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## PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 869)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

#### RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021 as follows:

#### Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 US\$'000 (Note 11)	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	3	<b>80,659</b>	<b>625,108</b>	289,240
Cost of sales		<b>(41,495)</b>	<b>(321,584)</b>	(147,231)
<b>Gross profit</b>		<b>39,164</b>	<b>303,524</b>	142,009
Other revenue		-	-	17,976
Marketing expenses		<b>(17,761)</b>	<b>(137,648)</b>	(82,191)
Selling and distribution expenses		<b>(3,960)</b>	<b>(30,690)</b>	(6,552)
Administration expenses		<b>(12,571)</b>	<b>(97,429)</b>	(103,782)
<b>Operating profit/(loss)</b>		<b>4,872</b>	<b>37,757</b>	(32,540)
Other net (loss)/income	4	<b>(352)</b>	<b>(2,728)</b>	12,015
Finance costs		<b>(385)</b>	<b>(2,987)</b>	(2,045)
<b>Profit/(Loss) before income tax</b>	5	<b>4,135</b>	<b>32,042</b>	(22,570)
<b>Income tax credit/(expense)</b>	6	<b>1,411</b>	<b>10,939</b>	(7,493)
<b>Profit/(Loss) for the year attributable to owners of the Company</b>		<b>5,546</b>	<b>42,981</b>	(30,063)
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>Earnings/(Loss) per share</b>	8			
Basic		<b>0.47</b>	<b>3.64</b>	(2.55)
Diluted		<b>0.47</b>	<b>3.64</b>	(2.55)

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 <i>US\$'000</i> <i>(Note 11)</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit/(Loss) for the year</b>	<b>5,546</b>	<b>42,981</b>	<b>(30,063)</b>
<b>Other comprehensive income, including reclassification adjustments:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries	-	-	(5,269)
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>5,546</b>	<b>42,981</b>	<b>(35,332)</b>

## Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 US\$'000 (Note 11)	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment		144	1,119	1,798
Right-of-use assets		2,687	20,823	11,353
Prepayments		-	-	15,500
Deferred tax assets		4,146	32,130	17,060
		<b>6,977</b>	<b>54,072</b>	45,711
<b>Current assets</b>				
Inventories		7,485	58,007	10,283
Trade receivables	9	16,049	124,378	41,291
Deposits paid, other receivables and prepayments		7,398	57,331	36,349
Financial assets at fair value through profit or loss		9,192	71,241	7,021
Cash and bank balances		115,354	893,997	949,943
		<b>155,478</b>	<b>1,204,954</b>	1,044,887
<b>Current liabilities</b>				
Trade payables	10	3,674	28,476	10,365
Deposits received, other payables and accrued charges		21,381	165,702	84,639
Provisions		4,811	37,287	23,391
Lease liabilities		1,097	8,503	5,694
Taxation payable		1,296	10,044	8,781
		<b>32,259</b>	<b>250,012</b>	132,870
<b>Net current assets</b>		<b>123,219</b>	<b>954,942</b>	912,017
<b>Total assets less current liabilities</b>		<b>130,196</b>	<b>1,009,014</b>	957,728
<b>Non-current liabilities</b>				
Lease liabilities		1,783	13,816	5,986
<b>Net assets</b>		<b>128,413</b>	<b>995,198</b>	951,742
<b>Equity</b>				
Share capital		1,523	11,800	11,800
Reserves		126,890	983,398	939,942
<b>Total equity</b>		<b>128,413</b>	<b>995,198</b>	951,742

Notes:

## 1. Basis of preparation

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

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

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020, except for the adoption of the new or amended HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2021. Details of these changes in accounting policies are set out in Note 2.

## 2. Changes in accounting policies

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.

### **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.

### 3. Revenue and segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products. Revenue represented sales of toys and was recognised at the point in time when customers obtain the control of the goods.

Revenue recognised during the year ended 31 December 2021 from sales of toys was HK\$625,108,000 (2020: HK\$289,240,000).

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 only operating segment of the Group is design, development, marketing and distribution of toys and family entertainment activity products. No separate analysis of the reportable segment profit/loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

#### *Geographical information*

The following table sets out information about the geographical location of (i) the Group's revenue and (ii) the Group's property, plant and equipment, prepayments and right-of-use assets ("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 property, plant and equipment and right-of-use assets, and the location of operation to which they are related in case of prepayments.

	Revenue		Specified non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	695	24	4,641	26,939
Americas				
- U.S.A.	344,807	164,058	16,330	418
- Others	44,862	22,348	-	-
Europe	192,956	87,816	971	1,294
Asia Pacific other than Hong Kong	40,634	14,006	-	-
Others	1,154	988	-	-
	<b>624,413</b>	289,216	<b>17,301</b>	1,712
	<b>625,108</b>	289,240	<b>21,942</b>	28,651

#### *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 these customers amounted to approximately HK\$185,193,000, HK\$141,060,000 and HK\$73,694,000 (2020: HK\$100,923,000 and HK\$46,838,000) respectively.

**4. Other net (loss)/income**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net unrealised (loss)/gain on financial assets at fair value		
through profit or loss	(8,796)	3,113
Government subsidies	5,310	2,006
Interest income	835	6,351
Dividend income	394	-
Others	(471)	545
	<u>(2,728)</u>	<u>12,015</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	296,909	124,479
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
Provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	28,960	11,428
Reversal of unutilised provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	(4,130)	(14,634)
Depreciation		
- property, plant and equipment	867	1,224
- right-of-use assets	8,758	7,718
Directors' and staff remunerations	64,509	67,926
Allowance for customer concession	4,572	2,408
Reversal of allowance for customer concession	(6,640)	(116)
Net foreign exchange (gain)/loss	(559)	1,510
Loss on disposal of property, plant and equipment	-	5
Auditors' remuneration	1,400	1,200

## 6. Income tax credit/(expense)

No Hong Kong profits tax has been provided as the Group companies which are subject to Hong Kong profits tax either incurred tax losses or have tax losses brought forward to set off assessable profit for the year. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	-	-
Overseas taxation	4,101	2,440
Over provision in prior years – Hong Kong	-	(30)
Under/(Over) provision in prior years – overseas	30	(345)
	<u>4,131</u>	<u>2,065</u>
Deferred taxation		
Origination and reversal of temporary differences	(15,070)	5,428
	<u>(10,939)</u>	<u>7,493</u>

## 7. Dividends

### *Dividends attributable to the year*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend of HK cents 2 per share (2020: HK\$nil)	<u>23,600</u>	-

At a meeting held on 4 March 2022, the board of directors declared an interim dividend of HK cents 2 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 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.

## 8. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$42,981,000 (2020: loss of HK\$30,063,000) and the weighted average number of ordinary shares of 1,180,000,000 shares (2020: 1,180,000,000 shares) in issue during the year.

Diluted earnings per share for the year ended 31 December 2021 is calculated based on the profit attributable to owners of the Company of HK\$42,981,000 and the weighted average number of ordinary shares of 1,180,375,000 shares in issue during the year, adjusted for the effects of 375,000 dilutive potential shares on exercise of share options.

Diluted loss per share for the year ended 31 December 2020 equals to the basic loss per share as the potential ordinary shares on exercise of share options are anti-dilutive and therefore were not included in the calculation of diluted loss per share.

## 9. Trade receivables

The normal trade terms with customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 60 days	83,410	28,306
61 – 90 days	34,754	8,267
91 – 180 days	3,625	917
Over 180 days	2,589	3,801
	<hr/> <b>124,378</b>	<hr/> <b>41,291</b>

## 10. Trade payables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	27,046	7,528
31 – 60 days	5	1,725
Over 60 days	1,425	1,112
	<hr/> <b>28,476</b>	<hr/> <b>10,365</b>

## 11. 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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.

The group reported an operating profit of HK\$37.8 million (2020: operating loss of HK\$32.5 million). Net profit attributable to shareholders 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.

### Brand Overview

#### *Godzilla vs. Kong*

Consumer demand for our *Godzilla vs. Kong* movie product line was strong in 2021, driven by the successful movie release from Legendary Entertainment and Warner Bros. Pictures in March 2021, both in theaters and through streaming services, including HBOMax.

In 2022, we will also continue to offer products inspired by the broader *MonsterVerse* and Toho's Classic Monsters.

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

We launched our extensive new line based on ZAG's hit animated series *Miraculous: Tales of Ladybug & Cat Noir* in a number of major international markets in Fall 2020, and online in the US market in the summer of 2021. Consumer demand for the brand has been strong, with high sell-through rates in every market where we launched. We expect distribution to continue to expand in 2022.

The highly popular TV show continues to air in over 120 countries worldwide and stream across multiple digital platforms, including Disney Channel, Disney+ and Netflix.

#### *Spy Ninjas*

*Spy Ninjas* is a popular, action-packed YouTube adventure series featuring a team of best friends who use martial arts and detective skills to solve puzzles to defeat the evil hacker organization Project Zorgo. With multiple weekly episodes, the web series generates more than 400 million monthly views on YouTube – with an astounding 1 million views tallied within the first hour of every new daily episode.

2022 will see continued expansion of our *Spy Ninjas* product line, including secret spy ninja gear, decoders, ninja weapons, a new Project Zorgo mask and other spy gadgets from the series.

### ***Star Trek***

Playmates Toys will make a much-anticipated return as the global master licensee for figures, vehicles and ships, role play and other categories for all *ViacomCBS Star Trek* properties. Some of the most iconic characters in the *Star Trek* universe, including its most famous Captains and First Officers, are among the collection featured in the Summer 2022 launch of our toy line.

Later in 2022, Playmates Toys will also launch the first action figures from the new Paramount+ and Nickelodeon animated series *Star Trek: Prodigy*.

## **FINANCIAL ANALYSIS**

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

The current ratio, calculated as the ratio of current assets to current liabilities, was 4.8 at 31 December 2021 and 7.9 at 31 December 2020.

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\$893,997,000 (2020: HK\$949,943,000), of which HK\$877,895,000 (2020: HK\$922,758,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 31 December 2021, the Group's treasury investment in listed equities amounted to HK\$71,241,000 (2020: HK\$7,021,000) representing 5.7% of the total assets of the Group (2020: 0.6%). This comprised HK\$19,027,000 of equities listed in Hong Kong (2020: HK\$nil) and HK\$52,214,000 of equities listed overseas (2020: HK\$7,021,000). None of the individual securities positions held by the Group had a market value that exceeded 1.4% of the total assets of the Group. The top 10 listed securities in aggregate represented 5.1% of the total assets of the Group and included The Walt Disney Company (DIS.US), Amazon.com, Inc. (AMZN.US), New World Development Co Limited (17.HK), Apple Inc. (AAPL.US), NVIDIA Corporation (NVDA.US), Netflix, Inc. (NFLX.US), Vitasoy International Holdings Limited (345.HK), Tencent Holdings Limited (700.HK), Walmart Inc. (WMT.US) and Microsoft Corporation (MSFT.US).

The Group is exposed to foreign currency risk primarily through sales that are denominated in 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 would have an impact on consolidated earnings.

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

No share was repurchased by the Company during the year.

## CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code provisions (“Code Provisions”) of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout 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 retirement of Mr. Lee Ching Kwok, Rin at the annual general meeting on 21 May 2021, (1) the members of the Audit Committee fell below the minimum number of three members as required under Rule 3.21 of the Listing Rules; (2) the chairman of Compensation Committee fell vacant and the members of the Compensation Committee did not comprise a majority of independent non-executive directors (“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 Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the risk management and internal control system, the effectiveness of the internal audit function and financial reporting matters including a review of the accounts for the year ended 31 December 2021.

## DIVIDENDS

The board of directors declared an interim dividend of HK cents 2 per share. The said interim dividend will be paid on 8 April 2022 to the shareholders on the Register of Members of the Company on 22 March 2022.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 March 2022 to 22 March 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on 18 March 2022.

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

Hong Kong, 4 March 2022

As at the date hereof, the board of directors of the Company comprises the following directors:

Mr. Chan Kwong Fai, Michael (*Chairman*), Mr. Chan Kong Keung, Stephen (*Executive Director*), Mr. Chow Yu Chun, Alexander (*Independent Non-executive Director*), Mr. Ip Shu Wing, Charles (*Independent Non-executive Director*), Mr. Lam Wai Hon, Ambrose (*Independent Non-executive Director*), Mr. Tran Vi-hang William (*Executive Director*) and Mr. Yu Hon To, David (*Independent Non-executive Director*)