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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)

PROFIT WARNING

This announcement is made by Playmates Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) wishes to inform shareholders of the Company and investors that based on a review of the Group’s unaudited management accounts, the revenue of the Group for the three months ended 31 March 2020 is approximately HK\$108 million as compared to HK\$141 million for the corresponding period in 2019. The Group has recorded a profit before property revaluation and income tax of approximately HK\$6 million for the said three month period as compared to the profit before property revaluation and income tax of HK\$54 million for the corresponding period in 2019.

The decrease in profit was mainly attributable to:

- (1) a net unrealised loss of HK\$14 million on decrease in fair values of the Group’s investment in equity securities for the three months ended 31 March 2020 as compared to a net unrealised gain of HK\$19 million on increase in fair values of the Group’s investment in equity securities for the corresponding period in 2019;
- (2) the performance of the Company’s major subsidiary, Playmates Toys group. The revenue of the Playmates Toys group for the said three month period is approximately HK\$47 million as compared to HK\$74 million for the corresponding period in 2019. The Playmates Toys group has recorded a loss before income tax of approximately HK\$21 million for the said three month period as compared to the loss before income tax of HK\$12 million for the corresponding period in 2019. The increase in loss was mainly attributable to a substantial decrease in sales in the first quarter of 2020 primarily due to the slowdown of global economic activities owing to the outbreak of the COVID-19 pandemic (the “**Pandemic**”); and
- (3) a decrease in the revenue of the food and beverage business by approximately 48% in the first quarter of 2020 as it was affected by the weakened consumer sentiment due to the Pandemic.

For the purpose of the said unaudited management accounts, the investment properties of the Group are based on the valuation as at 31 December 2019. As the Pandemic and the economic slowdown may further disrupt the local economy and property market in the near term, the valuation of the Group’s investment properties may also be adversely affected.

The Company has been closely monitoring the development of the Pandemic. Management has implemented contingency measures to minimize disruptions to our operations. Various cost control measures were taken and certain senior management and Executive Directors have voluntarily reduced their salaries for a period of time.

While the further development of the Pandemic remains uncertain, it is difficult to quantify its potential impact on the Group's business and financial position. At present, although the suppliers of Playmates Toys group in southern China are gradually resuming production, it is expected that the difficult operating environment and weak market sentiment will continue to adversely affect the toy group's business for the rest of the year. Furthermore, its performance may also be negatively affected by the slowdown of global economy and the escalating tensions between China and the United States.

Notwithstanding the above, the Company will continue to prudently manage its financial and cash position to overcome the difficult operating environment in the near term. As of 30 April 2020, the Group maintains a cash position of approximately HK\$1.5 billion and the Board considers that the overall financial position of the Group continues to remain sound and solid.

The information contained in this announcement is only a preliminary assessment by the Board based on the management reports of the Group which have not been audited or reviewed by the Company's auditors. The Group's interim results for the six months ending 30 June 2020 are expected to be announced in August 2020.

Shareholders of the Company and investors are advised to exercise caution in dealing in shares of the Company.

By order of the Board
Ng Ka Yan
Company Secretary

Hong Kong, 15 May 2020

As at the date hereof, the Board comprises the following directors:

Mr. To Shu Sing, Sidney (*Chairman*), Ms. Chan, Helen (*Executive Director*), Mr. Cheng Bing Kin, Alain (*Executive Director*), Mr. Ip Shu Wing, Charles (*Independent Non-executive Director*), Mr. Lee Ka Sze, Carmelo (*Non-executive Director*), Mr. Lo Kai Yiu, Anthony (*Independent Non-executive Director*), Mr. Tang Wing Yung, Thomas (*Independent Non-executive Director*), Mr. Tsim Tak Lung (*Deputy Chairman and Non-executive Director*) and Mr. Yu Hon To, David (*Independent Non-executive Director*)