation measures have been implemented to reduce the impact of the risks. Details of the measures are discussed in the Climate Change Resilience, Healthy and Safe Workplace, and Data Privacy section respectively.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

With an ongoing communication and engagement with its stakeholders, the Group can better understand the perspectives and expectations of its stakeholders on the Group's ESG issues of the greatest concerns, as well as the associated environmental and social impacts on the business. By gathering stakeholders' opinions and understanding their concerns, the Group can refine its management policies and approaches on ESG management, determine a more suitable way to address the ESG issues as well as making continuous improvement on its ESG performance.

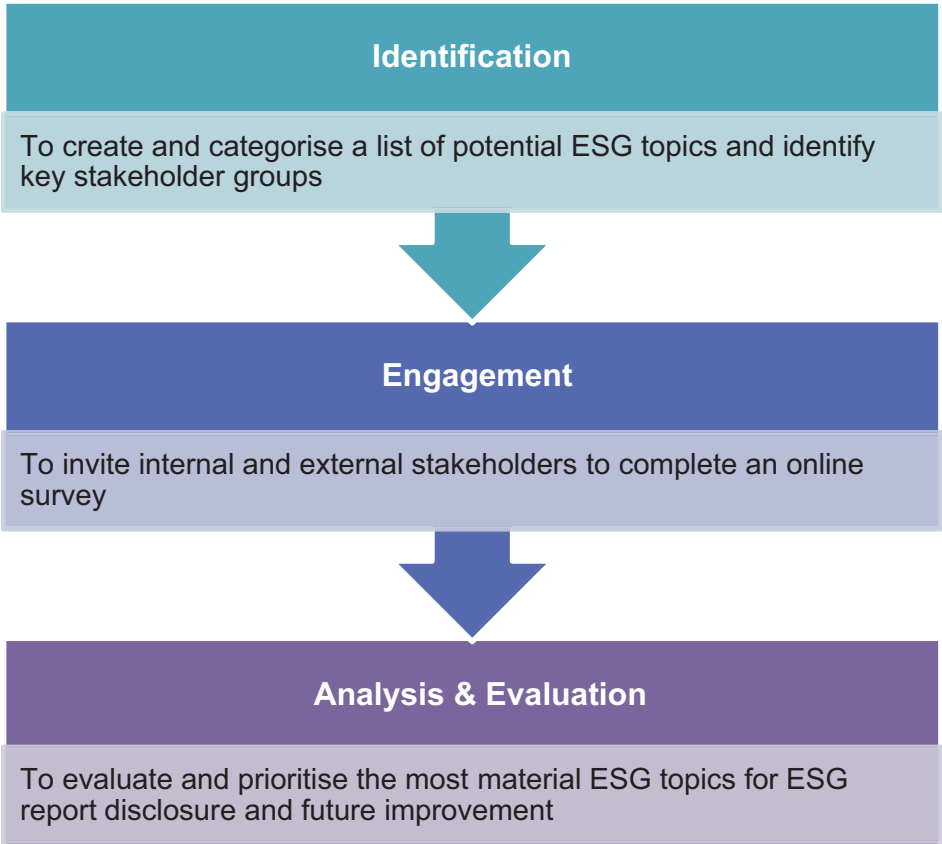
The Group has not only identified key stakeholder groups who have a significant impact on our business or those who can be significantly affected by our operations, but has also been maintaining regular communication with them through various channels, which are illustrated in the table below:

Stakeholder groups	Communication channels
Investors and shareholders	<ul style="list-style-type: none">• Company website• Phone and email• Company's publications including financial statements• Annual general meeting• Investor presentations
Customers	<ul style="list-style-type: none">• Joint business planning• Bilateral senior management meetings• Ongoing direct communication
Licensors	<ul style="list-style-type: none">• Joint business planning• Bilateral senior management meetings• Ongoing direct communication
Suppliers	<ul style="list-style-type: none">• On-site visits• Procurement processes• Compliance reporting• Audit and assessments
Tenants	<ul style="list-style-type: none">• On-site visits• Ongoing direct communication
Employees	<ul style="list-style-type: none">• Training and orientation• Staff meetings• Performance appraisal• Staff events
Community and the public	<ul style="list-style-type: none">• Company website• Company's publications• Community activities• Charity donations
Media	<ul style="list-style-type: none">• Company website• Company's publications

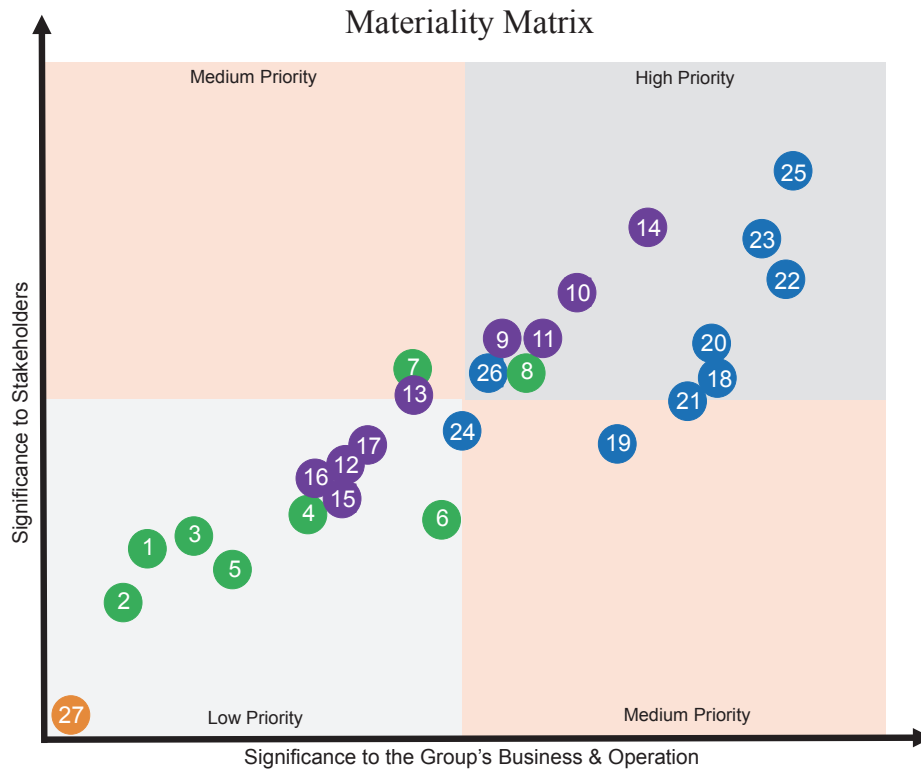
MATERIALITY ASSESSMENT

In order to provide a direction and framework for the Report and formulation of ESG management strategies, it is necessary to identify the material ESG issues that matter the most to the Group. An independent consultant has been commissioned to conduct a materiality assessment in terms of online questionnaire for the Group in order to formulate strategies for managing the material ESG issues that matter most to the Group. Our key stakeholder groups (e.g. employees, customers, suppliers, and shareholders) were invited to fill in a questionnaire and determine the relevance and importance of the identified 27 ESG topics to the Group’s business operations and the stakeholders themselves respectively.

Based on the materiality of each of the ESG topics expressed by the stakeholders, the ESG topics are prioritised and shown in the materiality assessment matrix below. The topics which fell in the upper right corner of the matrix were defined as the topics that matter most to the Group’s business operations and our stakeholders as far as they are concerned.



Environmental, Social and Governance Report



Social		
Environment	Employment	Operation
1. Air emission	9. Labour rights	18. Customer satisfaction
2. Greenhouse gas emission	10. Labour-management relations	19. Product and service quality and complaints handling
3. Climate change	11. Employee retention	20. Customer health and safety
4. Energy efficiency	12. Diversity and equal opportunity	21. Marketing and product and service labelling compliance
5. Water and effluents	13. Non-discrimination	22. Intellectual property
6. Use of materials	14. Occupational health and safety	23. Customer privacy and data protection
7. Waste management	15. Employee training	24. Responsible supply chain management
8. Environmental compliance	16. Employee development	25. Business ethics
	17. Prevention of child labour and forced labour	26. Socio-economic compliance
		Community
		27. Community investment

The above materiality assessment has helped us analyse our ESG risks and opportunities in an attempt to improve our business strategies. It has also helped us meet the sustainability reporting standards and lead us to a better resource allocation focusing on the important ESG issues. Most importantly, it provides a pathway to stakeholder satisfaction by meeting their expectations.

RESPONSIBLE OPERATIONS

We value the enduring relationship with our customers and business partners. To provide products and services of top quality in a way that satisfies the needs and requirements of the customers and tenants, we have been communicating with our customers to gain insights into the changing market demand for the products and services so that the Group can respond swiftly. In addition, we have a set of strict guidelines to ensure our employees act with integrity.

Supply Chain Management

Having an established supply chain management is not only crucial to the Group's operational efficiency, but it also contributes to the quality of our products and services. As such, stringent procedures for supplier assessment and management are in place to align with our standards and requirements. By ensuring the selection procedures are conducted in a fair, ethical and impartial manner, we are committed to maintaining a close relationship based on mutual respect with qualified suppliers for our long-term development.

To ensure we have a reliable supply chain, the Group selects and assesses suppliers, contractors and vendors based on a range of impartial and objective criteria, including quality, suitability, timeliness and competency. All suppliers, contractors and vendors are required to comply with the legal requirements and regulations in the relevant jurisdictions. During the Reporting Period, we collaborated with a total of 12 suppliers for our toy products which were all from Hong Kong.

Quality and Safety of Products and Services

Our reputation and success lay upon providing safe and high-quality products and services that meet our customers' expectations. We therefore are committed to maximising the customer satisfaction by providing them with products and services of the finest quality. In the meantime, customers can feel relaxed enjoying our products and services, knowing that we have a set of strict safety guidelines in place. During the Reporting Period, we were not aware of any material breach of relevant laws and regulations relating to health and product safety. No products sold or shipped by us was subject to recalls for safety and health reasons in 2021.

Environmental, Social and Governance Report

Advertising Ethics

We are committed to establishing a long-lasting trust with our customers by providing accurate information in our marketing and advertising publication. Our marketing strategy is complied with all relevant laws and regulations and our own ethical standards.

The Group's Advertising & Promotion Philosophy

- We will accurately portray our products in clear terms appropriate for our target audience.
- We will never communicate a misleading message.
- We will not omit important facts about our products, make false claims or deceptive statements about our competitors' offerings.

Given the business nature of our toys business, most of the advertisements and promotional materials are consumed by children. We make sure the way how information is collected in the website of Playmates Toys is complied with the US Online Privacy Protection Act, which sets out rules for collecting information from children. As a member of the "kidSAFE Seal Program", all of the content in Playmates Toys' website has been independently reviewed to ensure compliance with the standards of online safety and/or privacy.

During the Reporting Period, we were not aware of any material breach of relevant laws and regulations relating to advertising and labelling in connection with our products and services provided by the Group and method of redress.

Satisfying Our Customers' Needs

Maintaining effective communication with our customers is the key to enhancing the quality of products and services, and to maximising customer satisfaction. We communicate with our customers by arranging regular joint business planning meetings, senior management meetings as well as feedback collection and other means of direct communication. We also pay visits to our tenants regularly to facilitate communication with them. During the Reporting Period, a total number of 5 products and service related complaints were received. The complaints were handled by designated employees promptly and all the complaints were settled within the Reporting Period.

Business Integrity

The Group spares no effort in protecting our reputation and the interest of the stakeholders by exercising the highest standards of business ethics. We do not tolerate any forms of misconducts that undermine our business integrity. To achieve this, the Code of Business Conduct is in place to govern the business practices and staff behaviours.

During the Reporting Period, the Group was not aware of any material breach of Prevention of Bribery Ordinance (Cap. 201) and other laws and regulations relating to bribery, extortion, fraud, money laundering, data privacy, intellectual property, nor any legal cases regarding corruption practices against the Group or our employees.

Anti-corruption

All business activities carried out by the Group are regulated by the Code of Business Conduct, under which the employees are strictly forbidden to solicit or accept or offer any forms of advantages such as gifts, entertainment or contributions from/to customers, suppliers, public servants, employees of a government department or public body, or any person in connection with the Group's business in most circumstances. We also review our Code of Business Conduct regularly to ensure that our anti-corruption policies are consistent with applicable laws and regulations.

Our employees are required to act in the best interest of the Group. Any business decisions made or decisions taken must be independent and free from the influence of the relationship that our employees might have with our business partners, customers and regulators. Insider trading (i.e. gaining personal benefits using material non-public information) is strictly prohibited.

In the event of observing suspected breach of the Code, employees are encouraged to report the case to the respective Department Head or the management. All suspected cases will be referred to the Independent Commission Against Corruption where necessary.

In this year, we invited Independent Commission Against Corruption to provide our directors and employees with training on anti-corruption rules, regulations and practices. A total of 48 hours anti-corruption training was provided to employees at our Hong Kong offices.

Anti-money laundering

With a deep understanding of how money laundering behaviours can inflict damage to the economy, the society and the corporate reputation, the Group bears zero tolerance on any forms of money laundering behaviours. The Code of Business Conduct contains clear guidelines on what constitutes a suspicious transaction. Employees are required to report to the Ethics Resource Team for guidance if they spot any suspicious transactions.

Data privacy

Given the fact that our business areas are highly competitive, any unauthorised disclosures of business information and personal data of the Group, our business partners, customers, and employees, whether intentionally or not, would induce severe damage to the interest and reputation of the Group and other stakeholders. Hence, stringent protective measures have been carried out to secure the confidentiality of the data of the Group and relevant stakeholders.

Proprietary information of the Group, our customers and business partners must be properly labelled and securely stored. All employees have the obligation to adhere to the stringent standards on handling confidential information during the employment and after the termination of the employment. The Group bears zero tolerance on any behaviours of using the proprietary information for personal gain. To ensure data security and compliance with privacy regulations, we have entrusted designated executives to monitor the implementation of security procedures.

Intellectual property

As the core competency of the Group lies in ideas and innovation, intellectual property is one of our most valuable assets. We are committed to protecting our intellectual property rights in accordance with the relevant laws and regulations, including but not limited to trademark registration, copyright notice and patent marking. We will seek formal protection on any ideas or output developed based on the Group's resources. Meanwhile, we respect the intellectual property rights of other parties. The Group will not knowingly use the patent rights of other parties unless they are properly licensed.

Environmental, Social and Governance Report

Whistle-blowing

We have a clear set of whistle-blowing policy in place, under which all employees have the right and responsibility to report any misconducts they observe. Clear guidelines have been set out regarding the acceptance scope, violation behaviour, reporting channels, handling procedures and information confidentiality of whistle-blow incidents in accordance with related management regulations.

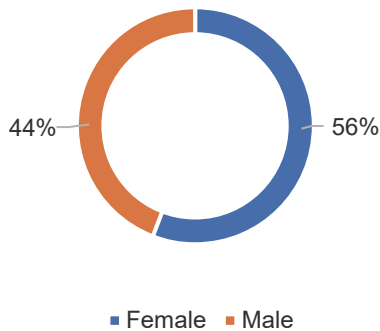
Employees can report suspected case(s) in person or in writing to the Chairman of the Group or Chairman of the Audit Committee based on the nature of the reported matter(s). Upon receiving a report, an investigation will be handled by a dedicated department in a confidential and timely manner. We ensure that the identity of whistle-blowers is secured in the highest manner possible and we do not tolerate any forms of intimidation or retaliation thereafter. Meanwhile, we make our best efforts to ensure that the information collected is accurate, and employees who deliberately provide untrue information are subject to disciplinary actions.

RESPONSIBLE EMPLOYMENT ¹

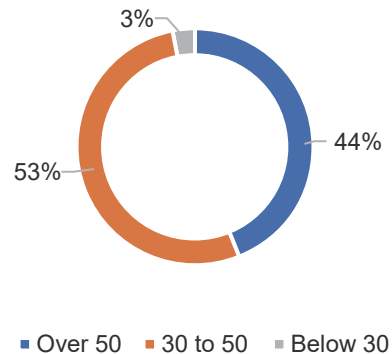
The Group's core competency lies in the possession of talented employees, whose hard work and skills have contributed to our business achievements. The Group is committed to putting in resources in enhancing employees' physical and mental health, career development, and well-being. In addition, we are committed to maintaining high employment standards and a healthy and safe workplace. We strive to provide the best possible support and opportunities to the employees so that they could thrive with us.

As at the end of the Reporting Period, the total number of employees of the Group was 71. Information of our workforce and turnover rate by different categories is illustrated below:

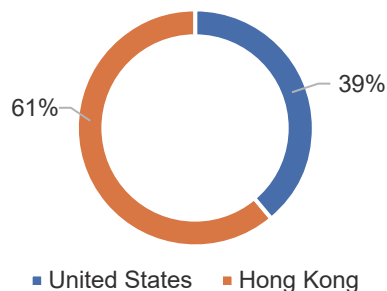
Workforce by Gender



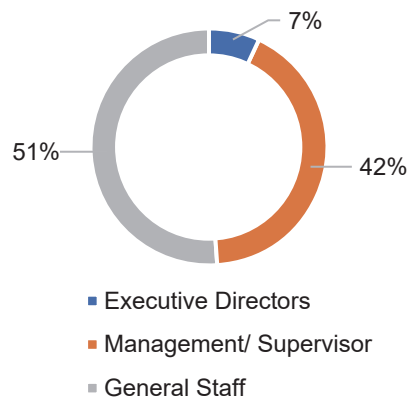
Workforce by Age Group



Workforce by Geographical Location



Workforce by Employment Category



¹ The scope of the total number of employee and the turnover rates excludes the F&B business of the Group due to disposal of business in May 2021.

Employee Turnover Rate²	% in 2021
Total	22.54%
By gender	
Male	25.81%
Female	20.00%
By geographical region	
Hong Kong	26.19%
United States	17.86%
By age group	
Below 30	0%
30 to 50	18.42%
Over 50	29.03%

Healthy and Safe Workplace

The Group endeavours to maintain a safe and healthy workplace both physically and mentally to our employees. As our businesses are principally office-based, a comprehensive safety workplace protocol can effectively eliminate safe and health risks. To protect the health of all employees, all new joiners are required to attend a medical examination and declare any known contraction of contagious or infectious disease prior to the start of employment.

The Group spares no effort in ensuring that our employees work in a drug-free workplace. Possession, consumption, sale, distribution or being under the influence of illegal drugs are strictly prohibited in our premises. We also prohibit employees from engaging in any other activities which may create an unsafe work environment while carrying out work-related responsibilities or within the Group's premises. Staff are encouraged to report any actual and potential health, safety and fire hazards to the respective Department Head or immediate supervisor as a precautionary measure to prevent any injury or damage in workplace.

Meanwhile, we adopt a set of safety guidelines in attending work during extreme weather, which is in line with the guidance set out by the Labour Department and the Hong Kong Observatory. When Typhoon Signal No. 8 or above and/or Black Rainstorm Warning is in force, employees are required to take necessary precautions and stay indoor wherever they are, and not to leave the building until the signal is lowered and the condition is safe to do so.

During the Reporting Period, the Group was not aware of any material breach of relevant laws and regulations in Hong Kong pertaining to provision of a safe working environment and protection of employees from occupational hazards, such as Occupational Safety and Health Ordinance (Cap. 509) and Employees' Compensation Ordinance (Cap. 282). Meanwhile, no work-related fatality and lost day due to work-related injuries was recorded in 2021.

2 The turnover rate of each category was calculated by dividing the number of employee who left during the Reporting Period by the number of employee of such category as at 31 December 2021.

Environmental, Social and Governance Report

	2021	2020	2019
Number of lost day due to work-related injuries	0	0	0
Number of work-related fatalities	0	0	0

Staying safe under COVID-19 pandemic

As a responsible employer, we are committed to providing everything possible to ensure the well-being and safety of our employees during the COVID-19 pandemic. We have quickly come up with a number of precautionary measures, in order to minimise the risk of COVID-19 infection as far as practicable.

Hygienic workplace

- We arrange regular cleaning and sanitizing of the office to maintain a clean and hygienic workplace.
- Staff are required to wear mask in the office and measure body temperature before work.

Flexible working arrangements

- To further mitigate the risk of employees' exposure to the virus, we have provided our employees with flexible working arrangement options such as working from home, rostering and flexible working hours, where possible and subject to business needs.

While the pandemic is still on-going, we believe these preventive measures can minimise the impacts of COVID-19 on our employees and business, and ultimately on our customers. The Group will continue to monitor the situation and put in resources to develop a safe work environment for our employees.

Employment Conditions

The Group's performance and success depend primarily on our employees. We aim to promote the growth of our employees and the Group mutually by providing a motivated workplace, in which the performance and efforts of the employees are highly valued. The Group offers remuneration packages based on factors such as performance, experience, qualifications and length of service. The remuneration policy of the Group is subject to periodic review by the Board.

Apart from the statutory holidays and paid annual leave, all eligible employees are also entitled to additional paid leave entitlements such as sick leave, marital leave, maternity leave, examination leave, compassionate leave and jury service/witness leave. At the same time, we offer benefits such as medical allowance, the Mandatory Provident Fund and tuition allowance to eligible employees.

Discrimination-free and Fair Workplace

As an equal opportunity employer, we are committed to ensuring that our workplace is fair, diverse, open, and equal working environment for our employees. Hence, any forms of discrimination or harassment based on age, gender, race, disability, marital status or other legally-protected status will not be tolerated. The anti-discrimination policy is stipulated in our Code of Business Conduct. Employment decisions are made solely on the basis of work-related factors such as employees' qualifications, experience, skills and achievements, without considering any other characteristics as stated in the applicable laws. In the event of experiencing offensive harassment or other indecency or obscenity, employees are encouraged to report to the respective Department Head or immediate supervisor immediately.

During the Reporting Period, the Group was not aware of any material breaches of relevant laws and regulations in Hong Kong, including among others the Employment Ordinance (Cap. 57), that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

Child and Forced Labour-free Workplace

We are committed to protecting the labour rights of our potential and current employees. We bear zero tolerance on any forms of child or forced labour in the Group's business operations. It is mandatory for job applicants to reach the legal working age and show their valid identification and qualification documents at the recruitment stage for background check. In the meantime, qualified candidates are required to enter into a legal-binding labour contract to ensure they are hired on a voluntary and fair basis. The enforcement of our child and forced labour policy extends to our suppliers, under which we do not knowingly use suppliers who are involved in using child and forced labour.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in Hong Kong, including among others the Employment Ordinance (Cap. 57), relating to child and forced labour.

Environmental, Social and Governance Report

Development and Training

We understand the importance of acquainting updated knowledge and the latest market trend in order to unleash the potential and creativity of our employees. To maintain our progress on the knowledge track, we are committed to devoting resources to promote learning. Eligible employees are entitled to tuition allowances and paid leave for attending external vocational, academic or professional training courses to enhance their skills or qualifications relevant to their duties at work. We also organise internal training sessions for our management regarding legal and regulatory updates and other matters that is material to the business operations of the Group to keep up with the industrial and market updates. We encourage our people to think broadly about their career advancement and goals in their annual performance-based appraisals, in which the employees are encouraged to contribute their ideas and suggestions to the Company, in order to achieve mutual growth of the employees and the Group.

We believe professional skills, expertise and lifelong development of the employees are imperative to keeping them abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions, unleash the employees' potential and ultimately, attain a sustainable business growth.

2021	
Total number of hours of training received by employees	220
Average hours of training per employee and percentage (%) of employees who received training	3.10 (57.75%)
By gender	
Male	4.06 (74.19%)
Female	2.35 (45.00%)
By employment category	
Executive directors	16.6 (100.00%)
Management/supervisor	4.20 (63.33%)
General staff	0.31 (38.89%)

ENVIRONMENTAL PROTECTION

The younger generation is among our most important customer groups. We have an indispensable obligation to start reducing carbon footprint and conserving our natural resources to fight climate change, in order to leave our planet habitable for future generations. We stay proactive in managing emerging environmental risks and advancing our performance. In order to pursue long-term and sustainable operations, we have studied the peer performance and established the following environmental targets regarding greenhouse gas (“GHG”) emissions, waste management, and energy use and water efficiency in short-term and long-term based on the average intensity of the corresponding aspect from 2017 to 2020. The Group will gradually reduce our environmental footprint and keep review the market development and opportunity to enhance our performance.

GHG emissions

- Reduce 20% carbon emissions intensity by 2027

Waste Management

- Increase waste recycling rate to 5% every year

Energy use efficiency

- Reduce 5% energy consumption intensity by 2026
- Reduce 10% energy consumption intensity by 2031

Water efficiency

- Reduce 5% of water consumption intensity by 2026
- Reduce 20% of water consumption intensity by 2031

Environmental, Social and Governance Report

Below are some environmental measures implemented during the Reporting Period:

Toys Business

- Avoid unnecessary components in our products
- Reduce packaging of our products, and use environmentally-friendly packaging materials as far as practicable
- Optimise the number of carton boxes and containers to reduce the demand for logistics, and use offpeak delivery where feasible
- Select paper from sustainable sources endorsed by the Forest Stewardship Council ("FSC") and use recycled paper where feasible in our Hong Kong offices

Property Investment & Management

- Use energy-efficient appliances as far as practicable, such as lighting and air-conditioning system in our premises
- Use environmentally -friendly cleaning products
- Promote the use of environmentally -friendly features and materials to our tenants for their renovation
- Separate waste and incentivise recycling
- Encourage our tenants to reduce water and energy consumption, and promote environmental awareness
- Provide hand dryers in toilets to reduce the consumption of paper towels
- Implement off -peak energy conservation measures during night time, such as turning off some lifts and reducing the use of chiller units

Climate Change Resilience

Climate change has become a highly concerned topic in the global market as it associates to the long-term sustainability of an organization. During the risk assessment process in the Reporting Period, climate physical risk and effectiveness of disaster recovery plan were identified as material ESG risks. In order to prepare the Group for unforeseeable climate-related disasters, such as hurricane, and extreme weather, a business contingency plan has been established to outline the identified major climate-related risks faced by the Group, the critical business functions that will be affected in identified climate-related disaster, emergency preparedness for disaster event, recommended immediate responses and recovery plans for critical operations. It is expected that implementation of the plan can reduce the disruptions to our operations and supply chain under climate-related events.

In addition, we recognise the potential impact to the building premises and ensure our insurance covers fire incidents, third party injuries within our building premises, staff injury during the course of business, and transit loss or damage of shipment of finished goods from manufacturers. The mitigation measures will be reviewed timely to prevent major loss.

Another anticipated climate-related risk lies on the potential change in governmental policies and regulations due to the increasing global concern on the climate change issues. Our operational and legal teams will regularly review and monitor our business practices and processes to ensure the compliance of the Group. External consultancy services will also be pursued when necessary.

Environmental, Social and Governance Report

Environmental Performance Table (Note 1)

	Unit	2021	2020
Air Emissions (Note 2)			
Nitrogen oxides	kg	4.52	–
Sulphur oxides	kg	0.17	–
Particulate matters	kg	0.27	–
Waste Management			
Total amount of non-hazardous waste generated	Tonnes	73.82	95.98
Sent to landfill	Tonnes	73.80	95.97
Recycled	Tonnes	0.02	0.01
Intensity	Tonnes per HK\$ million revenue	0.05	0.18
Greenhouse Gas Emission			
Total GHG emissions	Tonnes of carbon dioxide equivalent (“Tonnes CO ₂ e”)	1,250.91	1,662.68*
Scope 1 (Note 3)	Tonnes CO ₂ e	41.52	56.65*
Scope 2 (Note 4)	Tonnes CO ₂ e	1,192.10	1,587.79*
Scope 3 (Note 5)	Tonnes CO ₂ e	17.29	18.25
Intensity	Tonnes CO ₂ e per HK\$ million revenue	0.9	5.75*
Energy Consumption (Note 6)			
Total energy consumption	MWh	2,260.16	2,775.30*
Unleaded petrol	MWh	102.69	90.71*
Electricity	MWh	2,097.27	2,527.11*
Towngas (Note 7)	MWh	60.20	157.48*
Intensity	MWh per HK\$ million revenue	1.62	5.18*
Water Consumption & Discharge (Note 8)			
Total water consumption	m ³	17,162	20,873*
Intensity	m ³ per HK\$ million of revenue	12.30	38.94*
Total wastewater discharged	m ³	17,162	20,873*
Packaging Material Consumption			
Total packaging material used (Note 9)	Tonnes	3,252	1,338
Intensity	kg per number of products	0.24	0.23

Note:

1. Due to change of calculation methods and previous technical issues, some of the 2020 numbers are restated. Those numbers are marked with “*” for easy reference.
2. Due to technical issue, the 2020 air emissions data is unavailable.
3. Scope 1 refers to direct GHG emissions from the stationary and mobile sources combustion. The calculation is made reference to the published emission factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the guidance worksheets of World Resources Institute’s GHG Protocol Tool for Mobile Combustion.
4. Scope 2 refers to indirect GHG emissions from the purchased electricity and towngas. The calculation is based on the emission factors from the 2020 Sustainability Report published by the CLP and the Emission Factors for Greenhouse Gas Inventories published by the United States Environmental Protection Agency.
5. Scope 3 refers to indirect GHG emission from the consumption of paper and business air travel of employees. In 2021, the emissions from the water consumption and sewage treatment of our Hong Kong premises were also included.
6. The conversion factors from volumetric units of unleaded petrol and towngas consumption to energy units are in reference to CDP Technical note: Conversion of fuel data to MWh.
7. The consumption of towngas applies to the F&B business of the Group only.
8. In 2021, the Group had no issue in water sourcing.
9. The increase of packaging material usage in 2021 was attributed to the increased demand of our products.

COMMUNITY ENGAGEMENT

The Group cares deeply about the community where it operates. We are committed to making contribution to the society and supporting the communities through charitable donations and other forms of community engagement. In 2021, a total amount of HK\$442,720 cash donation was made to facilitate the operation of the Hong Kong Breast Cancer Foundation, UNICEF, Sachs Family Foundation and The Friends of Cambridge University in HK Ltd. Meanwhile, we encouraged our employees to participate in community contribution activities during the Reporting Period.

Environmental, Social and Governance Report

HKEx ESG Reporting Guide Index

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
A1 Emissions	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note:</p> <p>Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	ENVIRONMENTAL PROTECTION
KPI A1.1	The types of emissions and respective emissions data.	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A1.5	Description of measures to mitigate emissions and results achieved.	ENVIRONMENTAL PROTECTION
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	ENVIRONMENTAL PROTECTION
A2 Use of Resources	<p>Policies on efficient use of resources including energy, water and other raw materials.</p> <p>Note:</p> <p>Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	ENVIRONMENTAL PROTECTION

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	ENVIRONMENTAL PROTECTION
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	ENVIRONMENTAL PROTECTION – Environmental Performance Table
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	ENVIRONMENTAL PROTECTION
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENTAL PROTECTION
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	ENVIRONMENTAL PROTECTION – Climate Change Resilience
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	ENVIRONMENTAL PROTECTION – Climate Change Resilience
Aspect B: Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	RESPONSIBLE EMPLOYMENT – Employment Conditions, Discrimination-free and Fair Workplace, Child and Forced Labour-free Workplace
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	RESPONSIBLE EMPLOYMENT
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	RESPONSIBLE EMPLOYMENT

Environmental, Social and Governance Report

HKEx ESG Reporting Guide General Disclosures & KPIs	Explanation/Reference Section	
B2 Health and Safety	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</p>	<p>RESPONSIBLE EMPLOYMENT – Healthy and Safe Workplace</p>
KPI B2.1	Number and rate of work-related fatalities.	<p>RESPONSIBLE EMPLOYMENT – Healthy and Safe Workplace</p>
KPI B2.2	Lost days due to work injury.	<p>RESPONSIBLE EMPLOYMENT – Healthy and Safe Workplace</p>
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	<p>RESPONSIBLE EMPLOYMENT – Healthy and Safe Workplace</p>
B3 Development and Training	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	<p>RESPONSIBLE EMPLOYMENT – Development and Training</p>
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. executive director, middle management).	<p>RESPONSIBLE EMPLOYMENT – Development and Training</p>
KPI B3.2	The average training hours completed per employee by gender and employee category.	<p>RESPONSIBLE EMPLOYMENT – Development and Training</p>
B4 Labour Standards	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.</p>	<p>RESPONSIBLE EMPLOYMENT – Child and Forced Labour-free Workplace</p>
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<p>RESPONSIBLE EMPLOYMENT – Child and Forced Labour-free Workplace</p>

HKEx ESG Reporting Guide General Disclosures & KPIs
Explanation/Reference Section

KPI B4.2	Description of steps taken to eliminate such practices when discovered.	RESPONSIBLE EMPLOYMENT – Child and Forced Labour-free Workplace
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	RESPONSIBLE OPERATIONS – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	RESPONSIBLE OPERATIONS – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Supply Chain Management
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	RESPONSIBLE OPERATIONS – Quality and Safety of Products and Services, Advertising Ethics
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	RESPONSIBLE OPERATIONS – Quality and Safety of Products and Services
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	RESPONSIBLE OPERATIONS – Satisfying Our Customers' Needs
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	RESPONSIBLE OPERATIONS – Intellectual property
KPI B6.4	Description of quality assurance process and recall procedures.	RESPONSIBLE OPERATIONS – Quality and Safety of Products and Services

Environmental, Social and Governance Report

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Data privacy
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	RESPONSIBLE OPERATIONS – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	RESPONSIBLE OPERATIONS – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Whistle-blowing
KPI B7.3	Description of anti-corruption training provided to directors and staff.	RESPONSIBLE OPERATIONS – Anti-corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	COMMUNITY ENGAGEMENT
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	COMMUNITY ENGAGEMENT
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	COMMUNITY ENGAGEMENT

Independent Auditor's Report



**To the members of
Playmates Holdings Limited**
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Playmates Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 63 to 131, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report



Valuation of investment properties

Refer to notes 2.4 and 15 to the consolidated financial statements

The Group's investment properties measured at fair value amounted to approximately HK\$5,432 million (2020: HK\$5,505 million) as at 31 December 2021 and a net revaluation deficit on investment properties of HK\$204 million (2020: HK\$648 million) was recorded for the year then ended.

The Group engaged independent professional valuers to assess the valuation of investment properties. Significant judgments and estimation, including valuation methodologies and key assumptions used, are required to determine the fair value of investment properties by the valuers.

We identified the valuation of investment properties as a key audit matter due to the significant judgments and estimates involved and the financial impacts on the consolidated financial statements.

How the matter was addressed in our report

Our audit procedures in relation to valuation of investment properties included:

- assessing the competence, capabilities and objectivity of the independent professional valuers;
- evaluating and assessing the methodologies adopted and the appropriateness of the key assumptions, including market rent, capitalisation rate, etc, by referencing to market information and by comparing the fair value of other comparable properties.

Revenue recognition for sales of toys

Refer to notes 2.14 and 4 to the consolidated financial statements

Revenue principally comprises revenue from the design, development, marketing and distribution of toys and family entertainment activity products.

Sales of toys are recognised when control of the goods has been transferred to the customers, being at the point in time when the goods are delivered.

We identified the recognition of revenue as a key audit matter because of its significance to the Group and revenue is one of the key performance indicators of the Group, therefore it is a significant audit risk area.

How the matter was addressed in our report

Our audit procedures to assess the recognition of revenue included:

- obtaining an understanding of internal controls over revenue recognition;
- reviewing sales agreements and/or sales orders from customers, on a sample basis, to understand the terms of the sales transactions to assess if the Group's revenue recognition criteria were in accordance with the requirements of the prevailing accounting standards;
- assessing, on a sample basis, whether revenue transactions recorded during the financial year had been occurred by comparing the transactions selected with relevant underlying documentation, including goods delivery notes and the terms of sale as set out in the sales agreements;
- assessing, on a sample basis, whether specific revenue transactions around the financial year end had been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including goods delivery notes and the terms of sale as set out in the sales agreements;
- identifying if there are any significant adjustments to revenue during the reporting period, understanding the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

Valuation of advanced royalties

Refer to notes 2.15 and 21 to the consolidated financial statements

We identified the valuation of advanced royalties as a key audit matter as significant management judgments and estimations are required in assessing the realisation of advanced royalties through future product sales, with reference to the historical sales pattern, expectation of future product sales based on current market conditions and other specific attributes that might have an impact on the sales forecast.

As at 31 December 2021, the Group has advanced royalties amounted to approximately HK\$52 million (2020: HK\$50 million) in the consolidated statement of financial position.

Independent Auditor's Report



How the matter was addressed in our report

Our audit procedures to assess the valuation of advanced royalties included:

- obtaining an understanding of the management's assessment on the realisation of advanced royalties;
- obtaining the management's sales forecast and comparing to historical sales pattern to evaluate the reasonableness of the management's assessment on the sufficiency of future product sales in support of the recoupment of advanced royalties;
- obtaining an understanding of how the allowance for unfulfilled royalties is estimated by the management;
- reviewing the license agreements to understand the terms of agreement including the licensing period, guaranteed royalties and royalty rates;
- assessing, on a sample basis, whether the advanced royalties recorded during the financial year had been occurred by comparing the transactions selected with relevant underlying documentation, including bank payment advices, invoices issued by licensors and the terms of agreement as set out in the license agreements;
- testing, on a sample basis, the mathematic accuracy of the computation of royalties and whether the recoupment of advanced royalties is properly recorded;
- identifying if there are any significant adjustments to advanced royalties during the reporting period, understanding the reasons for such adjustments and comparing the details of adjustments with relevant underlying documentation.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report



Grant Thornton

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- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

4 March 2022

Lin Ching Yee Daniel

Practising Certificate No.: P02771

Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 US\$'000 (Note 34)	2021 HK\$'000	2020 HK\$'000
Revenue	4	111,066	860,763	536,320
Cost of sales		(43,469)	(336,883)	(165,611)
Gross profit		67,597	523,880	370,709
Other revenue	25(i)	–	–	17,976
Marketing expenses		(17,761)	(137,648)	(82,191)
Selling and distribution expenses		(3,960)	(30,690)	(6,552)
Administration expenses		(17,753)	(137,589)	(140,632)
Net (loss)/gain on financial assets at fair value through profit or loss	6	(574)	(4,447)	5,600
Net revaluation deficit on investment properties	15	(26,339)	(204,127)	(647,501)
Operating profit/(loss)		1,210	9,379	(482,591)
Other net (loss)/income	8	(84)	(650)	18,289
Finance costs	9	(1,743)	(13,508)	(17,489)
Loss before income tax	7	(617)	(4,779)	(481,791)
Income tax expense	10	(2,814)	(21,812)	(40,697)
Loss for the year		(3,431)	(26,591)	(522,488)
(Loss)/Profit for the year attributable to:				
Owners of the Company		(6,378)	(49,430)	(507,600)
Non-controlling interests		2,947	22,839	(14,888)
		(3,431)	(26,591)	(522,488)
		<i>US cents</i>	<i>HK cents</i>	HK cents
Loss per share	12			
Basic		(0.30)	(2.36)	(24.09)
Diluted		(0.30)	(2.36)	(24.09)

The notes on pages 71 to 131 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 <i>US\$'000</i> <i>(Note 34)</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	(3,431)	(26,591)	(522,488)
Other comprehensive income, including reclassification adjustments:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign subsidiaries	(1,203)	(9,326)	6,489
– Release of exchange reserve upon disposal of a subsidiary	757	5,869	–
Item that will not be reclassified to profit or loss:			
– Surplus on revaluation of land and buildings	12,673	98,216	–
Total comprehensive income for the year	8,796	68,168	(515,999)
Total comprehensive income attributable to:			
Owners of the Company	5,849	45,329	(498,520)
Non-controlling interests	2,947	22,839	(17,479)
	8,796	68,168	(515,999)

The notes on pages 71 to 131 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 US\$'000 (Note 34)	2021 HK\$'000	2020 HK\$'000
Non-current assets				
Fixed assets				
– Investment properties	15	700,911	5,432,064	5,504,721
– Other property, plant and equipment	15	20,113	155,874	218,792
		721,024	5,587,938	5,723,513
Right-of-use assets	16.1	2,059	15,959	–
Goodwill	17	771	5,976	5,976
Prepayments	21	1,085	8,409	36,905
Deferred tax assets	27	4,285	33,206	18,619
		729,224	5,651,488	5,785,013
Current assets				
Inventories	19	7,485	58,007	10,421
Trade receivables	20	16,630	128,879	45,636
Deposits paid, other receivables and prepayments	21	9,455	73,280	50,575
Taxation recoverable		105	813	855
Financial assets at fair value through profit or loss	22	20,768	160,955	85,156
Cash and bank balances	30.2	188,992	1,464,689	1,475,511
		243,435	1,886,623	1,668,154
Current liabilities				
Bank loans	23	75,045	581,600	527,200
Trade payables	24	3,688	28,585	10,855
Deposits received, other payables and accrued charges	25	27,389	212,262	131,344
Provisions	26	4,811	37,287	23,391
Lease liabilities	16.2	432	3,346	–
Taxation payable		1,296	10,044	9,144
		112,661	873,124	701,934
Net current assets		130,774	1,013,499	966,220
Total assets less current liabilities		859,998	6,664,987	6,751,233

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 US\$'000 (Note 34)	2021 HK\$'000	2020 HK\$'000
Non-current liabilities				
Bank loans	23	25,829	200,175	214,875
Lease liabilities	16.2	1,783	13,816	–
Deferred tax liabilities	27	5,240	40,611	35,466
		32,852	254,602	250,341
Net assets		827,146	6,410,385	6,500,892
Equity				
Share capital	29.1	2,697	20,900	20,928
Reserves		761,331	5,900,320	6,013,747
Equity attributable to the owners of the Company				
		764,028	5,921,220	6,034,675
Non-controlling interests				
		63,118	489,165	466,217
Total equity		827,146	6,410,385	6,500,892

On behalf of the board

CHAN, Helen

Director

CHAN Kong Keung, Stephen

Director

The notes on pages 71 to 131 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 US\$'000 (Note 34)	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities				
Cash generated from operations	30.1	25,649	198,783	169,328
Interest paid		(1,396)	(10,822)	(15,988)
Interest received		49	383	2,897
Dividends received from financial assets at fair value through profit or loss		284	2,203	2,107
Hong Kong profits tax paid		(3,631)	(28,140)	(57,807)
Hong Kong profits tax refunded		47	367	2,751
Overseas tax paid		(375)	(2,903)	(5,828)
Net cash generated from operating activities		20,627	159,871	97,460
Cash flows from investing activities				
Capitalised subsequent expenditure on investment properties		(3,066)	(23,759)	(16,500)
Purchases of other property, plant and equipment		(24)	(188)	(949)
Prepayments for fixed assets		(1,085)	(8,409)	(3,055)
Purchases of financial assets at fair value through profit or loss		(9,421)	(73,016)	(3,908)
Dividends received from financial assets at fair value through profit or loss		51	394	–
Interest received		108	836	6,369
Proceeds from disposal of subsidiaries, net of cash disposed of (Note 32(iv))		7,734	59,940	–
Net cash used in investing activities		(5,703)	(44,202)	(18,043)

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 US\$'000 (Note 34)	2021 HK\$'000	2020 HK\$'000
Cash flows from financing activities				
Repurchase of shares of the Company		(299)	(2,319)	(21,021)
New bank loans	30.3	7,742	60,000	14,000
Repayment of bank loans	30.3	(2,619)	(20,300)	(37,269)
Dividends paid to owners of the Company		(20,226)	(156,750)	(95,072)
Payment of lease liabilities	30.3	(431)	(3,340)	(1,909)
Net cash used in financing activities		(15,833)	(122,709)	(141,271)
Net decrease in cash and cash equivalents		(909)	(7,040)	(61,854)
Cash and cash equivalents at 1 January		190,389	1,475,511	1,541,334
Effect of foreign exchange rate changes		(488)	(3,782)	(3,969)
Cash and cash equivalents at 31 December	30.2	188,992	1,464,689	1,475,511

The notes on pages 71 to 131 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Share repurchase reserve	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2020	21,169	140,908	8,685	(451)	(25,874)	7,209	31,812	6,463,706	6,647,164	482,813	7,129,977	
Loss for the year	-	-	-	-	-	-	-	(507,600)	(507,600)	(14,888)	(522,488)	
Other comprehensive income:												
Exchange differences arising on translation of foreign subsidiaries	-	-	-	-	9,080	-	-	-	9,080	(2,591)	6,489	
Total comprehensive income for the year	-	-	-	-	9,080	-	-	(507,600)	(498,520)	(17,479)	(515,999)	
Repurchase of shares of the Company	(241)	(20,992)	241	212	-	-	-	(241)	(21,021)	-	(21,021)	
Share option scheme												
- value of services	-	-	-	-	-	913	-	-	913	883	1,796	
- share options lapsed	-	-	-	-	-	(675)	-	675	-	-	-	
2019 second interim dividend paid	-	-	-	-	-	-	-	(31,747)	(31,747)	-	(31,747)	
2019 second special interim dividend paid	-	-	-	-	-	-	-	(31,748)	(31,748)	-	(31,748)	
2020 first interim dividend paid	-	-	-	-	-	-	-	(31,577)	(31,577)	-	(31,577)	
Unclaimed dividends forfeited	-	-	-	-	-	-	-	1,211	1,211	-	1,211	
Transactions with owners	(241)	(20,992)	241	212	-	238	-	(93,427)	(113,969)	883	(113,086)	
At 31 December 2020	20,928	119,916	8,926	(239)	(16,794)	7,447	31,812	5,862,679	6,034,675	466,217	6,500,892	

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company										Total equity HK\$'000
	Share capital	Share premium	Capital redemption reserve	Share repurchase reserve	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Retained profits	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021	20,928	119,916	8,926	(239)	(16,794)	7,447	31,812	5,862,679	6,034,675	466,217	6,500,892
Loss for the year	-	-	-	-	-	-	-	(49,430)	(49,430)	22,839	(26,591)
Other comprehensive income:											
Exchange differences arising on translation of foreign subsidiaries	-	-	-	-	(9,326)	-	-	-	(9,326)	-	(9,326)
Release of exchange reserve upon disposal of a subsidiary (Note 32(iii))	-	-	-	-	5,869	-	-	-	5,869	-	5,869
Surplus on revaluation of land and buildings	-	-	-	-	-	-	98,216	-	98,216	-	98,216
Total comprehensive income for the year	-	-	-	-	(3,457)	-	98,216	(49,430)	45,329	22,839	68,168
Repurchase of shares of the Company	(28)	(2,530)	28	239	-	-	-	(28)	(2,319)	-	(2,319)
Share option scheme											
- value of services	-	-	-	-	-	182	-	-	182	175	357
- share options lapsed	-	-	-	-	-	(760)	-	760	-	-	-
2020 second interim dividend paid	-	-	-	-	-	-	-	(62,700)	(62,700)	-	(62,700)
2020 special interim dividend paid	-	-	-	-	-	-	-	(62,700)	(62,700)	-	(62,700)
2021 first interim dividend paid	-	-	-	-	-	-	-	(31,350)	(31,350)	-	(31,350)
Disposal of subsidiaries (Note 32(iii))	-	-	-	-	-	-	-	-	-	(125)	(125)
Unclaimed dividends forfeited											
- by the Company	-	-	-	-	-	-	-	44	44	-	44
- by a listed subsidiary	-	-	-	-	-	-	-	59	59	59	118
Transactions with owners	(28)	(2,530)	28	239	-	(578)	-	(155,915)	(158,784)	109	(158,675)
At 31 December 2021	20,900	117,386	8,954	-	(20,251)	6,869	130,028	5,657,334	5,921,220	489,165	6,410,385

The notes on pages 71 to 131 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

1 GENERAL INFORMATION

The Company was incorporated in Bermuda on 10 October 1991. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal office is 23/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 18 to the financial statements.

The financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 4 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These 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. These financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3 to the financial statements.

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 measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on the Group's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.4 "Fixed assets", note 2.6 "Inventories", note 2.7 "Financial assets", note 2.8 "Impairment of non-financial assets", note 2.11 "Provisions", note 2.15 "Advertising and marketing expenses, advanced royalties and product development costs", note 2.18 "Deferred taxation" and note 2.19 "Current taxation" to the financial statements. Other than that, no significant accounting estimations and judgments have been made.

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as the “Group”) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income respectively for the year between non-controlling interests and the owners of the Company.

Changes in the Group’s interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of a financial asset or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

In the Company's statement of financial position, subsidiaries are recorded at cost less any impairment losses unless the subsidiary is held for sale or included in a disposal group. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Fixed assets

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the nature and location of the investment property. The carrying amounts recognised at the end of the reporting period reflect the prevailing market conditions at the end of the reporting period.

When the use of a property changes such that it is reclassified as other property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Gains or losses arising from either changes in the fair value or the sale of an investment property are recognised in profit or loss in the period in which they arise.

Other property, plant and equipment

Other property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Gains or losses arising from the retirement or disposal are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Fixed assets (Continued)

Other property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to write off cost less their residual values over their estimated useful lives, as follows:

Land and buildings	Over the shorter of remaining lease term and 40 years
Vehicle, equipment, furniture and fixtures	3-10 years
Computers	3-5 years

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.5 Goodwill

Goodwill represents the excess of (i) aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the date of acquisition.

When (ii) is greater than (i), then this excess, after remeasurement, is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

The Group reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

2.7 **Financial assets**

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Except for those trade receivables that do not contain a significant financing component which are measured at the transaction price, all financial assets are initially measured at fair value. On initial recognition, transaction costs that are directly attributable to the purchase of financial assets are added to the carrying amount of the financial assets except for financial assets at fair value through profit or loss in which case such transaction costs are recognised in profit or loss. All purchases or sales of financial assets are recognised and derecognised on a trade date basis (i.e. the date on which the Group commits to purchase or sell the financial asset).

(i) *Classification of financial assets*

Investments other than equity investments

Non-equity financial assets held by the Group are classified into one of the following measurement categories:

- amortised cost, if the financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the financial asset is calculated using the effective interest method;
- fair value through other comprehensive income (“FVOCI”) - recycling, if the contractual cash flows of the financial asset comprise solely payments of principal and interest and the financial asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses (“ECL”), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial asset is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- fair value through profit or loss (“FVPL”), if the financial asset does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the financial asset (including interest) are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

(i) Classification of financial assets (Continued)

Equity investments

Investment in equity securities are classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) in equity until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss.

The Group currently classifies its equity investments at FVPL. These equity investments are managed according to internal policies and their performance is evaluated periodically on a fair value basis. Assets in this category are classified as current assets.

Trade receivables

Trade receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. They are stated at amortised cost using the effective interest method less allowance for impairment losses and allowance for customer concession.

Other financial assets

Deposits paid, other receivables and cash and bank balances of the Group are stated at amortised cost.

(ii) Measurement of financial assets

Financial assets measured at amortised cost

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Interest income from these financial assets are recognised in profit or loss as other income in accordance with the Group's policies in note 2.14 to these financial statements. Any gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired.

Financial assets at FVPL

Financial assets at FVPL are subsequently carried at fair value. Unrealised and realised gains and losses arising from changes in the fair value of such financial assets are recognised in profit or loss in the period in which they arise.

(iii) *Impairment of financial assets*

The Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortised cost.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets measured at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

At the end of each reporting period, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is regarded as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group provides for impairment on the financial asset based on forward looking information and when there is information indicating that the debtor is in severe financial difficulty. Impaired financial assets may still be subject to enforcement activities under the Group's recovery procedures. Any subsequent recoveries made are recognised in profit or loss as reversal of impairment in the period in which the recovery occurs.

(iv) *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2.8 Impairment of non-financial assets

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. Other property, plant and equipment, right-of-use assets, advanced royalties and interest in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows which are largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and restoration, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term and is stated at cost less accumulated depreciation and impairment losses (see note 2.8).

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

Payments for capitalised leases are allocated between lease liabilities and interest expenses. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

Rental income from operating leases is recognised in accordance with note 2.14.

2.10 Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and lease liabilities. They are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.17). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

Bank loans

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Bank loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Accounting policies for lease liabilities are set out in note 2.9.

2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. All provisions are current in nature and therefore the effect of the time value of money is not material.

(i) Consumer returns

The Group uses agreed customer allowances based on a percentage of sales and information on actual consumer returns of goods to estimate return percentages. The provision is calculated based on these factors and is adjusted for any fluctuations in the returns expected by management as of each period end.

A portion of the Group's retail customers receive a fixed percentage of sales as their allowance. The allowance for each retail customer is agreed and documented in the terms of trade. Certain customers receive an allowance based on their actual consumer return experience.

In evaluating the adequacy of the prior year provision, the Group prepares an analysis to determine the reasons for unclaimed deductions. If the analysis determines that some carry forward provision amounts were no longer appropriate based on actual claims experience, the proper adjustments will be made to release the over-accrued portion.

(ii) Cooperative advertising

The Group participates in customer advertising programmes which are negotiated on an individual basis. In addition, the Group contributes toward specific expenses of the customers for in-store sales promotions and advertising circulars.

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Provisions (Continued)

(ii) Cooperative advertising (Continued)

In the case of fixed percentage, the amounts are negotiated and documented in the terms of trade with the respective customer. In the case of all special programs, the program application, limits and amounts are offered on a case by case basis by the Group. Some of the programs are set for defined periods of time or limited to a maximum number of units sold, and confirming data is provided by the retailer to finalise the actual program cost.

Claims for cooperative advertising may be received up to two years after the relevant reporting period end and, in certain cases, later. The Group reviews the provisions periodically and any unrequired amount will be reversed when determined.

(iii) Cancellation charges

The provision represents the estimated amounts that would be payable to suppliers to settle the cost incurred by them for production orders which have been or are likely to be cancelled. The Group generally settles these amounts in the year after the year that specific product ceases to be actively sold to customers.

In most cases, the vendor may try to mitigate the Group's exposure by utilising the unused components in its other products. Such arrangement may also reduce the Group's potential cancellation exposure.

At the end of each reporting period, the Group will analyse the potential cancellation charge exposure for order cancellations due to commitments for finished goods, work in process items and material authorisations. The Group will also review if any items can be carried over to be produced and sold in the subsequent year. Once any adjustment is made, the remaining exposure is adjusted by a factor representing the historical negotiated discount agreed with the suppliers.

(iv) Freight allowance

The provision represents the estimated amounts that would be payable to the Group's US retail customers for the transportation of products from the Group's third-party warehouse to the customers' distribution centers. A portion of the Group's US retail customers receive a fixed percentage of sales as their allowance. For those customers, the standard allowance is agreed and documented in the terms of trade. In addition, the Group is responsible for incidental freight-related charges, such as quantity discrepancies, late shipments and other non-compliance with the customers' shipping requirements. The Group uses information on actual incidental freight-related charges to estimate the provision percentage.

The provision is calculated based on these factors and is adjusted for any fluctuations in freight charges expected by management at the end of each reporting period. The Group also reverses any over-accrued amounts if the analysis determines that those carry forward provision amounts are no longer appropriate based on actual experience.

All provisions are established for specific exposures.

Management relies on available contemporary and historical information to evaluate each potential exposure and exercises its best judgement to estimate the amount of provision necessary and sufficient for each potential exposure.

Over – or under-provision for the above exposures, arising from subsequent events and the eventual settlement, are adjusted in that subsequent period where appropriate.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where any company of the Group repurchases the Company's equity share capital, the consideration paid, including any attributable costs, is deducted from equity (share repurchase reserve) attributable to the Company's owners until the shares are cancelled or reissued.

2.13 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract is initially recognised as deferred income within trade and other payables at fair value. Where consideration is received or receivable for issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequent to initial recognition, the amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised less accumulated amortisation, where appropriate).

2.14 Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled.

(i) Sale of toys

Revenue from sales of toys is recognised when control of the goods has been transferred to the customers, being at the point in time when the goods are delivered. Delivery occurs when the title of the products has been passed to the customers or when the risks of obsolescence and loss have been transferred to the customers according to the sales contract. Revenue from sales of toys excludes sales tax and is after deduction of any trade discounts, allowances and returns.

Historical experience is used to estimate and provide for the discount, using the most likely outcome method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Allowances and returns which give rise to variable consideration are disclosed in note 2.11 (i).

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Revenue recognition (Continued)

(i) *Sale of toys (Continued)*

Deposits from customers and distributors are recognised as a contract liability when the customer or distributor pays consideration before the Group recognises the related revenue.

(ii) *Rental income*

Rental income from letting the Group's portfolio of investment properties is recognised on a straight-line basis over the lease term.

(iii) *Property management income*

Property management income is recognised when services are rendered over time.

(iv) *Restaurant income*

Restaurant income is recognised when services are rendered.

(v) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(vi) *Interest income*

Interest income is recognised on a time proportion basis as it accrues using the effective interest method. For financial assets measured at amortised cost that are credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.15 Advertising and marketing expenses, advanced royalties and product development costs

2.15.1 Advertising and marketing expenses are expensed as incurred.

2.15.2 Advanced royalties represent prepayments made to licensors of intellectual properties under licensing agreements which are recoupable against future royalties. Advanced royalties are amortised at the contractual royalty rate based on actual product sales. Management evaluates the future realisation of advanced royalties periodically and charges to expense any amounts that management deems unlikely to be recoupable at the contractual royalty rate through product sales. All advanced royalties are amortised within the term of the license agreement and are written off upon the abandonment of the product or upon the determination that there is significant doubt as to the success of the product.

2.15.3 Product development costs are recognised as intangible assets when the following criteria are met:

- (i) demonstration of technical feasibility of completing the product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

All other product development costs are charged to profit or loss as incurred.

2.16 Employee benefits

2.16.1 Employee leave entitlements

Employees' entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave entitlements as a result of services rendered by employees up to the end of the reporting period.

2.16.2 Pension obligations

The Group operates defined contribution provident fund schemes for its employees, the assets of which are held separately from those of the Group in independently administered funds. The Group's contributions under the schemes are charged to profit or loss as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any contributions forfeited from employees who leave the Group, relating to unvested benefits, are used to reduce the Group's ongoing contributions otherwise payable.

2.16.3 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share-based compensation reserve within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At the end of each reporting period, the Group revises the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based compensation reserve until the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Deferred taxation

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

For investment properties measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment properties entirely through sale.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.19 Current taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense/credit in profit or loss.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (i) the Group has the legally enforceable right to set off the recognised amounts; and
- (ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group is subject to income taxes in certain jurisdictions other than Hong Kong. The Group engages tax professionals to calculate provisions for income taxes. Judgment is required in such calculations. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period which such determination is made.

2.20 Foreign currency translation

The financial statements are presented in Hong Kong dollar (HK\$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the end of the reporting period retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollar. Assets and liabilities have been translated into Hong Kong dollar at the closing rates at the end of the reporting period. Income and expenses have been converted into the Hong Kong dollar at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Notes to the Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Foreign currency translation (Continued)

When a foreign operation is sold or closed, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified from equity to profit or loss as part of the gain or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2.21 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.22 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, and operates restaurants.

Investment business: this segment invests in financial instruments including listed equity and managed funds for interest income and dividend income and to gain from the appreciation in instruments' values.

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

Each of these reportable segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at arm's length prices.

Segment assets include all tangible and intangible non-current and current assets except deferred tax assets, taxation recoverable and other corporate assets which namely "unallocated assets". Segment liabilities include all current and non-current liabilities except deferred tax liabilities, taxation payable and other corporate payables which namely "unallocated liabilities". Corporate assets and liabilities are not allocated to a segment as they are not directly attributable to the business activities of any reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

2.23 Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family or a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ADOPTION OF NEW OR AMENDED HKFRSs

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

3 ADOPTION OF NEW OR AMENDED HKFRSs (CONTINUED)

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

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

4 REVENUE

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

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

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

5 SEGMENT INFORMATION

5.1 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 year ended 31 December 2021 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross revenue from contracts with customers by timing of revenue recognition				
– Point in time	5,627	–	625,108	630,735
– Over time	21,528	–	–	21,528
Gross revenue from other sources	214,771	2,586	–	217,357
Inter-segment revenue	(8,857)	–	–	(8,857)
Revenue from external customers	233,069	2,586	625,108	860,763
Segment (loss)/profit before depreciation	(6,992)	(2,261)	41,818	32,565
Depreciation	(10,324)	–	(4,480)	(14,804)
Segment operating (loss)/profit	(17,316)	(2,261)	37,338	17,761
Other net income/(loss)	2,374	(296)	(2,728)	(650)
Finance costs	(10,879)	(23)	(2,568)	(13,470)
	(8,505)	(319)	(5,296)	(14,120)
Segment (loss)/profit before income tax (<i>Note</i>)	(25,821)	(2,580)	32,042	3,641
Unallocated corporate expenses				(8,420)
Loss before income tax				(4,779)

Note:

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

5 SEGMENT INFORMATION (CONTINUED)

5.1 Segment results, assets and liabilities (Continued)

The segment results for the year ended 31 December 2020 are as follows:

	Property investments and associated businesses HK\$'000	Investment business HK\$'000	Toy business HK\$'000	Total HK\$'000
Gross revenue from contracts with customers by timing of revenue recognition				
– Point in time	12,919	–	289,240	302,159
– Over time	23,447	–	–	23,447
Gross revenue from other sources	215,702	5,004	–	220,706
Inter-segment revenue	(9,992)	–	–	(9,992)
Revenue from external customers	242,076	5,004	289,240	536,320
Segment (loss)/profit before depreciation	(445,260)	10,279	(30,321)	(465,302)
Depreciation	(12,144)	–	(2,956)	(15,100)
Segment operating (loss)/profit	(457,404)	10,279	(33,277)	(480,402)
Other net income	2,170	–	12,015	14,185
Finance costs	(16,002)	(29)	(1,308)	(17,339)
	(13,832)	(29)	10,707	(3,154)
Segment (loss)/profit before income tax (<i>Note</i>)	(471,236)	10,250	(22,570)	(483,556)
Unallocated other income				4,087
Unallocated corporate expenses				(2,322)
Loss before income tax				(481,791)

Note:

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

Interest income	1	2,897	6,352
Dividend income	–	2,107	–
Net revaluation deficit on investment properties	(647,501)	–	–
Net gain on financial assets at fair value through profit or loss	–	5,600	3,113

The segment assets and liabilities as at 31 December 2021 are as follows:

	Property investments and associated businesses <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)	5,639,955	640,146	1,226,896	7,506,997
Inter-segment elimination	–	–	(6,387)	(6,387)
Deferred tax assets				33,206
Taxation recoverable				813
Unallocated assets				3,482
Total assets				7,538,111
Reportable segment liabilities	829,096	–	253,490	1,082,586
Inter-segment elimination	(1,523)	–	(4,864)	(6,387)
Deferred tax liabilities				40,611
Taxation payable				10,044
Unallocated liabilities				872
Total liabilities				1,127,726
Capital expenditure	30,603	–	188	

Notes to the Financial Statements

For the year ended 31 December 2021

5 SEGMENT INFORMATION (CONTINUED)

5.1 Segment results, assets and liabilities (Continued)

The segment assets and liabilities as at 31 December 2020 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	5,777,846	589,664	1,073,538	7,441,048
Inter-segment elimination	–	–	(13,204)	(13,204)
Deferred tax assets				18,619
Taxation recoverable				855
Unallocated assets				5,849
Total assets				7,453,167
Reportable segment liabilities	790,244	–	129,748	919,992
Inter-segment elimination	(1,851)	–	(11,353)	(13,204)
Deferred tax liabilities				35,466
Taxation payable				9,144
Unallocated liabilities				877
Total liabilities				952,275
Capital expenditure	21,469	–	755	

5.2 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	234,802	244,206	5,127,759	5,243,462
Americas				
– U.S.A.	344,854	164,070	187,666	166,041
– Others	44,862	22,348	–	–
Europe	193,185	87,909	209,087	255,005
Asia Pacific other than Hong Kong	41,906	16,799	93,770	101,886
Others	1,154	988	–	–
	625,961	292,114	490,523	522,932
	860,763	536,320	5,618,282	5,766,394

5.3 Major customers

The Group's customer base includes three (2020: two) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK\$185,193,000, HK\$168,930,000 and HK\$141,060,000 (2020: HK\$171,722,000 and HK\$100,923,000) respectively.

6 NET (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Net unrealised (loss)/gain on financial assets at fair value through profit or loss	(4,467)	541
Net realised gain on financial assets at fair value through profit or loss	20	5,059
	(4,447)	5,600

Notes to the Financial Statements

For the year ended 31 December 2021

7 LOSS BEFORE INCOME TAX

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

	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	299,088	129,394
Write down/(Reversal of write down) of inventories	330	(139)
Product development and tooling costs	18,986	20,275
Royalties expenses	84,688	54,498
Direct operating expenses arising from investment properties that generate rental income	4,617	3,518
Direct operating expenses arising from investment properties that did not generate rental income	1,493	1,387
Provision for consumer returns, cooperative advertising, cancellation charges and freight allowance (Note 26)	28,960	11,428
Reversal of unutilised provision for consumer returns, cooperative advertising, cancellation charges and freight allowance (Note 26)	(4,130)	(14,634)
Depreciation		
– other property, plant and equipment (Note 15)	11,223	13,384
– right-of-use assets (Note 16.1)	3,613	1,732
Directors' and staff remunerations (Note 13)	81,655	87,281
Allowance for customer concession	4,572	2,408
Reversal of allowance for customer concession	(6,640)	(116)
Loss on disposal of other property, plant and equipment	–	5
Auditors' remuneration	2,000	1,800

8 OTHER NET (LOSS)/INCOME

	2021 HK\$'000	2020 HK\$'000
Net investment (loss)/gain and income from		
Playmates Toys' treasury investments	(7,567)	9,465
Government subsidies	5,910	6,132
Gain on disposal of subsidiaries (Note 32(iii))	1,399	–
Net foreign exchange loss on bank loans	–	(1,969)
Others (Note)	(392)	4,661
	(650)	18,289

Note:

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

9 FINANCE COSTS

	2021	2020
	HK\$'000	HK\$'000
Interest on bank loans	10,822	15,989
Interest on lease liabilities	930	67
Bank charges	1,756	1,433
	13,508	17,489

10 INCOME TAX EXPENSE

10.1 Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

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

Notes to the Financial Statements

For the year ended 31 December 2021

10 INCOME TAX EXPENSE (CONTINUED)

10.2 Reconciliation between tax expense and accounting loss at applicable tax rates:

	2021 HK\$'000	2020 HK\$'000
Loss before income tax	(4,779)	(481,791)
Tax on loss before income tax, calculated at the rates applicable to loss in the tax jurisdiction concerned	(2,214)	(78,683)
Tax effect of:		
Non-taxable income	(2,528)	(4,677)
Non-deductible expenses	38,566	114,958
Utilisation of previously unrecognised tax losses	(12,897)	–
Unrecognised tax losses	993	9,669
Recognition of previously unrecognised temporary differences	–	(16)
Over provision in prior years	(108)	(554)
Income tax expense	21,812	40,697

11 DIVIDENDS

11.1 Dividends attributable to the year

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

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

At a meeting held on 4 March 2022, the board of directors declared a second interim dividend of HK cents 1.5 per share and a special interim dividend of HK cents 1.5 per share to be paid on 8 April 2022 to shareholders whose names appear on the Company's register of members on 22 March 2022. This second interim dividend and special interim dividend declared after the end of the reporting period have not been recognised as liabilities in the financial statements for the year ended 31 December 2021.

11.2 Dividends attributable to previous financial year and paid during the year

	2021 HK\$'000	2020 HK\$'000
Dividends in respect of the previous financial year and paid during the year:		
Second interim dividend of HK cents 3.0 per share (2020: HK cents 1.5 per share)	62,700	31,747
Special interim dividend of HK cents 3.0 per share (2020: HK cents 1.5 per share)	62,700	31,748
	125,400	63,495

12 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$49,430,000 (2020: loss of HK\$507,600,000) and the weighted average number of ordinary shares of 2,090,085,000 shares (2020: 2,107,502,000 shares) in issue during the year.

Diluted loss per share for the years ended 31 December 2021 and 2020 equals to the basic loss per share as there were no potential ordinary shares.

The dilutive effect of the share options issued by the Group's listed subsidiary, Playmates Toys Limited was insignificant for the years ended 31 December 2021 and 2020.

13 DIRECTORS' AND STAFF REMUNERATIONS

	2021 HK\$'000	2020 HK\$'000
Wages, salaries and other benefits	78,893	83,447
Share-based compensation	297	1,045
Employer's contributions to provident fund (<i>Note</i>)	2,465	2,789
	81,655	87,281

Note:

For the years ended 31 December 2021 and 2020, there had been no forfeited contribution under the defined contribution schemes of the Group and therefore no amount was available to reduce the Group's ongoing contribution otherwise payable at the respective balance sheet dates.

Notes to the Financial Statements

For the year ended 31 December 2021

14 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' emoluments

The emoluments of each director disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are set out below:

Name of director	Fee 2021 HK\$'000	Salary 2021 HK\$'000	Bonus 2021 HK\$'000	Share-based compensation 2021 HK\$'000	Other benefits 2021 HK\$'000 (Note)	Employer's contribution to provident fund 2021 HK\$'000	Total 2021 HK\$'000
CHAN, Helen	10	2,400	-	13	29	36	2,488
CHAN Kong Keung, Stephen (appointed on 21 May 2021)	16	1,177	-	2	18	22	1,235
CHAN Kwong Fai, Michael (appointed on 3 December 2021)	-	173	-	-	10	10	193
CHENG Bing Kin, Alain (resigned on 31 August 2021)	14	1,568	-	15	10	24	1,631
IP Shu Wing, Charles (resigned on 21 May 2021)	120	-	-	-	-	-	120
LEE Ka Sze, Carmelo	300	-	-	-	-	-	300
LO Kai Yiu, Anthony	360	-	-	-	-	-	360
OR Ching Fai, Raymond (appointed on 21 May 2021)	222	-	-	-	-	-	222
TANG Wing Yung, Thomas	300	-	-	-	-	-	300
TO Shu Sing, Sidney (resigned and retired on 31 December 2021)	20	4,080	-	25	29	36	4,190
TSIM Tak Lung	300	-	-	-	-	-	300
YU Hon To, David (retired on 21 May 2021)	116	-	-	-	-	-	116
	1,778	9,398	-	55	96	128	11,455

Name of director	Fee	Salary	Bonus	Share-based	Other	Employer's	Total
	2020	2020	2020	compensation	benefits	contribution	2020
	HK\$'000	HK\$'000	HK\$'000	2020	2020	to provident	2020
				HK\$'000	HK\$'000	fund	HK\$'000
					(Note)	2020	HK\$'000
CHAN, Helen	10	2,160	-	44	29	36	2,279
CHENG Bing Kin, Alain	20	2,117	-	53	14	36	2,240
IP Shu Wing, Charles	310	-	-	-	-	-	310
LEE Ka Sze, Carmelo	300	-	-	-	-	-	300
LO Kai Yiu, Anthony	360	-	-	-	-	-	360
TANG Wing Yung, Thomas	300	-	-	-	-	-	300
TO Shu Sing, Sidney	20	3,672	-	89	29	36	3,846
TSIM Tak Lung	300	-	-	-	-	-	300
YU Hon To, David	300	-	-	-	-	-	300
	1,920	7,949	-	186	72	108	10,235

Note: Other benefits include medical allowance.

None of the directors have waived the right to receive their emoluments for the years ended 31 December 2021 and 2020. There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the directors in respect of the years ended 31 December 2021 and 2020.

14.2 Five highest paid individuals

Two (2020: three) of the five highest paid individuals are directors, whose emoluments are disclosed above. Details of the emoluments of the other three (2020: two) highest paid individuals are as follows:

	2021	2020
	HK\$'000	HK\$'000
Salaries, other allowances and benefits in kind	6,012	4,000
Bonuses	-	-
Share-based compensation	16	116
Employer's contributions to provident fund	240	216
	6,268	4,332

The emoluments of these three (2020: two) individuals are within the following bands:

	Number of individuals	
	2021	2020
HK\$		
2,000,001 – 2,500,000	3	2

Notes to the Financial Statements

For the year ended 31 December 2021

15 FIXED ASSETS

	Land and buildings HK\$'000	Vehicle, equipment, furniture and fixtures HK\$'000	Computers HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
Cost or valuation						
At 1 January 2021	221,900	120,222	11,705	353,827	5,504,721	5,858,548
Exchange fluctuation	-	(382)	-	(382)	(9,212)	(9,594)
Additions	-	119	69	188	-	188
Capitalised subsequent expenditure	-	-	-	-	43,599	43,599
Net revaluation deficit	-	-	-	-	(204,127)	(204,127)
Disposal of subsidiaries (Note 32(ii))	-	(18,778)	-	(18,778)	(48,717)	(67,495)
Reclassification	(74,100)	-	-	(74,100)	145,800	71,700
At 31 December 2021	147,800	101,181	11,774	260,755	5,432,064	5,692,819
Accumulated depreciation						
At 1 January 2021	67,322	56,911	10,802	135,035	-	135,035
Exchange fluctuation	-	(131)	-	(131)	-	(131)
Charge for the year	7,035	3,807	381	11,223	-	11,223
Disposal of subsidiaries (Note 32(ii))	-	(14,730)	-	(14,730)	-	(14,730)
Reclassification	(26,516)	-	-	(26,516)	-	(26,516)
At 31 December 2021	47,841	45,857	11,183	104,881	-	104,881
Net book value						
At 31 December 2021	99,959	55,324	591	155,874	5,432,064	5,587,938

Surplus/(deficit) on revaluation of land and buildings is recognised in other comprehensive income and included under "property revaluation reserve".

Net revaluation (deficit)/surplus of investment properties is recognised in the line item "net revaluation (deficit)/surplus on investment properties" on the face of the consolidated income statement.

Exchange fluctuation of investment properties is recognised in other comprehensive income in "exchange reserve".

	Land and buildings <i>HK\$'000</i>	Vehicle, equipment, furniture and fixtures <i>HK\$'000</i>	Computers <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation						
At 1 January 2020	221,900	118,235	11,488	351,623	6,119,436	6,471,059
Exchange fluctuation	–	1,844	(39)	1,805	10,415	12,220
Additions	–	178	771	949	–	949
Capitalised subsequent expenditure	–	–	–	–	22,371	22,371
Net revaluation deficit	–	–	–	–	(647,501)	(647,501)
Disposals	–	(35)	(515)	(550)	–	(550)
At 31 December 2020	221,900	120,222	11,705	353,827	5,504,721	5,858,548
Accumulated depreciation						
At 1 January 2020	58,771	52,193	10,727	121,691	–	121,691
Exchange fluctuation	–	541	(36)	505	–	505
Charge for the year	8,551	4,212	621	13,384	–	13,384
Disposals	–	(35)	(510)	(545)	–	(545)
At 31 December 2020	67,322	56,911	10,802	135,035	–	135,035
Net book value						
At 31 December 2020	154,578	63,311	903	218,792	5,504,721	5,723,513

The Group's interests in properties at their net book values are analysed as follows:

	2021		2020	
	Land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>
In Hong Kong, held under:				
Long term leases	–	661,900	–	642,000
Medium term leases	99,959	4,349,700	154,578	4,402,200
Outside Hong Kong:				
Freehold	–	420,464	–	460,521
	99,959	5,432,064	154,578	5,504,721

Notes to the Financial Statements

For the year ended 31 December 2021

15 FIXED ASSETS (CONTINUED)

Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	2021			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement:				
Investment properties in Hong Kong	–	–	5,011,600	5,011,600
Investment properties outside Hong Kong	–	–	420,464	420,464
	–	–	5,432,064	5,432,064
	2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement:				
Investment properties in Hong Kong	–	–	5,044,200	5,044,200
Investment properties outside Hong Kong	–	–	460,521	460,521
	–	–	5,504,721	5,504,721

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment properties in Hong Kong were revalued as at 31 December 2021 and 2020. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued.

The investment properties outside Hong Kong were revalued as at 31 December 2021 and 2020. The valuations were carried out by independent firms of surveyors, Knight Frank LLP, Cushman & Wakefield, Inc. and Savills Japan Co., Ltd., who have among their staff members of the Royal Institution of Chartered Surveyors, Certified General Real Estate Appraisers and Japan Association of Real Estate Appraisers, with recent experience in the location and category of the properties being valued.

The Group's management has discussion with the surveyors on the valuation assumptions when the valuation is performed at each interim and annual reporting period end.

(ii) *Information about Level 3 fair value measurements*

	Valuation technique	Unobservable input	Weighted average
Investment properties in Hong Kong	(a) Income capitalisation approach	Prevailing market rent per square foot	HK\$82 (2020: HK\$86)
		Capitalisation rate	3.6% (2020: 3.6%)
	(b) Market comparison approach	Discount on quality, location, view and floor level of the properties	2.4% (2020: 3.6%)
		(c) Residual valuation approach	Market price per square foot
	Estimated cost to completion		HK\$2,330 (2020: HK\$2,350)
	Estimated developer's profit margin	20% (2020: 20%)	
Investment properties outside Hong Kong	Market comparison approach	Premium on location and quality of the properties	3.8% (2020: 4.2%)

Notes to the Financial Statements

For the year ended 31 December 2021

15 FIXED ASSETS (CONTINUED)

Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of investment properties located in Hong Kong is determined using one of the following valuation techniques:

(a) Income capitalisation approach:

This approach capitalises the net income associated with the properties using capitalisation rates. The valuation takes into account the prevailing market rent, which is estimated by independent valuers with reference to recent lettings of comparable properties. The capitalisation rates used have been adjusted for the quality and location of the properties. The fair value measurement is positively correlated to the rental, and negatively correlated to the capitalisation rates.

(b) Market comparison approach:

This approach makes reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount mainly specific to the quality, location, view and floor level of the properties compared to the recent sales. The fair value measurement is positively correlated to the quality, location, view and floor level.

(c) Residual valuation approach:

The residual valuation method involves firstly the assessment of gross development value, which is the value of the proposed development, as if completed at the date of valuation by market comparison approach and income capitalisation approach. Estimated outstanding cost of the development including costs of construction, professional fee, finance costs and associated costs, plus an allowance for developer's risk and profit, estimated by the independent valuers, are then deducted from the gross development value. The resultant residue figure is the fair value. The fair value measurement is positively correlated to the market price and market rent, and negatively correlated to the estimated construction/other costs to completion and the estimated developer's profit margin.

The fair value of investment properties located outside Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount mainly specific to the location and quality of the properties compared to the recent sales. The fair value measurement is positively correlated to the location and quality.

Details of the principal properties of the Group as at 31 December 2021 and 2020 are as follows:

Location	Use	Category of the lease	Group's interest
The Toy House 100 Canton Road Tsimshatsui, Hong Kong	Commercial	Medium term lease	100%
A number of residential flats situated at Nos. 21 & 21A and Nos. 23 & 23A MacDonnell Road Midlevel, Hong Kong	Residential	Long term lease	100%
Playmates Factory Building 1 Tin Hau Road Tuen Mun, Hong Kong	Industrial	Medium term lease	100%

At 31 December 2021, certain of the Group's investment properties and land and buildings with a net book value of approximately HK\$4,812,400,000 and HK\$99,959,000 (2020: HK\$4,850,200,000 and HK\$154,578,000) respectively were pledged to secure general banking facilities granted to the Group (note 23).

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

16.1 Right-of-use assets

Movement during the year:

	2021	2020
	HK\$'000	HK\$'000
At 1 January	–	2,741
Exchange fluctuation	–	(18)
Additions	19,572	–
Depreciation	(3,613)	(1,732)
Adjustment due to lease modification	–	(991)
At 31 December	15,959	–

The right-of-use assets represent the Group's rights to use leased premises as offices over the lease terms.

Notes to the Financial Statements

For the year ended 31 December 2021

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

16.2 Lease liabilities

(i) Maturity analysis:

	2021 HK\$'000	2020 HK\$'000
Within one year	3,346	–
In the second year	3,644	–
In the third to fifth year	10,172	–
	17,162	–
Current portion included in current liabilities	(3,346)	–
Non-current portion included in non-current liabilities	13,816	–

(ii) Movement during the year:

	2021 HK\$'000	2020 HK\$'000
At 1 January	–	2,852
Exchange fluctuation	–	(19)
Additions	19,572	–
Interest expenses	930	67
Lease payments	(3,340)	(1,909)
Adjustment due to lease modification	–	(991)
At 31 December	17,162	–

(iii) Total cash outflows for leases during the year ended 31 December 2021 were HK\$3,340,000 (2020: HK\$1,909,000), included within financing cash flows in the consolidated cash flow statement.

17 GOODWILL

	HK\$'000
Gross and net carrying amount	
At 1 January 2020, 31 December 2020 and 31 December 2021	5,976

18 INTEREST IN SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2021 and 2020 are as follows:

Name of company	Place of incorporation	Total issued and fully paid shares	Effective percentage holding	Principal activities, place of operation
<i>Shares held indirectly:</i>				
Bagnols Limited	Hong Kong	3,001,000 ordinary shares	100%	Property investment, Hong Kong
Belmont Limited	Hong Kong	100 ordinary shares	100%	Property investment, Hong Kong
City Style Properties Limited	The British Virgin Islands	1 ordinary share of US\$1 each	100%	Property investment, Hong Kong
PIL Finance Limited	The British Virgin Islands	1 ordinary share of US\$1 each	100%	Investment holding, Hong Kong
Playmates International Company Limited	Hong Kong	1 ordinary share	50.85% <i>(Note)</i>	Toy development, marketing and distribution and related investment activities, Hong Kong
Playmates Toys Inc.	U.S.A.	305,000 common stocks of US\$30 each	50.85% <i>(Note)</i>	Toy marketing and distribution, U.S.A.
Playmates Toys Limited	Bermuda	1,180,000,000 ordinary shares of HK\$0.01 each	50.85% <i>(Note)</i>	Investment holding, Hong Kong
Prestige Property Management Limited	Hong Kong	2 ordinary shares	100%	Property management, Hong Kong
Team Green Innovation Inc.	U.S.A.	10 common stocks of US\$0.01 each	50.85% <i>(Note)</i>	Product design and development services, U.S.A.

Note: As at 31 December 2021 and 2020, the Group has 50.85% equity interest in these companies. As the Group is the majority shareholder of these companies and has control over these companies, thus these companies are subsidiaries of the Group.

The above table includes subsidiaries of the Company which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Notes to the Financial Statements

For the year ended 31 December 2021

18 INTEREST IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to Playmates Toys Limited, the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2021 HK\$'000	2020 HK\$'000
NCI percentage	49.15%	49.15%
Non-current assets	54,072	45,711
Current assets	1,204,954	1,044,887
Current liabilities	(250,012)	(132,870)
Non-current liabilities	(13,816)	(5,986)
Net assets	995,198	951,742
Carrying amount of NCI	489,165	467,805
Revenue	625,108	289,240
Profit/(Loss) for the year	42,981	(30,063)
Total comprehensive income	42,981	(35,332)
Profit/(Loss) allocated to NCI	21,126	(14,776)
Dividends paid to NCI	–	–
Cash flows generated from/(used in) operating activities	25,310	(43,183)
Cash flows (used in)/generated from investing activities	(71,975)	1,688
Cash flows used in financing activities	(8,932)	(8,360)

19 INVENTORIES

Carrying amount of inventories represent:

	2021 HK\$'000	2020 HK\$'000
Finished toys products	58,007	10,283
Food and beverage	–	138
	58,007	10,421

20 TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	145,592	64,417
Less: Allowance for customer concession	(16,713)	(18,781)
	128,879	45,636

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 by using available contemporary and historical information to evaluate the exposure.

20.1 Aging analysis

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. For property investments and management business, and restaurant operations, no credit term is granted to tenants and customers. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

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

20.2 Trade receivables that are not impaired

The aging analysis of trade receivables that are not impaired is as follows:

	2021 HK\$'000	2020 HK\$'000
Neither past due nor impaired	95,645	29,203
1 – 90 days past due	28,173	11,490
91 – 180 days past due	1,384	1,141
Over 180 days past due	3,677	3,802
	33,234	16,433
	128,879	45,636

Notes to the Financial Statements

For the year ended 31 December 2021

20 TRADE RECEIVABLES (CONTINUED)

20.2 Trade receivables that are not impaired (Continued)

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to customers that have a good track record of credit with the Group. Based on past experience and forward looking elements of the Group, impairment allowance in respect of these balances is considered to be insignificant, as there has not been a significant change in credit quality and the balances are expected to be fully recoverable. The Group does not hold any collateral over these balances. Details of the Group's credit risk management practices are disclosed in note 35.2.2.

21 DEPOSITS PAID, OTHER RECEIVABLES AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Non-current portion		
Advanced royalties (Note (i))	–	15,500
Prepayments for fixed assets	8,409	21,405
	8,409	36,905
Current portion		
Advanced royalties (Note (i))	51,775	34,002
Deferred rental income (Note (ii))	16,471	13,341
Miscellaneous prepaid expenses, deposits paid and receivables	5,034	3,232
	73,280	50,575

Note:

- (i) These advanced royalties are recoupable by the Group against future royalties payable to toy licensors for future sales of licensed toy products.
- (ii) Deferred rental income are related to rent free periods given to tenants, which are amortised over the respective lease terms.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Equity investments listed in Hong Kong	71,796	41,318
Equity investments listed outside Hong Kong	88,074	40,983
Unlisted managed funds	1,085	2,855
	160,955	85,156

23 BANK LOANS

	2021 HK\$'000	2020 HK\$'000
Secured bank loans repayable		
Within one year	581,600	527,200
In the second year	16,200	16,200
In the third to fifth year	183,975	195,475
After five years	–	3,200
	781,775	742,075
Current portion included in current liabilities	(581,600)	(527,200)
Non-current portion included in non-current liabilities	200,175	214,875

As at 31 December 2021 and 2020, all bank loans were denominated in HK dollar. All bank loans were on a floating interest rate basis and their effective interest rate at the end of the reporting period was 1.49% p.a. (2020: 1.42% p.a.).

The carrying amounts of short term bank loans approximate their fair value.

As at 31 December 2021, the Group has banking facilities amounting to HK\$990,775,000 (2020: HK\$1,003,875,000), of which HK\$781,775,000 (2020: HK\$742,075,000) were utilised.

The banking facilities of certain subsidiaries are secured by investment properties and land and buildings with net book value of HK\$4,812,400,000 and HK\$99,959,000 (2020: HK\$4,850,200,000 and HK\$154,578,000) respectively of the Group at 31 December 2021.

The Company has provided guarantees with respect to banking facilities made available to subsidiaries amounting to HK\$360,000,000 (2020: HK\$360,000,000), of which HK\$290,775,000 (2020: HK\$303,875,000) of such banking facilities were utilised as at 31 December 2021. This represents the Company's exposure under the financial guarantee contracts. Under the guarantee contracts, the Company would be liable to pay the banks if the banks are unable to recover the loans. No provision for the Company's obligation under the financial guarantee contracts has been made as it was not probable that the repayment of loans would be in default.

Notes to the Financial Statements

For the year ended 31 December 2021

24 TRADE PAYABLES

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

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

25 DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUED CHARGES

	2021 HK\$'000	2020 HK\$'000
Contract liabilities		
– Purchase commitment guarantee deposits from toy distributors (<i>Note (i)</i>)	29,739	30,748
– Sales deposits received in advance (<i>Note (ii)</i>)	24,356	14,572
Security deposits and advance receipts from tenants	34,579	37,460
Accrued product development, sales, marketing, licensing and distribution expenses	19,774	3,344
Accrued royalties	74,632	24,084
Accrued directors' and staff remunerations	7,375	5,965
Withholding tax payable	6,945	4,245
Accrued administrative expenses and professional fees	14,862	10,926
	212,262	131,344

Notes:

- (i) Certain toy distributors paid a non-refundable purchase commitment guarantee deposit in consideration of the Group granting distribution rights for sales and marketing of licensed toy products in certain territories and within a certain time period according to the distribution agreement. The distributor is entitled to recoup this paid deposit against purchases of licensed toy products from the Group by deducting a certain percentage from each sales transaction amount payable to the Group until such deposit is fully recouped. The Group recognises the recouped deposit balance as revenue at the same point of time when the products are delivered to the distributor. During the year, the Group has recognised revenue of HK\$2,714,000 (2020: HK\$2,970,000) from the balance as at the beginning of the reporting period.

Any unrecouped purchase commitment guarantee deposit at the expiry of a distribution agreement shall be forfeited and credited to profit or loss of the Group. During the year, HK\$nil (2020: HK\$17,976,000) of such deposits has been forfeited and recorded as other revenue.

- (ii) This balance represents sales deposits received in advance from toy distributors before delivery of products. The Group recognised this sales deposit balance as revenue when the products are delivered to distributors. Higher balance as at 31 December 2021 reflected higher customer orders to be delivered after year end. During the year, the Group has recognised revenue of HK\$14,572,000 (2020: HK\$1,587,000) from the balance as at the beginning of the reporting period.

26 PROVISIONS

	Consumer returns <i>HK\$'000</i>	Cooperative advertising <i>HK\$'000</i>	Cancellation charges <i>HK\$'000</i>	Freight allowance <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	5,469	10,710	977	6,235	23,391
Additional provisions made	5,039	15,592	827	7,502	28,960
Reversal of unutilised provisions	(1,349)	(1,425)	(41)	(1,315)	(4,130)
Provisions utilised	(2,474)	(5,237)	–	(3,223)	(10,934)
At 31 December 2021	6,685	19,640	1,763	9,199	37,287

27 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% (2020: 16.5%) in Hong Kong, and federal and state tax rates of 21% (2020: 21%) and 8.84% (2020: 8.84%) respectively in the U.S..

The movement in the deferred tax assets/(liabilities) during the year is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	(16,847)	(6,266)
Credited/(Charged) to profit or loss	9,807	(10,227)
Disposal of subsidiaries (<i>Note 32(ii)</i>)	(635)	–
Exchange fluctuation	270	(354)
At 31 December	(7,405)	(16,847)

Notes to the Financial Statements

For the year ended 31 December 2021

27 DEFERRED TAXATION (CONTINUED)

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year (prior to offsetting of balances within the same taxation jurisdiction) are as follows:

	Investment properties revaluation surplus HK\$'000	Accelerated tax depreciation HK\$'000	Unrealised profits on inventories HK\$'000	Tax losses HK\$'000	Other temporary differences HK\$'000 (Note (a))	Employee benefits HK\$'000 (Note (b))	Total HK\$'000
At 1 January 2020	(5,789)	(23,540)	5,731	1,489	14,643	1,200	(6,266)
Credited/(Charged) to profit or loss	(3,328)	(2,181)	(3,289)	509	(1,947)	9	(10,227)
Exchange fluctuation	(234)	(1)	(37)	-	(80)	(2)	(354)
At 31 December 2020 and 1 January 2021	(9,351)	(25,722)	2,405	1,998	12,616	1,207	(16,847)
(Charged)/Credited to profit or loss	(2,680)	(2,883)	6,326	230	8,897	(83)	9,807
Disposal of subsidiaries (Note 32(iii))	-	(635)	-	-	-	-	(635)
Exchange fluctuation	270	-	-	-	-	-	270
At 31 December 2021	(11,761)	(29,240)	8,731	2,228	21,513	1,124	(7,405)

Notes:

- (a) Other temporary differences mainly represent the provisions.
- (b) Employee benefits represents share-based compensation.

The amounts recognised in the consolidated statement of financial position are as follows:

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets	33,206	18,619
Deferred tax liabilities	(40,611)	(35,466)
Net deferred tax liabilities	(7,405)	(16,847)

Deferred tax assets not recognised

The Group has not recognised any deferred tax asset in relation to tax loss of the toys business during the years ended 31 December 2021 and 2020 due to the uncertainties in global business environment in light of the ongoing pandemic.

The Group's cumulative unrecognised tax losses as of 31 December 2021 amounted to HK\$112,704,000 (31 December 2020: HK\$212,468,000). These tax losses do not expire under respective current tax legislation.

Deferred tax liabilities not recognised

As at 31 December 2021, temporary differences relating to the undistributed profits of certain subsidiaries of the Group amounted to HK\$660,213,000 (2020: HK\$648,825,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(i) Equity settled share-based transactions of the Company

The Company has not adopted any share option scheme and has no share options outstanding during the years ended 31 December 2021 and 2020.

(ii) Equity settled share-based transactions of Playmates Toys Limited (“PTL”), an indirectly non-wholly owned subsidiary of the Company

The share option scheme of PTL adopted on 25 January 2008 (“2008 PTL Scheme”) was expired on 31 January 2018. All outstanding share options granted under the 2008 PTL Scheme will continue to be valid and exercisable in accordance with the provisions of the 2008 PTL Scheme.

A new share option scheme of PTL was adopted on 21 May 2018 (“2018 PTL Scheme”). Under the 2018 PTL Scheme, a nominal consideration at HK\$10 was paid by each option holder for each lot of share options granted. Share options are exercisable in stages in accordance with the terms of the 2018 PTL Scheme within ten years after the date of grant. All share-based compensation will be settled in equity.

The number and weighted average exercise price of share options granted under the 2008 PTL Scheme and 2018 PTL Scheme are as follows:

	2021		2020	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
At 1 January	0.796	56,579	0.795	58,596
Granted		–		–
Exercised		–		–
Lapsed	0.698	(4,694)	0.750	(2,017)
At 31 December	0.805	51,885	0.796	56,579
Exercisable at 31 December	0.805	51,885	0.792	49,496

Subject to the waiver or variation by the board of PTL from time to time at its sole discretion, in general 25% of the shares options granted shall be vested each year commencing on the date of grant and exercisable until the expiration of the relevant option period. No share options were cancelled during the year.

The share options outstanding at 31 December 2021 had a weighted average remaining contractual life of 3.61 years (2020: 4.41 years).

In 2021, HK\$357,000 (2020: HK\$1,796,000) share-based compensation expense had been included in the consolidated income statement and the corresponding amount of which had been credited to share-based compensation reserve of PTL. No liabilities were recognised for share-based payment transactions.

Notes to the Financial Statements

For the year ended 31 December 2021

29 EQUITY – GROUP AND COMPANY

29.1 Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2021 and 2020	30,000,000,000	300,000
	Issued and fully paid Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2020	2,116,910,000	21,169
Cancellation of repurchased shares	(24,150,000)	(241)
At 31 December 2020 and 1 January 2021	2,092,760,000	20,928
Cancellation of repurchased shares (<i>Note</i>)	(2,760,000)	(28)
At 31 December 2021	2,090,000,000	20,900

Note:

During the year, the Company repurchased a total of 2,500,000 shares of HK\$0.01 each of the Company on the Stock Exchange as follows:

Month/year	Par value per share <i>HK\$</i>	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$'000</i>
January 2021	0.01	2,500,000	0.94	0.91	2,319

All of the above repurchased shares were cancelled during the year. The issued capital of the Company was accordingly diminished by the nominal value of these shares. The premium paid on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserve.

29.2 Reserves

Company

	Share premium <i>HK\$'000</i>	Share repurchase reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	139,052	(451)	8,685	1,334,411	1,481,697
Profit for the year	-	-	-	149,488	149,488
Repurchase of shares	(20,992)	212	241	(241)	(20,780)
2019 second interim dividend paid	-	-	-	(31,747)	(31,747)
2019 second special interim dividend paid	-	-	-	(31,748)	(31,748)
2020 first interim dividend paid	-	-	-	(31,577)	(31,577)
Unclaimed dividends forfeited	-	-	-	1,211	1,211
At 31 December 2020	118,060	(239)	8,926	1,389,797	1,516,544
At 1 January 2021	118,060	(239)	8,926	1,389,797	1,516,544
Profit for the year	-	-	-	150,703	150,703
Repurchase of shares	(2,530)	239	28	(28)	(2,291)
2020 second interim dividend paid	-	-	-	(62,700)	(62,700)
2020 special interim dividend paid	-	-	-	(62,700)	(62,700)
2021 first interim dividend paid	-	-	-	(31,350)	(31,350)
Unclaimed dividends forfeited	-	-	-	44	44
At 31 December 2021	115,530	-	8,954	1,383,766	1,508,250

The application of the share premium account and the capital redemption reserve account is governed by the Companies Act 1981 of Bermuda.

29.3 Capital management

The Group's capital management is primarily to provide a reasonable return for owners of the Company and benefits for other stakeholders and to safeguard the Group's ability to continue as a going concern.

Capital represents total equity and debts. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. The Group may maintain or adjust the capital structure by taking necessary measures including issuing new shares and raising new debt financing.

The net debt to equity ratio defined and calculated by the Group as total borrowings less cash and cash equivalents expressed as a percentage of total equity. The ratio is not presented as the Group has no net debt at 31 December 2021 and 2020.

Notes to the Financial Statements

For the year ended 31 December 2021

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

30.1 Reconciliation of loss before income tax to cash generated from operations

	2021 HK\$'000	2020 HK\$'000
Loss before income tax	(4,779)	(481,791)
Interest income	(1,219)	(9,266)
Interest on bank loans	10,822	15,989
Interest on lease liabilities	930	67
Dividend income from financial assets at fair value through profit or loss	(2,597)	(2,107)
Depreciation of other property, plant and equipment	11,223	13,384
Depreciation of right-of-use assets	3,613	1,732
Share-based compensation	357	1,796
Net revaluation deficit on investment properties	204,127	647,501
Loss on disposal of other property, plant and equipment	–	5
Net loss/(gain) on financial assets at fair value through profit or loss	13,242	(8,713)
Gain on disposal of subsidiaries	(1,399)	–
Unrealised exchange loss	3,650	984
Operating profit before working capital changes	237,970	179,581
(Increase)/Decrease in inventories	(47,716)	9,270
(Increase)/Decrease in trade receivables, deposits paid, other receivables and prepayments	(90,581)	36,155
Increase in financial assets at fair value through profit or loss	(16,025)	(475)
Increase/(Decrease) in trade payables, deposits received, other payables and accrued charges and provisions	115,135	(55,203)
Cash generated from operations	198,783	169,328

30.2 Analysis of cash and cash equivalents

	2021 HK\$'000	2020 HK\$'000
Cash and bank balances	1,464,689	1,475,511

30.3 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities <i>HK\$'000</i> <i>(Note 16)</i>	Bank loans <i>HK\$'000</i> <i>(Note 23)</i>
At 1 January 2020	2,852	763,375
Changes from financing cash flows:		
Proceeds from new bank loans	–	14,000
Repayment of bank loans	–	(37,269)
Payment of lease liabilities	(1,909)	–
Total changes from financing cash flows	(1,909)	(23,269)
Non-cash flow changes:		
Exchange adjustments	(19)	1,969
Interest expenses	67	–
Adjustment due to lease modification	(991)	–
Total non-cash flow changes	(943)	1,969
At 31 December 2020	–	742,075
At 1 January 2021	–	742,075
Changes from financing cash flows:		
Proceeds from new bank loans	–	60,000
Repayment of bank loans	–	(20,300)
Payment of lease liabilities	(3,340)	–
Total changes from financing cash flows	(3,340)	39,700
Non-cash flow changes:		
Additions	19,572	–
Interest expenses	930	–
Total non-cash flow changes	20,502	–
At 31 December 2021	17,162	781,775

Notes to the Financial Statements

For the year ended 31 December 2021

31 COMMITMENTS

31.1 Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to design, develop, market and distribute certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amounts of financial commitments contracted but not provided for at the end of the year were payable as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	15,771	68,778
In the second to fifth years	217,426	161,626
After five years	–	43,594
	233,197	273,998

31.2 Lease commitments

The Group acts as lessee and lessor under leases.

31.2.1 As lessee

As at 31 December 2021, all of the Group's committed leases had already commenced and recognised as lease liabilities under HKFRS 16, *Leases* (31 December 2020: total future cash outflows for leases of office committed but not yet commenced amounted to HK\$22,548,000).

31.2.2 As lessor

At 31 December 2021, the future aggregate minimum lease payments under non-cancellable leases for commercial, industrial and residential premises receivable by the Group were as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	217,101	201,902
In the second to fifth years	32,393	191,633
	249,494	393,535

31.3 Capital commitments

Capital commitments outstanding at 31 December 2021 not provided for at the end of the reporting period were as follows:

	2021 HK\$'000	2020 HK\$'000
Contracted for	15,887	27,386

32. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2021, the Group disposed of the following subsidiaries (2020: nil).

(a) Disposal of Pophleys Limited (“Pophleys”)

On 9 March 2021, the Group entered into a sale and purchase agreement for disposal of its entire equity interest in Pophleys. The disposal transaction constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules, details of which were disclosed in the Report of the Directors under the section headed Connected Transaction. This connected transaction was exempt from independent shareholders’ approval requirement pursuant to Chapter 14A of the Listing Rules. The disposal transaction was completed on 30 April 2021.

(b) Disposal of Sakurai FNB Limited (“Sakurai FNB”)

On 24 May 2021, the Group entered into a sale and purchase agreement for disposal of its 70% equity interest in Sakurai FNB. The disposal transaction was completed on 31 May 2021.

Notes to the Financial Statements

For the year ended 31 December 2021

32. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Details of the Group's disposal of subsidiaries during the year ended 31 December 2021 are shown as below:

	Pophleys HK\$'000	Sakurai FNB HK\$'000	Total HK\$'000
(i) Consideration:			
Cash received	59,488	520	60,008
Receivables	–	240	240
	59,488	760	60,248
(ii) Assets and liabilities disposed of:			
Investment property	48,717	–	48,717
Other property, plant and equipment	4,028	20	4,048
Deferred tax assets	–	635	635
Inventories	–	130	130
Trade receivables	–	3	3
Deposits and prepayments	12	357	369
Cash and bank balances	–	68	68
Trade payables	–	(17)	(17)
Other payables and accrued charges	(70)	(778)	(848)
	52,687	418	53,105
(iii) Gain on disposal of subsidiaries:			
Consideration	59,488	760	60,248
Add: non-controlling interests	–	125	125
Less: net assets disposed of	(52,687)	(418)	(53,105)
Less: release of exchange reserve upon disposal	(5,869)	–	(5,869)
	932	467	1,399
(iv) Net cash inflow on disposal of subsidiaries:			
Cash and cash equivalents received	59,488	520	60,008
Less: Cash and cash equivalents disposed of	–	(68)	(68)
	59,488	452	59,940

The gain on disposal of subsidiaries is recognised in the consolidated income statement and is included in other net (loss)/income (Note 8).

(iv) Net cash inflow on disposal of subsidiaries:

Cash and cash equivalents received	59,488	520	60,008
Less: Cash and cash equivalents disposed of	–	(68)	(68)
	59,488	452	59,940

33 RELATED PARTY TRANSACTIONS

Save as the disposal of Pophleys as disclosed in note 32(a), during the years ended 31 December 2021 and 2020, the Group did not enter into significant transactions with related parties.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 14.1.

34 US DOLLAR EQUIVALENTS

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.75 to US\$1 ruling at 31 December 2021.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

35.1 Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	128,879	45,636
Deposits paid and other receivables	1,611	1,697
Cash and bank balances	1,464,689	1,475,511
Financial assets at fair value through profit or loss	160,955	85,156
	1,756,134	1,608,000
Financial liabilities at amortised cost		
Bank loans	781,775	742,075
Trade payables	28,585	10,855
Other payables and accrued charges	94,290	86,025
Lease liabilities	17,162	–
	921,812	838,955

Notes to the Financial Statements

For the year ended 31 December 2021

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

35.2 Financial risk factors

Exposure to market risk (including currency, interest rate and price risks), credit risk and liquidity risk arises in the normal course of business. The risks are minimised by the financial management policies and practices described below:

35.2.1 Market risk

(i) Currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency different from domestic currencies used to fund the operations of the relevant group companies. The currency giving rise to this risk is mainly United States dollar. The Group does not hedge its foreign currency risks, as the rate of exchange between Hong Kong dollar and the United States dollar is controlled within a tight range. Long-term changes in foreign exchange rates may have an impact on consolidated earnings.

(ii) Interest rate risk

The Group's interest rate risk arises primarily from bank loans at floating rates, which expose the Group to cash flow interest rate risk.

At 31 December 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and decrease/increase the Group's equity by approximately HK\$3,909,000 (2020: HK\$3,710,000).

(iii) Price risk

The Group is exposed to equity securities price risk arising from listed equity investments held by the Group which are classified in the consolidated statement of financial position as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities and managed funds, the Group diversifies its portfolio.

At 31 December 2021, it is estimated that a general increase/decrease of 5 per cent of global major indices, with all other variables held constant, would decrease/increase the Group's loss for the year and increase/decrease the Group's equity by approximately HK\$8,048,000 (2020: HK\$4,258,000).

35.2.2 Credit risk

Financial instruments held by the Group that may subject to credit risk include cash equivalents, financial assets at fair value through profit or loss and trade and other receivables. Cash equivalents consist principally of deposits and short-term money market funds placed with major financial institutions which limit the exposure to credit risk. These instruments are short-term in nature and bear minimal risk. To date, the Group has not experienced any losses on cash equivalents.

The credit risk for financial assets at fair value through profit or loss is considered negligible as the counterparties are reputable financial institutions.

The Group sells its products primarily to national and regional mass-market retailers in the United States and to third party independent distributors outside the United States. Credit is extended to United States customers for domestic sales based on an evaluation of the customers' financial condition, and generally collateral is not required. The Group assigns the majority of its trade receivables to factoring and receivable agencies to manage the credit risk. The factoring and receivable processing agents would analyse the Group's customers, credit approval and collection processing of the receivables. These agreements transfer the credit risk due to a customer's inability to pay to the factoring and receivable agents so as to mitigate credit exposure of the Group. Direct shipments to customers who are located outside the United States are normally secured by letters of credit or advance payment as credit is only extended to a limited number of customers.

At 31 December 2021, the Group's gross trade receivables amounted to approximately HK\$115,706,000 (2020: HK\$49,140,000) were assigned to factoring and receivable processing agents with the collection period consistent with the normal trade terms with toy business customers in the United States.

To measure the expected credit losses of the Group's toy business, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the corresponding historical credit losses experienced, adjusted with the expected change between current and forward-looking information on macroeconomic factors, if material. Taking into account (i) the historical credit loss experience over the past years, (ii) the majority of the Group's trade receivables arising from sales to customers in the United States has been assigned to a factoring and receivable processing agent which is a reputable financial institution and (iii) all trade receivables arising from sales to customers outside the United States are secured by letters of credit or advanced payment, the expected credit loss rate for the Group's trade receivables from toy business as at 31 December 2021 was assessed to be 0% (2020: 0%).

For property investments and management business, the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is therefore also assessed to be 0% (2020: 0%).

Accordingly, no provision matrix is disclosed.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position as summarised in note 35.1 above.

Concentrations of credit risk

The Group places its cash investments in highly rated financial institutions which limits the exposure to the financial institutions.

The Group markets a substantial portion of its products to customers in the retail industry. The Group continually evaluates the credit risk of these customers. The percentages of sales for the year attributable to the Group's major customers were:

	2021	2020
Sales		
– the largest customer	22%	32%
– five largest customers in aggregate	71%	69%

Notes to the Financial Statements

For the year ended 31 December 2021

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

35.2 Financial risk factors (Continued)

35.2.3 Liquidity risk

The Group aims to maintain prudent liquidity risk management through maintaining sufficient cash and marketable securities, and flexibility in funding by keeping adequate credit lines available.

The analysis of the Group's contractual maturities of its financial liabilities as at the end of the reporting period below is based on the undiscounted cash flows of the financial liabilities.

	2021					Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted amount HK\$'000	
Bank loans	584,951	19,173	185,598	-	789,722	781,775
Trade payables	28,585	-	-	-	28,585	28,585
Other payables and accrued charges	94,290	-	-	-	94,290	94,290
Lease liabilities	4,128	4,252	10,827	-	19,207	17,162
	711,954	23,425	196,425	-	931,804	921,812

	2020					Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted amount HK\$'000	
Bank loans	530,772	19,269	199,843	3,215	753,099	742,075
Trade payables	10,855	-	-	-	10,855	10,855
Other payables and accrued charges	86,025	-	-	-	86,025	86,025
	627,652	19,269	199,843	3,215	849,979	838,955

35.3 Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	2021			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Equity investments listed in Hong Kong	71,796	–	–	71,796
Equity investments listed outside Hong Kong	88,074	–	–	88,074
Unlisted managed funds	–	1,085	–	1,085
	159,870	1,085	–	160,955
2020				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Equity investments listed in Hong Kong	41,318	–	–	41,318
Equity investments listed outside Hong Kong	40,983	–	–	40,983
Unlisted managed funds	–	2,855	–	2,855
	82,301	2,855	–	85,156

Notes to the Financial Statements

For the year ended 31 December 2021

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

35.3 Financial assets and liabilities measured at fair value (Continued)

The fair values of unlisted managed funds in Level 2 have been determined by reference to the reported net asset value at the end of the reporting period.

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

35.4 Financial assets and liabilities not reported at fair value

The carrying amounts of the Group's financial assets and liabilities (comprising trade receivables, deposits paid and other receivables, cash and bank balances, bank loans, trade and other payables and accrued charges and lease liabilities carried at amortised cost) approximate their fair values as at 31 December 2021 and 2020.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance Contracts and related amendments*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

37 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2021 US\$'000 (Note 34)	2021 HK\$'000	2020 HK\$'000
Non-current assets				
Interest in subsidiaries		197,002	1,526,769	1,532,245
Current assets				
Prepayments		69	532	543
Taxation recoverable		–	–	338
Cash and bank balances		350	2,710	5,213
		419	3,242	6,094
Current liabilities				
Other payables and accrued charges		111	861	867
		111	861	867
Net current assets		308	2,381	5,227
Net assets		197,310	1,529,150	1,537,472
Equity				
Share capital	29.1	2,697	20,900	20,928
Reserves	29.2	194,613	1,508,250	1,516,544
Total equity		197,310	1,529,150	1,537,472

On behalf of the board

CHAN, Helen
Director

CHAN Kong Keung, Stephen
Director

Five Year Financial Summary

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	860,763	536,320	622,566	733,559	1,009,261
(Loss)/Profit before income tax	(4,779)	(481,791)	446,822	552,586	372,119
Income tax expense	(21,812)	(40,697)	(49,423)	(32,038)	(61,932)
(Loss)/Profit for the year	(26,591)	(522,488)	397,399	520,548	310,187
(Loss)/Profit for the year attributable to:					
Owners of the Company	(49,430)	(507,600)	416,717	520,625	282,196
Non-controlling interests	22,839	(14,888)	(19,318)	(77)	27,991
	(26,591)	(522,488)	397,399	520,548	310,187
Total assets	7,538,111	7,453,167	8,188,137	7,978,007	7,630,864
Total liabilities	(1,127,726)	(952,275)	(1,058,160)	(978,902)	(901,012)
Net assets	6,410,385	6,500,892	7,129,977	6,999,105	6,729,852

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