

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 869)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Highlights

For the six months ended 30 June	2021 HK\$'000	2020 HK\$'000
Revenue	213,988	83,988
Gross profit	111,025	38,684
Operating profit/(loss)	15,498	(54,301)
Profit/(Loss) before income tax	14,459	(49,426)
Income tax credit/(expense)	24	(3,212)
Profit/(Loss) attributable to owners of the Company	14,483	(52,638)
Earnings/(Loss) per share	HK cents	HK cents
- Basic	1.23	(4.46)
- Diluted	1.23	(4.46)

Playmates Toys group worldwide turnover during the first half of 2021 was HK\$214 million (same period in 2020: HK\$84 million), representing an increase of 155% compared to the prior year period. The favourable comparison was driven by: (i) severe restrictions on economic activities in all major markets due to the COVID-19 pandemic during the same period last year, (ii) government stimulus leading to increased consumer spending in major markets during the first half of 2021, (iii) solid performance of our product line tied to the *Godzilla vs. Kong*<sup>®</sup> movie release, and (iv) continued strong demand for our *Miraculous: Tales of Ladybug & Cat Noir*<sup>™</sup> toy line.

Gross profit ratio on toy sales was 52% (same period in 2020: 46%). The increase in gross profit ratio was attributable to lower product development, tooling and packaging expenses compared to the prior year period, partially offset by a higher percentage of overall sales generated in markets outside the US, which carried a lower gross margin, and increases in finished product costs. Recurring operating expenses increased moderately by 3% from the prior year period, reflecting: (i) lower promotional expenses related to new brand introductions, (ii) lower provision for unfulfilled advanced royalties, and (iii) a reduction in overhead expenses.

The group reported an operating profit for the period of HK\$15.5 million (same period in 2020: operating loss of HK\$54.3 million). Net profit attributable to shareholders during the first half of 2021 was HK\$14.5 million (same period in 2020: net loss of HK\$52.6 million).

We expect the COVID-19 pandemic to continue to present severe challenges to our operating environment in the second half of the year. The global supply chain is experiencing increasing disruption, and the spike in logistics costs has shown no signs of abating yet. Due to proactive inventory planning, the dramatic increase in container costs did not impact our gross margin during the first half of 2021, but will begin to do so in the second half of the year. We are actively working with our suppliers to minimize cost increases and shipment delays as much as possible.

## Brand Overview

### *Godzilla vs. Kong*<sup>©</sup>

*Godzilla vs. Kong*, the highly anticipated movie from Legendary Entertainment<sup>™ & ©</sup> and Warner Bros. Pictures<sup>™ & ©</sup>, premiered successfully in late March 2021. The movie was released simultaneously in theaters and through streaming services, including HBOMax, which gave fans and kids multiple viewing options.

Consumer demand for our *Godzilla vs. Kong* movie product line has been strong since its launch in Fall 2020. We will also continue to offer products inspired by the movie as well as the broader *MonsterVerse*<sup>©</sup> and Toho's Classic Monsters in 2022.

### *Miraculous: Tales of Ladybug & Cat Noir*<sup>™</sup>

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, and we expect distribution to expand in the second half of 2021. We are actively working on product line extensions for 2022 and beyond. 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*<sup>©</sup>

*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.

The first wave of *Spy Ninjas* products launched online in late 2020 with promising initial results. 2021 will see an expansion of the product line, including secret spy ninja gear, decoders, ninja weapons, a new Project Zorgo mask and other spy gadgets from the series.

### *Vlad & Niki*<sup>™ & ©</sup>

*Vlad & Niki* have become a global YouTube phenomenon, by creating one of the highest rated channels on the platform. *Vlad & Niki* capture more than five billion monthly views on 16 YouTube channels in 13 languages, with more than 120 million subscribers worldwide. *Vlad & Niki* engage kids with bright, fun short stories full of comedy, animation, music and more! Our line of *Vlad & Niki* toys will be found in the pre-school aisle starting this Fall.

## ***Pikwik Pack***<sup>®</sup>

In collaboration with Toronto-based entertainment company Guru Studio<sup>®</sup>, we will bring to market a complete line of pre-school figures, vehicles and plush toys inspired by the new ***Pikwik Pack*** series, which is airing on the Disney Junior channel in the U.S. and a number of key international markets.

The series follows team leader Suki the hedgehog, Axel the racoon, Hazel the cat, and Tibor the hippo, as they work together to deliver surprise-filled parcels to the colourful residents of Pikwik. The episodes are packed with big adventures, silly hijinks, and heartfelt charm that will entertain pre-schoolers while underscoring the social value of team work, responsibility, and critical thinking.

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June		
		2021 US\$'000 (Note 11)	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	3	27,611	213,988	83,988
Cost of sales		(13,286)	(102,963)	(45,304)
<b>Gross profit</b>		14,325	111,025	38,684
Marketing expenses		(4,405)	(34,137)	(33,518)
Selling and distribution expenses		(1,538)	(11,919)	(6,513)
Administration expenses		(6,382)	(49,471)	(52,954)
<b>Operating profit/(loss)</b>		2,000	15,498	(54,301)
Other net income	4	50	387	5,976
Finance costs		(184)	(1,426)	(1,101)
<b>Profit/(Loss) before income tax</b>	5	1,866	14,459	(49,426)
<b>Income tax credit/(expense)</b>	6	3	24	(3,212)
<b>Profit/(Loss) for the period and total comprehensive income for the period attributable to owners of the Company</b>		1,869	14,483	(52,638)
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>Earnings/(Loss) per share</b>	8			
Basic		0.16	1.23	(4.46)
Diluted		0.16	1.23	(4.46)

## Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		Unaudited 30 June 2021 US\$'000 (Note 11)	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment		178	1,378	1,798
Right-of-use assets		3,234	25,061	11,353
Prepayments		2,000	15,500	15,500
Deferred tax assets		2,438	18,894	17,060
		<b>7,850</b>	<b>60,833</b>	45,711
<b>Current assets</b>				
Inventories		2,419	18,745	10,283
Trade receivables	9	8,073	62,566	41,291
Deposits paid, other receivables and prepayments		6,716	52,049	36,349
Financial assets at fair value through profit or loss		879	6,811	7,021
Cash and bank balances		127,201	985,804	949,943
		<b>145,288</b>	<b>1,125,975</b>	1,044,887
<b>Current liabilities</b>				
Trade payables	10	5,279	40,910	10,365
Deposits received, other payables and accrued charges		15,005	116,280	84,639
Provisions		3,626	28,103	23,391
Lease liabilities		1,063	8,237	5,694
Taxation payable		1,100	8,522	8,781
		<b>26,073</b>	<b>202,052</b>	132,870
<b>Net current assets</b>		<b>119,215</b>	<b>923,923</b>	912,017
<b>Total assets less current liabilities</b>		<b>127,065</b>	<b>984,756</b>	957,728
<b>Non-current liabilities</b>				
Lease liabilities		2,338	18,122	5,986
<b>Net assets</b>		<b>124,727</b>	<b>966,634</b>	951,742
<b>Equity</b>				
Share capital		1,523	11,800	11,800
Reserves		123,204	954,834	939,942
<b>Total equity</b>		<b>124,727</b>	<b>966,634</b>	951,742

## **Notes to the Condensed Consolidated Financial Information**

### **1. Basis of preparation and accounting policies**

This condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated financial information should be read in conjunction with the 2020 annual financial statements.

The accounting policies used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2020.

### **2. Changes in accounting policies**

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these amendments have had a material effect on the Group’s results and financial position for the current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **3. Revenue and segment reporting**

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

Revenue represented sales of toys and was recognised at the point in time when customers obtain the control of the goods.

### 3.1 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	
	Six months ended 30 June		30 June	31 December
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	349	24	22,864	26,939
Americas				
- U.S.A.	136,758	63,168	18,105	418
- Others	14,235	7,455	-	-
Europe	49,422	11,774	970	1,294
Asia Pacific other than Hong Kong	13,224	1,076	-	-
Others	-	491	-	-
	<b>213,639</b>	83,964	<b>19,075</b>	1,712
	<b>213,988</b>	83,988	<b>41,939</b>	28,651

### 3.2 Major customers

The Group's customer base includes three (2020: one) customers with whom transactions exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to approximately HK\$84,832,000, HK\$29,688,000 and HK\$25,175,000 (2020: HK\$40,441,000) respectively.

### 4. Other net income

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest income	587	5,476
Dividend income	-	13
Net (loss)/gain on financial assets at fair value through profit or loss	(210)	441
Others	10	46
	<b>387</b>	5,976

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

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	94,968	34,763
Product development and tooling costs	6,264	9,992
Royalties expenses	30,249	11,856
Directors' and staff remunerations	30,922	32,368
Depreciation		
- property, plant and equipment	479	664
- right-of-use assets	4,519	4,221
<u>Interest expenses on lease liabilities</u>	<u>731</u>	<u>457</u>

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	-	-
Overseas taxation	1,810	1,698
<u>Over provision in prior years – Hong Kong</u>	<u>-</u>	<u>(30)</u>
	<u>1,810</u>	<u>1,668</u>
Deferred taxation		
<u>Origination and reversal of temporary differences</u>	<u>(1,834)</u>	<u>1,544</u>
<u>Income tax (credit)/expense</u>	<u>(24)</u>	<u>3,212</u>

The Group's cumulative unrecognised tax losses as of 30 June 2021 amounted to HK\$156,388,000 (31 December 2020: HK\$176,181,000). These tax losses do not expire under respective tax legislation.



## 7. Dividends

The directors do not recommend the payment of dividend (2020: HK\$ nil).

## 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\$14,483,000 (2020: loss of HK\$52,638,000) and the weighted average number of ordinary shares of 1,180,000,000 shares (2020: 1,180,000,000 shares) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2021 is calculated based on the profit attributable to owners of the Company of HK\$14,483,000 and the weighted average number of ordinary shares of 1,180,252,000 shares in issue during the period, adjusted for the effects of 252,000 dilutive potential shares on exercise of share options.

Diluted loss per share for the six months ended 30 June 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

	<b>30 June 2021</b>	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>81,347</b>	60,072
Less: Allowance for customer concession	<b>(18,781)</b>	(18,781)
	<b>62,566</b>	41,291

The Group grants credits to retail customers to facilitate the sale of slow moving merchandise held by such customers. Such allowance for customer concession is arrived at by using available contemporary and historical information to evaluate the exposure.

The normal trade terms with 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:

	<b>30 June 2021</b>	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	<b>43,758</b>	28,306
61 – 90 days	<b>12,468</b>	8,267
91 – 180 days	<b>2,120</b>	917
Over 180 days	<b>4,220</b>	3,801
	<b>62,566</b>	41,291

## 10. Trade payables

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

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>38,708</b>	7,528
31 – 60 days	<b>1,089</b>	1,725
Over 60 days	<b>1,113</b>	1,112
	<hr/> <b>40,910</b>	<hr/> 10,365

## 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 30 June 2021.

## 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 30 June 2021, trade receivables were HK\$62,566,000 (31 December 2020: HK\$41,291,000) and inventories were HK\$18,745,000 (31 December 2020: HK\$10,283,000). The higher trade receivables and inventories at interim period end reflected a pickup in customer orders and shipments during the first half of 2021.

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 5.6 at 30 June 2021 compared to 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 30 June 2021, the Group's cash and bank balances were HK\$985,804,000 (31 December 2020: HK\$949,943,000), of which HK\$969,146,000 (31 December 2020: HK\$922,758,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 30 June 2021, the Group also has treasury investment in equities listed overseas, namely The Walt Disney Company (DIS.US) amounted to HK\$6,811,000 (31 December 2020: HK\$7,021,000) representing 0.6% of the total assets of the Group.

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

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## 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 six months ended 30 June 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 internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2021.

On behalf of the Board  
**To Shu Sing, Sidney**  
*Chairman*

Hong Kong, 13 August 2021

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

Mr. To Shu Sing, Sidney (*Chairman*), Mr. Chan Kong Keung, Stephen (*Executive Director*), Mr. Cheng Bing Kin, Alain (*Executive Director*), Mr. Chow Yu Chun, Alexander (*Independent Nonexecutive 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*)