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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 2024

RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2024 as follows:

Consolidated Income Statement

For the year ended 31 December 2024

	Note	2024 US\$'000 (Note 11)	2024 HK\$'000	2023 HK\$'000
Revenue	3	119,402	931,334	1,109,399
Cost of sales		(55,239)	(430,867)	(472,657)
Gross profit		64,163	500,467	636,742
Marketing and licensing expenses		(24,548)	(191,470)	(203,199)
Selling and distribution expenses		(10,683)	(83,321)	(99,317)
Administration expenses		(16,844)	(131,384)	(124,376)
Operating profit		12,088	94,292	209,850
Other net income	4	11,262	87,840	55,068
Finance costs		(482)	(3,760)	(4,171)
Profit before income tax	5	22,868	178,372	260,747
Income tax expense	6	(5,993)	(46,744)	(37,002)
Profit for the year attributable to owners of the Company		16,875	131,628	223,745
Earnings per share	8	US cents	HK cents	HK cents
Basic		1.43	11.15	18.96
Diluted		1.43	11.15	18.96

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	2024 US\$'000 (Note 11)	2024 HK\$'000	2023 HK\$'000
Profit for the year	16,875	131,628	223,745
Other comprehensive income, including reclassification adjustments:			
Items that will not be reclassified subsequently to profit or loss:			
- Remeasurement of long service payment liabilities			
- <i>Gross</i>	21	162	(53)
- <i>Tax impact</i>	(1)	(9)	8
Other comprehensive income for the year	20	153	(45)
Total comprehensive income for the year attributable to owners of the Company	16,895	131,781	223,700

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 US\$'000 (Note 11)	2024 HK\$'000	2023 HK\$'000
Non-current assets				
Property, plant and equipment		85	666	730
Right-of-use assets		1,282	9,996	18,477
Deferred tax assets		4,188	32,665	49,714
		<u>5,555</u>	<u>43,327</u>	<u>68,921</u>
Current assets				
Inventories		3,545	27,654	58,886
Trade receivables	9	17,522	136,670	328,827
Deposits paid, other receivables and prepayments		8,286	64,633	40,083
Tax recoverable		2,827	22,050	-
Financial assets at fair value through profit or loss		11,214	87,473	68,573
Cash and deposits with banks		133,760	1,043,325	1,002,820
		<u>177,154</u>	<u>1,381,805</u>	<u>1,499,189</u>
Current liabilities				
Trade payables	10	2,484	19,372	88,815
Deposits received, other payables and accrued charges		15,683	122,330	177,503
Provisions		7,061	55,074	65,413
Lease liabilities		1,209	9,433	8,858
Taxation payable		1,865	14,547	50,932
		<u>28,302</u>	<u>220,756</u>	<u>391,521</u>
Net current assets		<u>148,852</u>	<u>1,161,049</u>	<u>1,107,668</u>
Total assets less current liabilities		<u>154,407</u>	<u>1,204,376</u>	<u>1,176,589</u>
Non-current liabilities				
Lease liabilities		247	1,924	11,371
Long service payment liabilities		171	1,330	1,301
		<u>418</u>	<u>3,254</u>	<u>12,672</u>
Net assets		<u>153,989</u>	<u>1,201,122</u>	<u>1,163,917</u>
Equity				
Share capital		1,513	11,800	11,807
Reserves		152,476	1,189,322	1,152,110
Total equity		<u>153,989</u>	<u>1,201,122</u>	<u>1,163,917</u>

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 2023, 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 2024. Details of these changes in accounting policies are set out in Note 2.

2. Changes in accounting policies

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 HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“2020 amendments”) and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

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 2024 from sales of toys was HK\$931,334,000 (2023: HK\$1,109,399,000).

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	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Hong Kong (place of domicile)	388	844	4,491	8,740
Americas				
- U.S.A.	653,360	765,727	5,572	9,269
- Others	54,441	68,726	-	-
Europe	190,287	225,291	599	1,198
Asia Pacific other than Hong Kong	32,470	47,709	-	-
Others	388	1,102	-	-
	930,946	1,108,555	6,171	10,467
	931,334	1,109,399	10,662	19,207

Major customers

The Group's customer base includes two (2023: 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\$283,011,000 and HK\$215,710,000 (2023: HK\$292,271,000 and HK\$262,184,000) respectively.

4. Other net income

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gain on financial assets at fair value through profit or loss		
- unrealised	26,517	14,643
- realised	5,449	3,672
Interest income	55,338	36,089
Dividend income	507	664
Others	29	-
	<u>87,840</u>	<u>55,068</u>

5. Profit before income tax

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	391,499	437,726
Write down/(Reversal of write down) of inventories	252	(2,648)
Product development and tooling costs	31,535	30,803
Royalties expenses	135,586	164,879
Provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	65,606	83,698
Reversal of unutilised provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	(3,276)	(4,445)
Depreciation		
- property, plant and equipment	448	582
- right-of-use assets	8,481	8,481
Directors' and staff remunerations	85,700	78,221
Allowance for customer concession	24,063	3,980
Net foreign exchange loss/(gain)	798	(1,478)
Loss on disposal of property, plant and equipment	7	6
Auditors' remuneration	1,570	1,570

6. Income tax expense

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	-	13,542
Overseas taxation	29,763	39,840
Over provision in prior years – Hong Kong	(3)	-
(Over)/Under provision in prior years – overseas	(56)	244
	<u>29,704</u>	<u>53,626</u>
Deferred taxation		
Origination and reversal of temporary differences	17,040	(16,624)
Income tax expense	<u>46,744</u>	<u>37,002</u>

7. Dividends

(a) Dividends attributable to the year

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
First interim dividend of HK cents 2 per share (2023: HK cents 2 per share)	23,600	23,614
Second interim dividend of HK cents 3 per share (2023: HK cents 3 per share)	35,400	35,421
Special interim dividend of HK cents 3 per share (2023: HK cents 3 per share)	35,400	35,421
	<hr/> 94,400	<hr/> 94,456

At a meeting held on 23 August 2024, the board of directors declared a first interim dividend of HK cents 2 per share, which was paid on 27 September 2024.

At a meeting held on 14 March 2025, the board of directors declared a second interim dividend of HK cents 3 per share and a special interim dividend of HK cents 3 per share to be paid on 24 April 2025 to shareholders whose names appear on the Company's register of members on 8 April 2025. 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 2024.

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

(b) Dividends attributable to previous financial year and paid during the year

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the year:		
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	-
	<hr/> 70,842	<hr/> 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\$131,628,000 (2023: HK\$223,745,000) and the weighted average number of ordinary shares of 1,180,516,000 shares (2023: 1,180,265,000 shares) in issue during the year excluding any ordinary shares purchased by the Company held for share award scheme.

Diluted earnings per share for the years ended 31 December 2024 and 2023 equals to the basic earnings per share as (i) the potential ordinary shares on exercise of share options are anti-dilutive and (ii) there were no ordinary shares purchased by the Company held for share award scheme that would be deemed to be issued. Therefore no potential ordinary shares are included in the calculation of diluted earnings 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 (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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 60 days	89,307	252,560
61 – 90 days	35,777	71,737
91 – 180 days	8,294	4,250
Over 180 days	3,292	280
	<hr/> 136,670	<hr/> 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 30 days	17,955	88,750
31 – 60 days	1,389	63
Over 60 days	28	2
	<hr/> 19,372	<hr/> 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 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Playmates Toys worldwide turnover for the year ended 2024 was HK\$931 million (2023: HK\$1,109 million), representing a decline of 16% compared to prior year. The unfavourable comparison was driven by lower shipment volume of our *Teenage Mutant Ninja Turtles* toy line compared to prior year, which included the positive impact of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* movie release, partially offset 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. The U.S. continued to be our biggest market in 2024, contributing 70% of revenue. Europe as a whole contributed 20%, the rest of the Americas 6% and 3% came from Asia Pacific.

Gross profit ratio on toy sales was 54% (2023: 57%). Lower gross profit margin in 2024 reflected: (i) a promotional retail environment where retailers used more price discounts to compete for consumers, (ii) a mix shift to lower margin products, and (iii) higher product development costs as a percentage of sales, in preparation for new product launches in 2025. Operating expenses declined by 9% compared to prior year, reflecting lower variable costs, partially offset by increased marketing expenses to drive revenue. Administration expenses increased 6% compared to prior year.

The group reported an operating profit of HK\$94 million in 2024 (2023: HK\$210 million). Other net income during the current year period included a HK\$32 million unrealized and realized gain on our equities investment position and HK\$55 million in interest income. During the prior year period, we recorded a HK\$18 million unrealized and realized investment gain and HK\$36 million in interest income. Net gain attributable to shareholders in 2024 was HK\$132 million (2023: HK\$224 million).

2025 will be a transition year for us, without any major entertainment events to support our *Teenage Mutant Ninja Turtles* or *Godzilla x Kong* product lines. Comparison against 2024 will be challenging especially as we lap the *Godzilla x Kong: The New Empire* movie release in March 2024. However, we will begin shipping our new *Power Rangers* product line in the summer of 2025, which should provide some support to our business in the second half of the year. The recently announced 20% U.S. tariff on all imports from China will affect our entire industry, and is expected to put negative pressure on our profitability. We will carefully assess sourcing alternatives and pricing adjustments as the tariff situation develops. We are also monitoring the impact of tariffs on consumer spending and the overall toy industry.

Brand Overview

Teenage Mutant Ninja Turtles (“TMNT”)

Paramount Pictures and Nickelodeon Movies are developing a sequel to *Teenage Mutant Ninja Turtles: Mutant Mayhem*, slated to release in October 2026, along with a two-season series that will serve as a “bridge” between the films. Season 1 of the spinoff series, titled *Tales of The Teenage Mutant Ninja Turtles*, was released on Paramount+ in August 2024, followed by Netflix in January 2025 in the U.S. and other major markets around the world throughout 2025. Season 2 of the series is scheduled to debut on Paramount+ this summer. 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 March 2024, Legendary Entertainment released *Godzilla x Kong: The New Empire*, which delivered the strongest global box office results yet for the *MonsterVerse* franchise and drove robust toy sales. As the global master toy licensee, we continue to develop extensions to our product line to include characters from across the *MonsterVerse* movies and TV shows.

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: Re-Ignition*** toy line, including action figures, collectibles, combinable Zords and roleplay accessories, which we will start shipping this summer. This debut will be supported by new and enhanced content on YouTube, Netflix and other entertainment channels, all designed to engage a new generation of kids in the ***Power Rangers*** story.

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 2024, trade receivables were HK\$136,670,000 (2023: HK\$328,827,000) and inventories were HK\$27,654,000 or 3.0% of revenue (2023: HK\$58,886,000 or 5.3% of revenue). The lower trade receivables and inventories at 2024 year-end reflected lower shipments and customer orders during the fourth quarter of 2024.

The current ratio, calculated as the ratio of current assets to current liabilities, was 6.3 at 31 December 2024 and 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 31 December 2024, the Group's cash and deposits with banks were HK\$1,043,325,000 (2023: HK\$1,002,820,000), of which HK\$990,049,000 (2023: HK\$981,894,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 31 December 2024, the Group's treasury investment in listed equities amounted to HK\$87,473,000 (2023: HK\$68,573,000) representing 6.1% of the total assets of the Group (2023: 4.4%). This comprised HK\$10,728,000 of equities listed in Hong Kong (2023: HK\$9,962,000) and HK\$76,745,000 of equities listed overseas (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 5.7% of the total assets of the Group and included NVIDIA Corporation (NVDA.US), Amazon.com, Inc. (AMZN.US), The Walt Disney Company (DIS.US), Apple Inc. (AAPL.US), Alphabet Inc. (GOOG.US), Microsoft Corporation (MSFT.US), Netflix, Inc. (NFLX.US), Walmart Inc. (WMT.US), Tencent Holdings Limited (700.HK) and Vitasoy International Holdings Limited (345.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

During the year, 700,000 shares of HK\$0.01 each were repurchased by the Company at a price of HK\$0.64 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company did not have any treasury shares during the year. The said repurchased shares were cancelled for the enhancement of shareholder value in the long term.

CORPORATE GOVERNANCE

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 Part 2 of the Corporate Governance Code (“Code”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the year ended 31 December 2024, except the followings:

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.

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 2024.

DIVIDENDS

The board of directors declared a second interim dividend of HK cents 3 per share and a special interim dividend of HK cents 3 per share. The said second interim dividend and special interim dividend will be paid on 24 April 2025 to the shareholders on the Register of Members of the Company on 8 April 2025.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 April 2025 to 8 April 2025, 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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 3 April 2025.

On behalf of the Board
CHAN Kwong Fai, Michael
Chairman

Hong Kong, 14 March 2025

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*)