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PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 869)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
For the six months ended 30 June		
Revenue	445,141	347,231
Gross profit	249,447	187,415
Operating profit	68,435	56,227
Profit before income tax	117,420	86,428
Income tax (expense)/credit	(25,962)	542
Profit attributable to owners of the Company	91,458	86,970
Earnings per share	<i>HK cents</i>	<i>HK cents</i>
- Basic	7.75	7.37
- Diluted	7.75	7.37
Interim dividend per share	2.00	2.00

Playmates Toys worldwide turnover during the first half of 2024 was HK\$445 million (same period in 2023: HK\$347 million), representing an increase of 28% compared to the prior year period. The favourable comparison was driven by the successful relaunch of our *Godzilla x Kong* product line, supported by the March 2024 release of the *Godzilla x Kong: The New Empire* movie, partially offset by lower shipment volume of our *Teenage Mutant Ninja Turtles* toy line compared to the prior year period, which included the positive impact of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* animated movie release.

Gross profit ratio on toy sales was 56% (same period in 2023: 54%). Higher gross profit margin in the first half of 2024 reflected: (i) a higher percentage of overall sales generated in the US market, which carries a higher gross margin, (ii) reduced discounting of excess inventory, and (iii) lower product development and tooling costs as a percentage of sales. Operating expenses increased by 47% compared to the prior year period, reflecting higher promotional and distribution expenses in the US market. Administration expenses increased 22% compared to the prior year period but decreased slightly as a percentage of revenue.

The group reported an operating profit of HK\$68.4 million during the first half of 2024 (same period in 2023: HK\$56.2 million). Other net income during the current year period included a HK\$20.7 million unrealized and realized gain on our listed equities investment position (same period in 2023: HK\$15.9 million) and HK\$29.8 million in interest income (same period in 2023: HK\$15.7 million). Net gain attributable to shareholders during the first half of 2024 was HK\$91.5 million (same period in 2023: HK\$87.0 million).

Looking forward to the second half of 2024, the cumulative impact of inflation over the past few years will continue to stretch household budgets across many markets around the world and lead to increasingly value-conscious purchasing. In addition, lapping the *TMNT* movie release last year will continue to present challenging year-over-year comparisons. However, the launch of the *Tales of The Teenage Mutant Ninja Turtles* animated series on Paramount+ this summer should provide support for the TMNT brand. We also expect continued positive contribution from our *Godzilla x Kong* product line.

Beyond 2024, we continue to be optimistic about the long-term future of *TMNT*, as well as the new brands under development for 2025 and 2026.

Brand Overview

Teenage Mutant Ninja Turtles (“TMNT”)

Paramount Pictures and Nickelodeon Movies are developing a sequel to *Teenage Mutant Ninja Turtles: Mutant Mayhem* and a two-season series that will serve as a “bridge” between the films. The spinoff series, titled *Tales of The Teenage Mutant Ninja Turtles*, debuts on Paramount+ in August 2024. Both the movie sequel and the Paramount+ series will be produced by Seth Rogen’s Point Grey Pictures. We are actively developing new products to coincide with the upcoming content.

Godzilla x Kong

In Spring 2024, Legendary Pictures released *Godzilla x Kong: The New Empire*, which delivered strong box office results around the world and continues to drive strong toy sales. As the global master licensee, we are developing extensions to our current product line of highly detailed action figures in various sizes and role play accessories.

Power Rangers

We have recently entered into a global license agreement with Hasbro, a leading toy and game company, to produce and distribute *Power Rangers* toys. We are developing an extensive kid-targeted *Mighty Morphin Power Rangers* toy line, scheduled to debut in Fall 2025.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Note	Unaudited		
		Six months ended 30 June		
		2024	2024	2023
		US\$'000	HK\$'000	HK\$'000
		(Note 11)		
Revenue	3	57,069	445,141	347,231
Cost of sales		(25,089)	(195,694)	(159,816)
Gross profit		31,980	249,447	187,415
Marketing and licensing expenses		(11,750)	(91,651)	(59,278)
Selling and distribution expenses		(4,067)	(31,725)	(24,856)
Administration expenses		(7,389)	(57,636)	(47,054)
Operating profit		8,774	68,435	56,227
Other net income	4	6,516	50,822	31,847
Finance costs		(236)	(1,837)	(1,646)
Profit before income tax	5	15,054	117,420	86,428
Income tax (expense)/credit	6	(3,328)	(25,962)	542
Profit for the period and total comprehensive income for the period attributable to owners of the Company		11,726	91,458	86,970
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8			
Basic		0.99	7.75	7.37
Diluted		0.99	7.75	7.37

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

		Unaudited 30 June 2024 US\$'000 (Note 11)	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Non-current assets				
Property, plant and equipment		90	705	730
Right-of-use assets		1,825	14,237	18,477
Deferred tax assets		5,433	42,381	49,714
		<u>7,348</u>	<u>57,323</u>	<u>68,921</u>
Current assets				
Inventories		6,658	51,932	58,886
Trade receivables	9	17,174	133,954	328,827
Deposits paid, other receivables and prepayments		7,887	61,517	40,083
Financial assets at fair value through profit or loss		10,065	78,507	68,573
Cash and deposits with banks		139,361	1,087,012	1,002,820
		<u>181,145</u>	<u>1,412,922</u>	<u>1,499,189</u>
Current liabilities				
Trade payables	10	7,502	58,512	88,815
Deposits received, other payables and accrued charges		17,106	133,429	177,503
Provisions		6,049	47,183	65,413
Lease liabilities		1,173	9,149	8,858
Taxation payable		3,761	29,335	50,932
		<u>35,591</u>	<u>277,608</u>	<u>391,521</u>
Net current assets		<u>145,554</u>	<u>1,135,314</u>	<u>1,107,668</u>
Total assets less current liabilities		<u>152,902</u>	<u>1,192,637</u>	<u>1,176,589</u>
Non-current liabilities				
Lease liabilities		860	6,707	11,371
Long service payment liabilities		179	1,397	1,301
		<u>1,039</u>	<u>8,104</u>	<u>12,672</u>
Net assets		<u>151,863</u>	<u>1,184,533</u>	<u>1,163,917</u>
Equity				
Share capital		1,514	11,807	11,807
Reserves		150,349	1,172,726	1,152,110
Total equity		<u>151,863</u>	<u>1,184,533</u>	<u>1,163,917</u>

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 2023 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 2023.

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. 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 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.

	Revenue		Specified non-current assets	
	Six months ended 30 June		30 June	31 December
	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	388	-	6,621	8,740
Americas				
- U.S.A.	309,454	209,899	7,422	9,269
- Others	25,826	31,034	-	-
Europe	90,536	80,492	899	1,198
Asia Pacific other than Hong Kong	18,549	25,000	-	-
Others	388	806	-	-
	444,753	347,231	8,321	10,467
	445,141	347,231	14,942	19,207

3.2 Major customers

The Group's customer base includes two (2023: three) customers with whom transactions exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to approximately HK\$157,994,000 and HK\$102,552,000 (2023: HK\$63,012,000, HK\$51,730,000 and HK\$46,491,000) respectively.

4. Other net income

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gain on financial assets at fair value through profit or loss		
- unrealised	17,303	13,875
- realised	3,439	2,063
Interest income	29,811	15,692
Dividend income	240	217
Others	29	-
	50,822	31,847

5. Profit before income tax

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	184,619	147,480
Product development and tooling costs	10,638	11,656
Royalties expenses	58,936	50,149
Directors' and staff remunerations	34,143	24,692
Depreciation		
- property, plant and equipment	256	308
- right-of-use assets	4,240	4,240
Interest expenses on lease liabilities	460	669
Net exchange gain	(540)	(761)

6. Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the period. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax expense		
Hong Kong profits tax	5,732	2,747
Overseas taxation	12,897	5,716
Under provision in prior year – overseas	-	243
	18,629	8,706
Deferred taxation		
Origination and reversal of temporary differences	7,333	(9,248)
Income tax expense/(credit)	25,962	(542)

The Group's cumulative unrecognised tax losses as of 30 June 2024 amounted to HK\$4,368,000 (31 December 2023: HK\$6,869,000). These tax losses do not expire under respective tax legislation.

7. Dividends

7.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of HK cents 2 per share (2023: HK cents 2)	23,614	23,614

At a meeting held on 23 August 2024, the board of directors has resolved to pay an interim dividend of HK cents 2 per share to be paid on 27 September 2024 to shareholders whose names appear on the Company's Register of Members on 10 September 2024.

The interim dividends declared after the end of the reporting period have not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2024.

The Company does not hold any treasury shares (whether in its own name or which is deposited with CCASS) and no interim dividends will be received in relation thereto.

7.2 Dividends attributable to the previous financial year and paid during the interim period

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK cents 3 per share (2023: HK cents 2)	35,421	23,600
Special interim dividend of HK cents 3 per share (2023: nil)	35,421	-
	70,842	23,600

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$91,458,000 (2023: HK\$86,970,000) and the weighted average number of ordinary shares of 1,180,700,000 shares (2023: 1,180,000,000 shares) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2024 and 2023 equals to the basic earnings per share as the potential ordinary share on exercise of share options are anti-dilutive and therefore were not included in the calculation of diluted earnings per share.

9. Trade receivables

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Trade receivables	163,739	352,038
Less: Allowance for customer concession	(29,785)	(23,211)
	133,954	328,827

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 (2023: 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:

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
0 – 60 days	103,929	252,560
61 – 90 days	29,025	71,737
91 – 180 days	513	4,250
Over 180 days	487	280
	133,954	328,827

10. Trade payables

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

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
0 – 30 days	57,447	88,750
31 – 60 days	259	63
Over 60 days	806	2
	58,512	88,815

11. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.8 to US\$1 ruling at 30 June 2024.

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 2024, trade receivables were HK\$133,954,000 (31 December 2023: HK\$328,827,000) and inventories were HK\$51,932,000 (31 December 2023: HK\$58,886,000).

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 5.1 at 30 June 2024 compared to 3.8 at 31 December 2023.

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 2024, the Group's cash and deposits with banks were HK\$1,087,012,000 (31 December 2023: HK\$1,002,820,000), of which HK\$1,068,065,000 (31 December 2023: HK\$981,894,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 30 June 2024, the Group's treasury investment in listed equities amounted to HK\$78,507,000 (31 December 2023: HK\$68,573,000) representing 5.3% of the total assets of the Group (31 December 2023: 4.4%). This comprised HK\$9,071,000 of equities listed in Hong Kong (31 December 2023: HK\$9,962,000) and HK\$69,436,000 of equities listed overseas (31 December 2023: HK\$58,611,000). None of the individual securities positions held by the Group had a market value that exceeded 1.0% 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 NVIDIA Corporation (NVDA.US), Amazon.com, Inc. (AMZN.US), The Walt Disney Company (DIS.US), Alphabet Inc. (GOOG.US), Apple Inc. (AAPL.US), Microsoft Corporation (MSFT.US), Netflix, Inc. (NFLX.US), Walmart Inc. (WMT.US), Tencent Holdings Limited (700.HK) and Alibaba Group Holding Ltd (9988.HK).

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. The Company did not have any treasury share during the period ended 30 June 2024.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code provisions (“**Code Provisions**”) of Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules throughout the six months ended 30 June 2024, except the followings:

The Code Provision C.2.1 provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The Company does not have a designated chief executive. The board oversees the management, businesses, strategy and financial performance of the Group. The day-to-day business of the Group is handled by the executive directors collectively. The executive directors supported by the senior executives are delegated with the responsibilities of running the

business operations and making operational and business decisions of the Group. The board considers that this structure is adequate to ensure an effective management and control of the Group's businesses and operations. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 December 2024. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

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 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9 September 2024 to 10 September 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 6 September 2024. The interim dividend will be paid on 27 September 2024 to the shareholders on the Register of Members of the Company on 10 September 2024.

On behalf of the Board
Chan Kwong Fai, Michael
Chairman

Hong Kong, 23 August 2024

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

Mr. Chan Kwong Fai, Michael (*Chairman*), Ms. Chan, Helen (*Executive Director*), Mr. Chan Kong Keung, Stephen (*Executive Director*), Mr. 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*)