



Playmates TOYS 60 years



2025 Annual Report

CORPORATE INFORMATION

Directors

CHAN Kwong Fai, Michael
(Chairman and Executive Director)
CHAN Helen
(Executive Director)
CHAN Kong Keung, Stephen
(Executive Director)
IP Shu Wing, Charles
(Independent Non-executive Director)
LAM Wai Hon, Ambrose
(Independent Non-executive Director)
TRAN Vi-hang William
(Executive Director)
YU Hon To, David
(Independent Non-executive Director)

Company Secretary

NG Ka Yan

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

23/F., The Toy House
100 Canton Road
Tsimshatsui
Kowloon, Hong Kong

Auditors

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisors

Conyers Dill & Pearman
Deacons

Principal Bankers

The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
UBS AG
Merrill Lynch, Pierce, Fenner & Smith Inc.

Principal Share Registrars

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Branch Share Registrars

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Stock Code

The shares of Playmates Toys Limited
are listed for trading on The Stock
Exchange of Hong Kong Limited
(Stock Code: 869)

Website

www.playmatestoys.com

TABLE OF CONTENTS

1	Statement from the Chairman	74	Independent Auditor's Report
2	Management Discussion & Analysis	80	Consolidated Income Statement
5	Directors and Senior Management	81	Consolidated Statement of Comprehensive Income
7	Report of the Directors	82	Consolidated Statement of Financial Position
29	Corporate Governance Report	83	Consolidated Cash Flow Statement
47	Environmental, Social and Governance Report	84	Consolidated Statement of Changes in Equity
		86	Notes to the Financial Statements
		136	Five Year Financial Summary

STATEMENT FROM THE CHAIRMAN

Dear Fellow Shareholders,

2025 proved to be an exceptionally challenging year in many respects. While we planned 2025 to be a transition year, based on a relatively quiet entertainment calendar for the **Teenage Mutant Ninja Turtles (“TMNT”)** and **Godzilla x Kong** brands, our operating environment was much more difficult than we originally anticipated.

Escalating trade tensions between the U.S. and China and changing tariff rates caused significant uncertainty in our business during the year. While overall toy unit sales in the U.S., our largest market, recorded a 3% year-over-year growth, the action figure & accessories subcategory experienced a 2% decline in units. The cumulative impact of inflation over the past several years continued to pressure discretionary spending, with consumers being more selective and value-conscious than ever before. Other major Western European markets and Australia experienced similar overall trends.

The non-renewal of our **TMNT** license agreement, as disclosed on 23 December 2025, was also a disappointing development. In the absence of any tentpole entertainment events for the **TMNT** brand, we expected moderate demand for our **TMNT** products in 2025 and 2026, but will miss having **TMNT** as part of our product offering for the next license period starting in 2027.

But with challenges also come opportunities. We launched our **Power Rangers** product line successfully in the U.S. and select International markets in Fall 2025. Distribution will continue to expand in 2026, with the brand expected to provide positive contribution throughout the year. We have also put in place sourcing alternatives to increase our resilience to potential future global trade disruptions. Beyond 2026, we continue to be optimistic about the **Godzilla x Kong: Supernova** movie currently being developed and slated for release in March 2027.

As we celebrate Playmates’ 60th anniversary in 2026, we recognize the evolution of our industry and our business throughout the Company’s long history, and our ability to successfully adapt to significant changes time and time again. We are in another such period of change. I look forward to navigating the road ahead with our dedicated and talented team, and with the support from our business partners, shareholders and board members.

With gratitude,

CHAN Kwong Fai, Michael

Chairman of the board

Hong Kong, 13 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

Playmates Toys worldwide turnover for the year ended 2025 was HK\$512 million (2024: HK\$931 million), representing a decline of 45% compared to prior year. The unfavourable comparison was driven by: (i) the anticipated decline in **Godzilla x Kong** product shipments as we lapped the **Godzilla x Kong: The New Empire** movie release in 2024, (ii) moderating demand for our **Teenage Mutant Ninja Turtles (“TMNT”)** products in the absence of any tentpole entertainment events for the **TMNT** brand, and (iii) some disruption in shipments to the U.S. market in April amidst escalating trade tensions, partially offset by the launch of our **Power Rangers** product line in the Fall. The U.S. continued to be our biggest market in 2025, contributing 76% of revenue. Europe as a whole contributed 15%, the rest of the Americas 6% and 3% came from Asia Pacific.

Gross profit ratio on toy sales was 48% (2024: 54%). Lower gross profit margin in 2025 reflected: (i) payment of tariffs in effect for goods entering the U.S. starting in Q2 2025, partially offset by selective pricing adjustments that became effective in Q3 2025, and (ii) higher product development and tooling costs in preparation for new product launches. Operating expenses declined by 38% compared to prior year, reflecting lower variable costs, partially offset by higher marketing and licensing expenses as a percentage of sales, related to new brand launches. Administration expenses decreased 3% compared to prior year.

The group reported an operating loss of HK\$49 million in 2025 (2024: operating profit of HK\$94 million). Other net income during the current year period included a net unrealised and realised gain of approximately HK\$19 million of the Group’s treasury investment in listed equity securities and HK\$40 million in interest income. During the prior year period, we recorded a net unrealised and realised gain of HK\$32 million in treasury investment and HK\$55 million in interest income. Net loss attributable to shareholders in 2025 was HK\$15 million (2024: net profit of HK\$132 million).

2026 will be another transition year for us, without any major entertainment events to support our product lines, although comparison against 2025 will be easier. The continued expansion in distribution of our **Power Rangers** product line, as well as ongoing shipments of our **TMNT** and **MonsterVerse** toy lines will provide some support to our business. Although the U.S. Supreme Court recently held that tariffs imposed under the International Emergency Economic Powers Act (“IEEPA”) were unlawful, we expect U.S. import tariffs to continue under different forms, and put some negative pressure on our profitability. U.S. Customs and Border Protection (“CBP”) suggested in a recent filing that it could begin issuing refunds of IEEPA tariffs by late April after revamping its technology. While we expect that refund mechanisms will eventually be available, the situation remains fluid and additional guidance from the U.S. Court of International Trade (“CIT”) and/or CBP may impact amounts or timelines for any action.

BRAND OVERVIEW

Power Rangers



We launched our kid-targeted ***Mighty Morphin Power Rangers: Re-ignition*** toy line last Fall, supported by new and enhanced content on YouTube, Netflix and other entertainment channels. Distribution will continue to expand in 2026, and we will be introducing refreshed action figures, collectibles, combinable Zords and roleplay accessories throughout the year. Beyond 2026, Hasbro Entertainment has announced a new streaming series in development with Disney+ to extend the ***Power Rangers*** story for this new generation of kids.

Godzilla x Kong



The **Godzilla x Kong MonsterVerse** franchise continues to sustain consumer engagement in a non-movie year. 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. 2027 is set to be a landmark year for the franchise with the premiere of **Godzilla x Kong: Supernova** in March. We are currently in development on our most ambitious **MonsterVerse** product line to date. Through highly detailed figures and new toy segments, we are excited to offer new ways to collect and play for fans worldwide.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors are shown below:

CHAN Kwong Fai, Michael

Chairman and Executive Director

Mr. Chan, aged 41, was appointed a director of the Company in December 2021. He has been involved in various aspects of the Group's operations since joining the Group in 2010, and has served as president of Playmates Toys Limited's U.S. subsidiary since 2017. Prior to joining the Group, Mr. Chan was part of KKR's Private Equity team in Menlo Park, California, U.S., where he was actively involved in a number of transactions as well as portfolio company management. Prior to joining KKR, Mr. Chan worked at Citigroup in New York City, where he was a member of the Consumer Retail Investment Banking team. Mr. Chan graduated from Yale University with bachelor's degrees in Economics and History. He is also the chairman and executive director of the board of Playmates Holdings Limited. Mr. Chan is a brother of Ms. Chan, Helen and Mr. Chan Kong Keung, Stephen.

CHAN, Helen

Executive Director

Ms. Chan, aged 46, was appointed a director of the Company in May 2023. She graduated magna cum laude from Yale University in 2001 with a bachelor's degree in Economics. She subsequently worked in New York City as a consultant with one of the leading financial consulting firms for 2 years. She then obtained her Masters of Business Administration in Marketing and Finance at the Wharton School of Business in 2005.

After graduating business school, Ms. Chan pursued a career in retail with one of the largest global luxury retailers. She joined the company as a Merchandising Senior Analyst in their New York headquarters. Her responsibilities increased over time as she rotated through various teams in the organization. She was then transferred to Hong Kong in 2009 to assist with the regionalization initiative of the company. She was promoted to Director of Asia Merchandising in 2011 where she was responsible for spearheading the merchandising needs of the region.

In 2014, after 9 years in the retail industry, Ms. Chan joined Playmates Holdings Limited where she is responsible for the management of the real estate portfolio and treasury investments. Ms. Chan is also an executive director of the board of Playmates Holdings Limited. Ms. Chan is a sister of Mr. Chan Kwong Fai, Michael and Mr. Chan Kong Keung, Stephen.

CHAN Kong Keung, Stephen

Executive Director

Mr. Chan, aged 38, was appointed a director of the Company in May 2017. He has been a Vice President for Overseas Investments for a fellow subsidiary of the Group since 2014. Prior to joining the Group, Mr. Chan worked as a Management Trainee and a Commercial Banking Relationship Manager for an international banking corporation from 2009 until 2013. Mr. Chan was appointed the External Supervisor of The Bank of East Asia (China) Limited on 13 February 2026. He holds a Bachelor of Arts Degree in Philosophy from the University of Cambridge in Britain in 2009. He is also an executive director of the board of Playmates Holdings Limited. Mr. Chan is a brother of Ms. Chan, Helen and Mr. Chan Kwong Fai, Michael.

DIRECTORS AND SENIOR MANAGEMENT

IP Shu Wing, Charles

Independent Non-executive Director

Mr. Ip, aged 75, was appointed a director of the Company in May 2021. Mr. Ip has over 40 years of experience in business management and has held a number of key management positions in various multi-national corporations.

LAM Wai Hon, Ambrose

Independent Non-executive Director

Mr. Lam, aged 72, was appointed an independent non-executive director of the Company in August 2019. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honours) degree from University of Newcastle Upon Tyne in England.

Mr. Lam has over 40 years of experience in merchant banking, investment banking and corporate advisory services and has served in senior management roles in a number of major international banking institutions.

Mr. Lam is an independent non-executive director of Evergrande Property Services Group Limited, Far East Consortium International Limited and Pacific Online Limited. He is also a non-executive director of Yuzhou Group Holdings Company Limited. He was a non-executive director of Sunac China Holdings Limited until 20 November 2025. All these companies are listed on the Hong Kong Stock Exchange. On 16 January 2025, he resigned as an executive director of Quam Plus International Financial Limited.

TRAN Vi-hang William

Executive Director

Mr. Tran, aged 56, joined the Group in 2010. He is responsible for overseeing the international market management function, operation and product development of the Group. He has over 25 years of experience in the toy industry with more than 3 years in the OEM manufacturing sector. Mr. Tran graduated from McGill University (Canada) in 1993 with a Bachelor of Commerce degree majoring in Accounting and MIS.

YU Hon To, David

Independent Non-executive Director

Mr. Yu, aged 77, was appointed a director of the Company in May 2021. He is a fellow member of The Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. He is an independent non-executive director of various listed companies in Hong Kong including MS Group Holdings Limited, China Resources Gas Group Limited, Keck Seng Investments (Hong Kong) Limited and One Media Group Limited. All these companies are listed on the main board of the Hong Kong Stock Exchange. He is also a non-executive director of Haier Smart Home Co., Limited, the shares of which are listed on Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange.

REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2025.

Principal Activities and Geographical Analysis of Operation

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 16 to the financial statements.

An analysis of the Group's performance for the year by geographical segments is set out in note 5.1 to the financial statements.

Business Review

Information about a fair review of, and an indication of likely future development in, the Group's business is set out in the "Statement from the Chairman" and "Management Discussion and Analysis" of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year, if any, can also be found in the abovementioned sections and the notes to the financial statements. An analysis of the financial key performance indicators is set out in the "Management Discussion and Analysis" and the "Five Year Financial Summary" of this annual report.

Principal risks and uncertainties

In addition to the risks and uncertainties facing the Company contained in the "Statement from the Chairman" and "Management Discussion and Analysis" of this annual report and the Environmental, Social and Governance Report, the following is a list of principal risks and uncertainties that may affect the business, financial condition, results of operations and growth prospects of the Company. However, this list is not exhaustive as there may be other risks and uncertainties resulting from changes in economic condition and operating environment over time:

1. Economic and Political Risk:

Adverse changes in the economic and political environment and government policies may affect our ability to execute our strategies.

2. Business Risk:

The toy industry is inherently unpredictable. We rely on third party licenses, and our revenue is currently derived from a few licensed brands. Any reduction or loss in sales of these brands may adversely affect our performance and financial condition. We also rely significantly on a few major customers, and any change in their buying patterns and/or reduction in their business volume may adversely affect our financial results and prospects.

3. Compliance Risk:

Non-compliance with product safety and laws and regulations may lead to financial loss and reputational damage. Product safety is the Group's number one priority. We have robust processes and procedures in place to ensure compliance with all applicable laws and regulations. Changes in related laws and regulations may lead to increased compliance costs.

REPORT OF THE DIRECTORS

4. Financial Risk:

The Group is exposed to financial risks related to currency, pricing, credit and liquidity in the normal course of business. For details of such financial risks, please refer to note 32.2 to the financial statements.

5. People Risk:

Loss of key executives may affect our ability to execute our strategies.

6. Cyber risk and security:

Cyber threats and attacks may affect our reputation and business operations. The Group has a policy in relation to use of computer, email and social media usage in place since 2006 which has been regularly updated in light of the latest changes. Training on information security awareness is provided to directors and staff regularly. In addition, the Group has implemented protective measures for the security of our network and Information Technology ("IT") systems, and monitors suspicious cyber activities with the assistance of external IT consultants.

7. Data fraud or theft:

Company data, including customer details, financial data as well as other operational data, is important to our business. Any loss of the said data may affect our business operation and cause losses to the Group. The Group has implemented relevant internal control procedures and systems to ensure that such data is properly protected.

The Group has developed a risk management and internal control system to identify current risks and has undertaken necessary measures to mitigate the risks identified. Details of the Group's risk management and internal control system are set out in the Corporate Governance Report of this annual report.

Relationships with stakeholders

Our business requires that we collaborate with an array of stakeholders including customers, licensors, suppliers and employees. We strive to deal fairly with our stakeholders and to establish a long-standing and close relationship with them. We expect our stakeholders to work with us on the basis of a shared commitment to integrity, legal and ethical behaviour and mutual trust.

Customers

We consider customers as one of the most important stakeholders. Our commitment to and continued vigilance over quality and safety are essential in maintaining the trust of our consumers. In the U.S., we sell directly to various customers including national mass merchandise retailers. Outside the U.S., we sell to over 40 countries, primarily in Europe, North America, Latin America and Asia Pacific including Australia. Our international sales and distribution efforts are managed through our network of independent distributors. For more information on the major customers, trade terms and trade receivables, please refer to notes 5.2, 18 and 32.2.3 to the financial statements.

Licensors

The entertainment industry and toy invention and design community are major sources of concepts and ideas for the creation and development of new products. We endeavour to maintain close working relationships or contacts with major entertainment licensors and the toy invention and design community worldwide. These relationships or contacts help us gain access to licensed rights in entertainment properties, technologies and toy inventions.

Suppliers

Supply chain is a critical part of our operations. Our suppliers must meet our selection criteria, which include security, safety, cost and delivery. Our selection criteria of suppliers are also based on their reliability and quality of products, and with whom we can build long-term relationships. We require all of our suppliers to comply with relevant manufacturing requirements and safety standards of the industry.

Employees

Employees are important to our sustainable development. We are committed to providing equal employment opportunity and a safe and harassment-free working environment. Employees are encouraged to attend trainings including professional development programs offered by professional organizations so as to refresh their skills and knowledge. We also strive to ensure that the employees are fairly and reasonably remunerated based on industry practice.

Environmental policies

We are committed to minimizing the environmental impact of our operations and to complying with all applicable environmental laws in the countries in which we conduct business. We also require our suppliers to obtain all necessary permission from the relevant regulators and operate in strict compliance with all applicable environmental laws including the environmental requirements as required by the International Council of Toys Industries CARE Seal of Compliance or other equivalent standards.

REPORT OF THE DIRECTORS

Compliance with laws and regulations

Compliance procedures are in place to ensure compliance with applicable laws and regulations. Our professional employees attend on-going professional development programs in order to keep them abreast of the latest development of the laws and regulations. External legal advisors are engaged to advise on the compliance matters if and when necessary. The Company complies with the relevant laws and regulations that have a significant impact on the Company including the Companies Ordinance, Securities and Futures Ordinance (“SFO”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

For more information on our relationship with the stakeholders, environmental policies and compliance with laws and regulations, please refer to the Environmental, Social and Governance Report of this annual report.

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group’s major suppliers and customers were as follows:

Purchases

– the largest supplier	52%
– five largest suppliers in aggregate	97%

Sales

– the largest customer	32%
– five largest customers in aggregate	80%

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company’s share capital) (excluding treasury shares) had any interest in the major suppliers or customers noted above.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 80.

The directors have declared a first interim dividend of HK cents 1 per ordinary share, totalling HK\$11,800,000, which was paid on 19 September 2025.

The directors do not recommend payment of a second interim dividend at the meeting held on 13 March 2026.

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.

Dividend Policy

The Company has adopted a Dividend Policy which allows the shareholders of the Company to share the profits of the Company whilst retaining adequate reserves for the Group's future growth. The declaration and amount of dividends shall be determined at the sole discretion of the Board. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:-

- (a) the Company's actual and expected financial performance;
- (b) dividends received from the Company's subsidiaries and associates;
- (c) retained earnings and distributable reserves of the Company and its subsidiaries and associates;
- (d) the liquidity position of the Group;
- (e) the Group's expected working capital requirements;
- (f) general business conditions and strategies;
- (g) taxation considerations;
- (h) possible effects on creditworthiness;
- (i) legal, statutory and regulatory restrictions;
- (j) contractual restrictions; and
- (k) any other factors that the Board deem appropriate.

The Board periodically reviews its dividend policy, taking into account the capital expenditure plans, prevailing operating conditions, revenue visibility and overall business outlook.

The Board confirms that all dividend decisions during the reporting period were made in accordance with the Dividend Policy of the Company.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 84 to 85. Movements in the reserves of the Company during the year are set out in note 27.3 to the financial statements.

Distributable reserves of the Company at 31 December 2025, calculated under the Companies Act 1981 of Bermuda, amounted to HK\$256,201,000 (2024: HK\$328,029,000).

REPORT OF THE DIRECTORS

Financial Analysis

Analysis of bank loans and other borrowings

As at 31 December 2025, the Group has no banking facilities (2024: HK\$ nil).

Liquidity and financial resources

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 2025, trade receivables were HK\$108,405,000 (2024: HK\$136,670,000) and inventories were HK\$27,419,000 or 5.4% of revenue (2024: HK\$27,654,000 or 3.0% of revenue).

The current ratio, calculated as the ratio of current assets to current liabilities, was 6.4 at 31 December 2025 and 6.3 at 31 December 2024.

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 2025, the Group's cash and deposits with banks were HK\$969,387,000 (2024: HK\$1,043,325,000), of which HK\$946,889,000 (2024: HK\$990,049,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 31 December 2025, the Group's treasury investment in listed equities amounted to HK\$94,871,000 (2024: HK\$87,473,000) representing 7.2% of the total assets of the Group (2024: 6.1%). This comprised HK\$11,213,000 of equities listed in Hong Kong (2024: HK\$10,728,000) and HK\$83,658,000 of equities listed overseas (2024: HK\$76,745,000). None of the individual securities positions held by the Group had a market value that exceeded 1.6% of the total assets of the Group. The top 10 listed securities in aggregate represented 7.2% of the total assets of the Group and included NVIDIA Corporation (NVDA.US), Alphabet Inc. (GOOG.US), Amazon.com, Inc. (AMZN.US), The Walt Disney Company (DIS.US), Microsoft Corporation (MSFT.US), Netflix, Inc. (NFLX.US), The Goldman Sachs Group, Inc (GS.US), Tencent Holdings Limited (700.HK), Apple Inc. (AAPL.US) 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.

Employees

As at 31 December 2025, the Group had a total of 69 employees in Hong Kong and the United States of America (2024: 67 employees).

The Group remunerates its employees largely based on industry practice, including contributory provident funds, insurance and medical benefits. The Group has also adopted a discretionary bonus programme for all management and staff, as well as share option and share award plans for employees. Awards under such programmes determined annually based upon the performance of the Group and the individual employees.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$256,000 (2024: HK\$199,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 27.1 to the financial statements.

Five Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 136.

Purchase, Sale or Redemption of Shares

During the year, the Trustee of the Share Award Plan purchased on the Stock Exchange a total of 6,000,000 Shares at a total consideration of approximately HK\$3,457,000 to satisfy the Share Awards vested in the year. Other than the aforesaid, neither the Company nor any of its subsidiaries purchased or sold any of the shares of the Company during the year and up to the date of this report. The Company did not have any treasury share during the year.

REPORT OF THE DIRECTORS

Directors

The directors who held office during the year and up to the date of this report were:

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*)

Mr. YU Hon To, David (*Independent Non-executive Director*)

Pursuant to Bye-law 87(1) of the Company, Ms. Chan, Helen, Mr. Lam Wai Hon, Ambrose and Mr. Tran Vi-hang William shall retire by rotation at the forthcoming annual general meeting. Ms. Chan, Mr. Lam and Mr. Tran will offer themselves for re-election at the same meeting.

Each of the independent non-executive director has confirmed his independence under Rule 3.13 of the Listing Rules and the Company confirmed that it still considered such directors to be independent.

Directors' Service Contracts

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

Directors' Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding companies, subsidiaries or fellow subsidiaries was a party and in which any director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provision

Pursuant to the Bye-laws of the Company, the directors are entitled to be indemnified out of the Company's assets against actions and damages in connection with execution of their duties. Pursuant to a code provision of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, the Company has also arranged appropriate director and officer liability insurance policy covering potential legal actions that might be taken against its directors.

Share Award Plan

A share award plan ("Share Award Plan") was adopted by the Company on 19 May 2023 (the "Adoption Date"). Subject to the Listing Rules and the terms and conditions of the Rules of the Share Award Plan ("Plan Rules"), the Board has a discretion to determine the terms of the award of Shares ("Share Awards"), including the vesting conditions and the date on which the award will vest.

The maximum number of shares of the Company ("Shares") which may be issued in respect of all awards and options to be granted under the Share Award Plan and other share schemes of the Company is 10% of the total number of Shares in issue as at the Adoption Date (i.e., no more than 118,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of this annual report) ("Plan Mandate Limit"). Out of such Plan Mandate Limit, the maximum number of Shares which may be issued in respect of all awards to be granted to the Service Provider Participants (as defined below) under the Share Award Plan is 5% of the total number of Shares in issue as at the Adoption Date (i.e., no more than 59,000,000 Shares, representing 5% of the total number of Shares in issue as at the date of this annual report).

Pursuant to the terms of the Share Award Plan and the trust deed entered into on 24 May 2023, the Company established a trust ("Trust") and appointed a trustee (the "Trustee") to administer the Share Award Plan. During the effective period of the Share Award Plan, the board of directors may contribute funds to the Trust and instruct the Trustee to purchase Shares on the Stock Exchange or in off-market transactions or to subscribe for new Shares for the purposes of satisfying Share Awards granted under the Share Award Plan.

Summary of the terms of the Share Award Plan are as follows:

- Purpose : (i) recognise and reward the contributions of certain Eligible Participants (as particularized below) to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group, and
- (ii) attract suitable personnel for further development of the Group.

REPORT OF THE DIRECTORS

- Eligible Participants : (i) "Employee Participants" including directors, chief executive and employee of the Company or any of its subsidiaries;
- (ii) "Related Entity Participants" including directors or employees of the holding companies, fellow subsidiaries or associated companies of the Company; and
- (iii) "Service Provider Participants" including any persons (natural or corporate entity) that falls under one of the below sub-categories and that provides services to any member of the Group on a continuing and recurring basis in its ordinary course of business which are in the interests of the long-term growth of the Group, as determined by the Board pursuant to the criteria set out in the Plan Rules:
- (i) suppliers of services to any member of the Group;
- (ii) advisors (professional or otherwise) or consultants; and
- (iii) independent contractors,
- excluding (A) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and (B) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.
- Maximum entitlement of each participant : The maximum number of Shares which may be awarded under the Share Award Plan together with Shares issued and to be issued under options and awards granted to a selected participant under any other share schemes of the Company, in a 12-month period, shall not (i) in aggregate exceed 1% of the issued share capital of the Company in issue; and (ii) exceed any limits applicable to such selected participant under the Listing Rules.

Vesting period of Share Awards granted under the Share Award Plan	:	Subject to the Listing Rules, the vesting date in respect of any Share Award shall be not less than 12 months from the grant date, provided that for Employee Participants, the vesting date may be less than 12 months from the grant date in certain circumstances specified in the Plan Rules.
Total number of Shares available for issue under Share Award Plan	:	118,000,000 Shares, representing 10% of the total issued share capital of the Company (excluding treasury shares) as at the date of this report.
The amount payable on application or acceptance of the award	:	No amount is payable.
The basis for determining the purchase price of the Shares awarded	:	A selected eligible participant is not required under the Plan Rules to pay any purchase price to receive Shares awarded.
The remaining life of the Share Award Plan	:	Remains in force until 18 May 2033.

No Share was allotted and issued pursuant to Share Awards granted under the Share Award Plan during the year. No Share Award was granted, cancelled or lapsed under the Share Award Plan during the year.

On 6 December 2024, the Board resolved to grant a total of 6,000,000 Share Awards to selected eligible participants (including an executive Director) under the Share Award Plan. During the year, the Trustee purchased on the Stock Exchange a total of 6,000,000 Shares at a total consideration of approximately HK\$3,457,000 to satisfy the said Share Awards that vested in the year (subject Plan Rules and individual grant terms). On 6 December 2025, a total of 6,000,000 awarded Shares had vested to the selected eligible participants. Neither the Trustee nor the Company held any unvested Shares at the end of the year. While there were 6,000,000 unvested Share Awards at the beginning of the year, there was none at the end of the year.

Accordingly, the number of Shares available for award under the Plan Mandate Limit at the beginning and the end of the year remains at 118,000,000 Shares (out of which, 59,000,000 Shares are available for award to Service Provider Participants at the beginning and the end of the year).

REPORT OF THE DIRECTORS

The following table discloses the details of the Share Awards held by the selected eligible participants of the Share Award Plan (including an executive Director) and their movement during the year, that are required to be disclosed under Rule 17.12 of Chapter 17 and Paragraph 10 of Appendix D2 of the Listing Rules:

Participant	Date of grant of Share Awards	Fair value per Share <i>HK\$</i> <i>(Note 3)</i>	Number of Share Awards					Unvested awards at 31 December 2025	Vesting Period and Remarks <i>(Note)</i>
			Unvested awards at 1 January 2025	Granted during the year	Cancelled during the year	Vested during the year	Lapsed during the year		
Share Award Plan									
<i>Director of the Company</i>									
TRAN Vi-hang William	6 December 2024	0.58	1,000,000	-	-	1,000,000	-	-	(1)
<i>Continuous Contract Employee Participants, excluding Directors</i>	6 December 2024	0.58	2,000,000	-	-	2,000,000	-	-	(1)
<i>Service Provider Participants including consultants of the Company</i>	6 December 2024	0.58	3,000,000	-	-	3,000,000	-	-	(1)
<i>Total</i>			6,000,000	-	-	6,000,000	-	-	

The following table discloses the details of the Share Awards held by the five highest paid individuals of the Company:

Participant	Date of grant of share awards	Fair value per Share <i>HK\$</i> <i>(Note 3)</i>	Number of Share Awards					Unvested awards at 31 December 2025	Vesting Period and Remarks <i>(Note)</i>
			Unvested awards at 1 January 2025	Granted during the year	Cancelled during the year	Vested during the year	Lapsed during the year		
<i>Five highest paid individuals of the Company</i>	6 December 2024	0.58	2,000,000	-	-	2,000,000	-	-	(1), (3) &(6)

Notes:

- (1) The Share Awards granted to the selected eligible participants of the Company vested on 6 December 2025. No purchase price is required to be paid to receive the Shares awarded. Such Share Awards are not subject to any performance targets.
- (2) The closing price of the Shares quoted on the Stock Exchange immediately before the date on which the Share Awards were granted is HK\$0.61.
- (3) The fair value of the Shares of Share Awards was based on the closing price per Share at the date of grant and adjusted by the fair value of the dividends during the vesting period as the grantees are not entitled to dividends during the vesting period. The fair value of Share Awards at the date of grant and accounting policy adopted in respect of Share Awards granted during the year, please refer to notes 2.14.4 and 26.2 to the Notes to the Financial Statements.
- (4) The weighted average closing price of the Shares immediately before the date on which the Share Awards were vested as quoted on the Stock Exchange was HK\$0.51.
- (5) All Share Awards granted under the Share Award Plan during the year were satisfied by the Trustee's acquisition of existing Shares on the Stock Exchange. Accordingly, the number of new Shares that can be issued under the Share Awards granted under the Share Award Plan during the year divided by the weighted average number of Shares in issue for the year was not applicable.
- (6) Such batch of 2,000,000 Share Awards has been included in the first table disclosing details of all Share Awards held by selected eligible participants of the Share Award Plan.

Share Option Scheme

The following is a summary of the terms of the Share Option Scheme of the Company adopted on 21 May 2018 ("2018 PTL Scheme").

- | | | |
|--|---|---|
| Purpose | : | (i) To motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and |
| | | (ii) To attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are or will be beneficial to the Group. |
| Participants | : | (i) Directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the Group or a company in which the Group holds an interest or a subsidiary of such company; or |
| | | (ii) The trustees of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any person/party mentioned in (i) above; or |
| | | (iii) A company beneficially owned by any person/party mentioned in (i) above. |
| Total number of Shares available for issue under the 2018 PTL Scheme | : | 18,744,000 ordinary shares, representing 1.59% of the total issued capital of the Company (excluding treasury shares) as at the date of this report. |

REPORT OF THE DIRECTORS

- Total number of options available for grant under the scheme mandate of the 2018 PTL Scheme as at 1 January 2025 : NIL.
- Total number of options available for grant under the scheme mandate of the 2018 PTL Scheme as at 31 December 2025 : NIL.
- Maximum entitlement of each participant : Unless approved by shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued ordinary shares of the Company.
- The period within which the option may be exercised by the grantee under the 2018 PTL Scheme : The options are exercisable in stages and no option will be exercisable later than 10 years after its date of grant.
- The amount payable on acceptance of the option and the period within which such payments or calls must be or may be made or loans for such purposes must be repaid : HK\$10.00 (or such other nominal sum in any currency as the board may determine) to be paid within 21 business days from the date of the offer.
- The basis for determining the exercise price of options granted : Determined by the Board and shall not be less than the highest of:
- (i) the closing price of an ordinary share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day;
 - (ii) an amount equivalent to the average closing price of an ordinary share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant option; and
 - (iii) the nominal value of an ordinary share on the date of grant.
- The remaining life of the 2018 PTL Scheme : Remained in force until 19 May 2023 (terminated by ordinary resolution passed by the Shareholders on that day).

The following table shows the particulars of the share options of the Company granted to directors of the Company, employees of the Group and other participants pursuant to 2018 PTL Scheme and their movement during the year, that are required to be disclosed under Rule 17.07 of Chapter 17 and Paragraph 10 of Appendix D2 of the Listing Rules:

Participant	Date of grant	Exercise price HK\$	Number of share options				Balance at 31 December 2025	Vesting/ Exercise Period and Remarks (Note)
			Balance at 1 January 2025	Granted during the year	Exercised during the year	Lapsed during the year		
2018 PTL Scheme								
<i>Directors of the Company</i>								
CHAN Kwong Fai, Michael <i>Chairman</i>	29 June 2018	0.826	2,000,000	-	-	-	2,000,000	(1)
CHAN, Helen	29 June 2018	0.826	1,000,000	-	-	-	1,000,000	(1)
CHAN Kong Keung, Stephen	29 June 2018	0.826	1,000,000	-	-	-	1,000,000	(1)
TRAN Vi-hang William	29 June 2018	0.826	1,000,000	-	-	-	1,000,000	(1)
<i>Continuous Contract Employee Participants, excluding Directors</i>	29 June 2018	0.826	9,916,000	-	-	952,000	8,964,000	(1)
<i>Other Participants including consultants of the Company</i>	29 June 2018	0.826	4,780,000	-	-	-	4,780,000	(1)
<i>Total</i>			19,696,000	-	-	952,000	18,744,000	

REPORT OF THE DIRECTORS

The particulars of share options granted to the five highest paid individuals of the Company are as follows:

Participant	Date of grant	Exercise Price HK\$	Number of share options				Balance at 31 December 2025	Vesting/ Exercise Period and Remarks (Note)
			Balance at 1 January 2025	Granted during the year	Exercised during the year	Lapsed during the year		
<i>Five highest paid individuals of the Company</i>	29 June 2018	0.826	4,600,000	-	-	-	4,600,000	(1) & (2)

Notes:

- (1) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 29 June 2018, 29 June 2019, 29 June 2020 and 29 June 2021 respectively to 28 June 2028.
- (2) Such batch of 4,600,000 share options has been included in the first table disclosing details of all share options held by selected eligible participants of the 2018 PTL Scheme.

No options were granted, exercised or cancelled during the year.

The number of Shares available for issue pursuant to outstanding options granted under the 2018 PTL Scheme as at 31 December 2025 was 18,744,000. No Shares was available for grant under the 2018 PTL Scheme at the beginning and the end of the year. Following the adoption of Share Award Plan, 2018 PTL Scheme was terminated on 19 May 2023 and no further options will be granted thereunder. In other respects, the provisions of the 2018 PTL Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its termination or otherwise as may be required in accordance with the rules of the 2018 PTL Scheme. The above outstanding options already granted under the 2018 PTL Scheme shall continue to be valid and exercisable in accordance with the provisions of the 2018 PTL Scheme and their terms of issue.

The total number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company (including the Share Award Plan and 2018 PTL Scheme) during the year ended 31 December 2025 was 18,744,000, representing approximately 1.59% of the weighted average number of issue shares of the relevant class in issue (excluding treasury shares) of the Company for the year ended 31 December 2025, which was 1,180,000,000 Shares.

Apart from the aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, neither the Company nor the Trustee held or transferred any treasury shares for the purpose of satisfying share options or awards granted or to be granted under the Share Award Plan and the 2018 PTL Scheme during the year.

Directors' Interests and Short Positions in Shares and Underlying Shares of the Company or Any Associated Corporation

As at 31 December 2025, the interests of each director of the Company in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("**Model Code**") were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares held	Percentage interest held
CHAN Kwong Fai, Michael	Personal	3,274,000 ordinary shares	0.28%
IP Shu Wing, Charles	Personal	2,487,026 ordinary shares	0.21%
TRAN Vi-hang William	Personal	2,000,000 ordinary shares	0.17%
YU Hon To, David	Personal	1,241,600 ordinary shares	0.11%

Long positions in underlying shares of the Company

Name of director	Nature of interest	Number of equity derivatives held	Total Number of underlying shares (ordinary shares)	Percentage interest held
CHAN Kwong Fai, Michael	Personal	2,000,000 share options	2,000,000 shares	0.17%
CHAN, Helen	Personal	1,000,000 share options	1,000,000 shares	0.08%
CHAN Kong Keung, Stephen	Personal	1,000,000 share options	1,000,000 shares	0.08%
TRAN Vi-hang William	Personal	1,000,000 share options	1,000,000 shares	0.08%

REPORT OF THE DIRECTORS

Long positions in shares of Playmates Holdings Limited (“PHL”)

Name of director	Nature of interest	Number of shares held	Percentage interest held
CHAN Kwong Fai, Michael	Personal	104,000,000 ordinary shares	5.03%
CHAN, Helen	Personal	28,000,000 ordinary shares	1.35%
CHAN Kong Keung, Stephen	Personal	2,600,000 ordinary shares	0.13%
IP Shu Wing, Charles	Personal	3,320,800 ordinary shares	0.16%
TRAN Vi-hang William	Personal	160,000 ordinary shares	0.01%
YU Hon To, David	Personal	5,700,000 ordinary shares	0.28%

Unless stated otherwise, all the aforesaid shares and equity derivatives were beneficially owned by the directors concerned. The percentage shown was the number of shares or underlying shares the relevant director was interested expressed as a percentage of the number of issued shares of the relevant companies as at 31 December 2025.

Details of the share awards and share options held by the directors of the Company are disclosed in the above sections headed “Share Award Plan” and “Share Option Scheme” respectively.

Save as disclosed above, as at 31 December 2025, none of the directors of the Company had interests or short positions in the shares and underlying shares of equity derivatives of the Company or any associated corporation as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company Required to be Recorded under Section 336 of the SFO

As at 31 December 2025, persons (other than the directors of the Company) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Personal (<i>Note (i)</i>)	632,000,000 ordinary shares	53.56%
TGC Assets Limited	Corporate and Beneficial Owner (<i>Note (ii)</i>)	632,000,000 ordinary shares	53.56%
PHL	Corporate (<i>Note (iii)</i>)	600,000,000 ordinary shares	50.85%
PIL Management Limited	Corporate (<i>Note (iii)</i>)	600,000,000 ordinary shares	50.85%
PIL Investments Limited	Corporate (<i>Note (iii)</i>)	600,000,000 ordinary shares	50.85%
PIL Toys Limited	Beneficial owner	600,000,000 ordinary shares	50.85%
Edward A. COLLERY	Corporate (<i>Notes (iv) &(vi)</i>)	70,800,001 ordinary shares	6.00%
Peter M. COLLERY	Corporate (<i>Note (v) &(vi)</i>)	70,800,001 ordinary shares	6.00%
Part V Capital Management, LLC	Corporate (<i>Note (iv)</i>)	70,404,000 ordinary shares	5.97%
Pelham Investment Partners, LP	Beneficial Owner	70,404,000 ordinary shares	5.97%

Notes:

- (i) Mr. Chan Chun Hoo, Thomas is the beneficial owner of all of the issued share capital of TGC Assets Limited ("TGC") and is therefore deemed to be interested in the 632,000,000 shares of the Company in aggregate which TGC is interested in.
- (ii) TGC is directly interested in 32,000,000 shares of the Company. Furthermore, since TGC directly owns approximately 53.60% of the shareholding of PHL and it is also deemed to be interested in the 600,000,000 shares of the Company in aggregate which PHL is interested in.
- (iii) PIL Management Limited is a wholly-owned subsidiary of PHL; PIL Investments Limited is a wholly-owned subsidiary of PIL Management Limited; and PIL Toys Limited is a wholly-owned subsidiary of PIL Investments Limited. PHL, PIL Management Limited and PIL Investments Limited are therefore deemed to be interested in the 600,000,000 shares of the Company in aggregate which PIL Toys Limited is beneficial interested in.
- (iv) Part V Capital Management, LLC ("Part V") is wholly controlled by Mr. Edward A. Collery ("Mr. Edward Collery"). Part V is a general partner of Pelham Investment Partners, LP ("Pelham"). Mr. Edward Collery and Part V are therefore deemed to be interested in the 70,404,000 shares of the Company which Pelham is interested in.

REPORT OF THE DIRECTORS

- (v) Mr. Peter M. Coltery ("Mr. Peter Coltery") is a limited partner who contributed over one-third capital of Pelham and he is therefore deemed to be interested in the 70,404,000 shares of the Company which Pelham is interested in.
- (vi) Mr. Edward Coltery, as the beneficiary, and Mr. Peter Coltery, as the trustee, of SC Fund Management LLC Profit Sharing Plan ("SC Fund Management") are deemed to be interested in the 396,001 shares of the Company which SC Fund Management is interested in.

Save as disclosed above, as at 31 December 2025, no other person (other than the directors of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Pre-emptive Rights

There are no pre-emptive rights provisions with respect to any issue or transfer of shares of the Company in the Bye-laws of the Company nor are there any such pre-emptive rights provisions generally applicable under Bermuda law.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2007 and subsequently amended in 2009, 2012, 2015 and 2021.

The primary duties of our Audit Committee are to assist our board to provide an independent view of the effectiveness of our financial reporting process, external audits, internal control and risk management systems, to oversee the audit process, and to perform other duties and responsibilities as assigned by the board. The Audit Committee provides an important link between the board and the Company's auditors in matters coming within the scope of the Group audit.

The Committee comprises three independent non-executive directors, namely, Mr. Yu Hon To, David, Mr. Ip Shu Wing, Charles and Mr. Lam Wai Hon, Ambrose. The chairman of the Committee is Mr. Yu Hon To, David.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float of at least 25% of the total number of issued shares of the Company (excluding treasury shares) throughout the year ended 31 December 2025 as required under Rules 13.32B of the Listing Rules. As at 31 December 2025, the Company had 1,180,000,000 issued ordinary shares of a single class, each carrying one vote per share. The Company does not have any other class of shares in issue and does not have any special voting rights structure.

Auditors

Grant Thornton Hong Kong Limited will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting. There was no change in auditors of the Company in any of the preceding three years.

Connected Transactions

During the year, the Group conducted the following connected transactions in respect of renewal of leases under Chapter 14A of the Listing Rules:

- (i) On 5 December 2025, Playmates International Company Limited (“PICL”), an indirect wholly-owned subsidiary of the Company, as tenant, and Prestige Property Management Limited (“PPML”), as agent for the landlord, Belmont Limited, both being indirect wholly-owned subsidiaries of PHL, entered into a tenancy agreement in respect of the premises of the entire 9th Floor and 11th Floor, The Toy House, No. 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong (“First HK Premises”) for a term of 36 months from 1 January 2026 to 31 December 2028 at the rental of HK\$327,746 per month (exclusive of management charges, rates, Government rent, utilities and other outgoings) and the management charges of HK\$64,664 per month.
- (ii) On 5 December 2025, PICL as tenant and PPML as agent for the landlord, Bagnols Limited, an indirect wholly-owned subsidiary of PHL, entered into a tenancy agreement in respect of the premises of a portion of Ground Floor, Phase I and the entire 10th Floor, Phase I of Playmates Factory Building, No. 1 Tin Hau Road, Tuen Mun, Hong Kong (“Second HK Premises”) for a term of 36 months from 1 January 2026 to 31 December 2028 at the rental of HK\$27,380 per month (exclusive of rates, Government rent, utilities and other outgoings).
- (iii) On 5 December 2025, PICL as tenant and Great Westwood Limited (“GWL”), an indirect wholly-owned subsidiary of PHL, as landlord entered into a tenancy agreement in respect of the premises of an office and exhibition space at Great Westwood, Bucks Hill, Kings Langley, Hertfordshire WD4 9AD, United Kingdom (“UK Premises”) for a term of 36 months from 1 January 2026 to 31 December 2028 at the rental of £ 6,700 per month (inclusive of utilities but exclusive of government taxes).

PHL indirectly owns and controls approximately 50.85% shareholding of the Company and is a substantial shareholder of the Company. Consequently, PPML, GWL, Belmont Limited and Bagnols Limited, each an associate of PHL, are connected persons of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

In accordance with HKFRS 16 “Leases”, the Group has recognised the present value of aggregate rental payment under the above leases as right-of-use assets on its consolidated statement of financial position with an estimated value of approximately HK\$14.2 million. Accordingly, the transactions under the above leases were regarded as acquisitions of assets and constituted connected transactions for the Company under the Listing Rules.

The Company considers that the continual use of the First HK Premises, the Second HK Premises and the UK Premises is beneficial to the Group as a whole as it satisfies the business needs of the Group and for administrative convenience and saving of relocation costs. The terms of the above leases (including the rental thereunder) were negotiated on an arm’s length basis between the parties with reference to prevailing market rent of similar properties at the nearby locations of the First HK Premises, the Second HK Premises and the UK Premises respectively. Having considered the above factors, the directors of the Company (including the independent non-executive directors) are of the view that the above leases have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the above leases are fair and reasonable and in the interests of the Company and its shareholders as a whole.

These connected transactions, which details were contained in the announcement dated 5 December 2025, were exempt from independent shareholders’ approval requirement pursuant to Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules insofar as applicable.

Save and except the transactions disclosed above and in note 30.1 to the financial statements, there is no contract of significance between the Group and our controlling shareholder or any of its subsidiaries.

On behalf of the board
Chan Kwong Fai, Michael
Chairman

Hong Kong, 13 March 2026

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 2025, 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 board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE CULTURE AND VALUE

Our purpose, values and strategies represent the essence of our corporate culture and business framework. Our mission is to deliver high quality, safe and innovative toys to the consumers. We are diligent in our research and preparation so that we can “*do it right the first time*”. We work hard to nurture and maintain a strong relationship with every partner by delivering on our promises. We are guided by our core values that our multi-disciplinary business in toys and other investments are built upon a common foundation of integrity, honesty, fairness and respect. All directors act with integrity, lead by example, and promote our corporate culture across the Company. They also play an important role in fostering and overseeing the Company’s culture to ensure that values of acting lawfully, ethically and responsibly are reflected in our strategy, business model, operating practices as well as our approach to risk. We have adopted and implemented a number of corporate policies, including but not limited to, Code of Business Conduct, Staff Handbook, Anti-corruption Policy and Whistleblowing Policy to ensure that our values are conveyed to all employees of the Company. All employees are required to comply with such policies. We review these policies from time to time to ensure that they are in line with our business, development strategies and stakeholders’ expectation.

CORPORATE GOVERNANCE REPORT

Our goal is to continue our legacy established 60 years ago through the creation of imaginative products and the long-term management of profitable brand franchises. We review our business plan and sustainability strategies from time to time for long-term development. We strive to generate and preserve our long-term value and deliver our objectives through the following strategies and commitments:

- (i) preserve and enhance the values of the Group's investments;
- (ii) preserve and enhance the Group's reputation;
- (iii) deliver high quality products in a timely manner to the market;
- (iv) control and optimize all cost elements; and
- (v) meet the Company's financial targets.

Please refer to the Statement from the Chairman and the Management Discussion and Analysis of this annual report for more details in relation to the Group's performance.

BOARD OF DIRECTORS

Composition and Responsibilities

The board of directors of the Company comprises:

Executive Directors

CHAN Kwong Fai, Michael (*Chairman*)

CHAN, Helen

CHAN Kong Keung, Stephen

TRAN Vi-hang William

Independent Non-executive Directors

IP Shu Wing, Charles

LAM Wai Hon, Ambrose

YU Hon To, David

The board comprises four executive directors (one of whom is the Chairman) and three non-executive directors. All the non-executive directors are independent. Two independent non-executive directors possess appropriate professional accounting qualifications and financial management expertise. Save for the sibling relationship between Mr. Chan Kwong Fai, Michael, Ms. Chan, Helen and Mr. Chan Kong Keung, Stephen, the board members have no financial, business, family or other material or relevant relationships with each other.

The board is responsible for the oversight of overall strategic development, performance, risk management and governance of the Group and making decisions in relation thereto. The board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. The executive directors supported by the senior executives are delegated with the responsibilities of running the day-to day business operations and making operational and business decisions of the Group.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. Each of the independent non-executive director has confirmed his independence under Rule 3.13 of the Listing Rules and the Company confirmed that it still considered such directors to be independent. The independent non-executive directors are explicitly identified in all corporate communications.

Board Independence

The Company recognizes that board independence is vital to good corporate governance and board effectiveness. There are mechanisms in place to ensure independent views and input are available to the board for enhancing objective and effective decision making:

- (a) Three out of the seven directors are independent non-executive directors which exceeds the Listing Rules requirement for independent non-executive directors to make up at least one third of the board. Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain board committees, independent non-executive directors are appointed to the board committees as far as practicable to ensure independent views are available.
- (b) The Nomination Committee strictly adheres to the Nomination Policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors.
- (c) The Nomination Committee assesses the continued independence of the independent non-executive directors on an annual basis. All the independent non-executive directors will confirm their compliance of independence requirements as set out under Rule 3.13 of the Listing Rules.
- (d) No equity-based remuneration (e.g. share options or grants) with performance related elements is granted to independent non-executive directors. Any grant of share options or awards to a director under the share option or share award plan must be approved by the independent non-executive directors.
- (e) Separate discussions amongst the independent non-executive directors and the chairman of the board without the presence of executive directors and the senior management.

CORPORATE GOVERNANCE REPORT

- (f) Independent non-executive directors (as other directors) are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance and independent advice from external professional advisers at the Company's expense where necessary.
- (g) Directors shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such director or any of his/her close associates has a material interest.

During the year, the Board has reviewed and considered that the abovesaid mechanisms are effective in ensuring that independent views are available to the board.

Appointment and Re-election

Each of the directors (including non-executive directors) of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Bye-laws of the Company. In accordance with the relevant provisions in the Bye-laws of the Company, the appointment of directors is considered by the board and newly appointed directors are required to stand for election by shareholders at the first annual general meeting following their appointment. Each director, including the chairman of the board and/or the managing director, shall be subject to retirement by rotation at least once every three years.

We ensure that each of our proposed directors will obtain legal advice from qualified solicitors in Hong Kong as regards the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Support and Professional Development of Directors

All directors are provided with monthly management accounts and/or management updates, background or explanatory information in relation to the Group's financial and operating performance, position and prospects.

There is an established procedure for directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance policy covering potential legal actions that might be taken against its directors.

Pursuant to the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2025, all directors have participated in continuous professional development programmes such as in-house briefings and external seminars to develop and refresh their knowledge and skills. Materials on new or salient changes to laws and regulations applicable to the Group were provided to the directors. All directors have confirmed their participations in continuous professional development during the year and provided the Company with their respective training record pursuant to the Code.

The participation of each director of the Company in continuous professional development in 2025 was as recorded in the table below:

Directors	Reading	Attending in-house briefings/ seminars/ conferences
CHAN Kwong Fai, Michael	✓	✓
CHAN, Helen	✓	✓
CHAN Kong Keung, Stephen	✓	✓
IP Shu Wing, Charles	✓	✓
LAM Wai Hon, Ambrose	✓	✓
TRAN Vi-hang William	✓	✓
YU Hon To, David	✓	✓

Board Meetings and Proceedings

The board meets regularly throughout the year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. Senior executives are from time to time invited to attend board meetings to make presentations or answer the board’s enquiries. The Chairman focuses on Group strategy and is responsible for ensuring all key issues are considered by the board in a timely manner. Notice of at least 14 days has been given to all directors for all regular board meetings and the directors can include matters for discussion in the agenda whenever they consider appropriate and necessary. Agenda and accompanying board papers in respect of regular board meetings are dispatched in full to all directors within a reasonable time before the meeting. Directors have to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the board at board meetings and abstain from voting as appropriate.

Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings; all directors have access to board papers and related materials, and are provided with adequate information in a timely manner; this enables the board to make informed decision on matters placed before it.

CORPORATE GOVERNANCE REPORT

The board held four meetings in 2025. Details of directors' attendance at the board meetings, other committee meetings and the annual general meeting during the year are set out in the following table.

Directors	Meetings attended/held				AGM
	Board	Audit Committee	Compensation Committee	Nomination Committee	
CHAN Kwong Fai, Michael	4/4	N/A	1/1	1/1	1/1
CHAN, Helen (Note)	4/4	N/A	N/A	N/A	1/1
CHAN Kong Keung, Stephen	4/4	N/A	N/A	N/A	1/1
IP Shu Wing, Charles	4/4	2/2	1/1	1/1	1/1
LAM Wai Hon, Ambrose	4/4	2/2	1/1	1/1	1/1
TRAN Vi-hang William	4/4	N/A	N/A	N/A	1/1
YU Hon To, David	4/4	2/2	N/A	1/1	1/1

Note: Ms. Chan, Helen was appointed as a member of the Nomination Committee on 15 August 2025.

Board Skills Matrix

The following table outlines the collective expertise and experience of the board:

	Leadership & strategy	People management	Industry and market knowledge	Risk management and Compliance	Legal/ Accounting professionals	Banking	Financial and capital management	Corporate advisory
<i>Executive Directors</i>								
Chan Kwong Fai, Michael	●	●	●				●	
Chan, Helen	●	●	●				●	
Chan Kong Keung, Stephen	●	●	●					
Tran Vi-hang William	●	●	●					
<i>Independent Non-executive Directors</i>								
Ip Shu Wing, Charles	●	●	●					
Lam Wai Hon, Ambrose	●	●		●	●	●	●	●
Yu Hon To, David	●	●		●	●		●	

The current board composition reflects a balanced mix of skills including leadership and strategy, people management, industry and market knowledge, risk management and compliance, legal and accounting professionals, banking, financial and capital management and corporate advisory. This diverse blend of professional backgrounds, experiences and perspectives supports the purpose, strategic priorities and values of the Company, while reinforcing a strong governance culture. The board is satisfied that it possesses the appropriate mix of skills, experience and diversity to support the strategic direction and governance needs of the Company.

BOARD COMMITTEES

As an integral part of good corporate governance, the board has established the Audit Committee, Compensation Committee and Nomination Committee to oversee particular aspects of the Company's affairs. Each of these Committees comprises a majority of independent non-executive directors with defined written terms of reference.

Audit Committee

The Audit Committee was established in July 2007 and its current members include:

YU Hon To, David (*Independent Non-executive Director*) – *Committee Chairman*

IP Shu Wing, Charles (*Independent Non-executive Director*)

LAM Wai Hon, Ambrose (*Independent Non-executive Director*)

All of the Audit Committee members are independent non-executive directors. The board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee exceed the requirements under Rule 3.21 of the Listing Rules which requires at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The written terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

The Audit Committee meets at least twice a year to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the board and the Company's external auditors in matters coming within the scope of its written terms of reference and keeps under review the independence and objectivity of the external auditors.

The Audit Committee has held two meetings during the financial year. During the year, the Audit Committee reviewed the Company's interim and annual results for the year ended 31 December 2025. It 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. It also reviewed the independence and the appointment of the external auditors and its remuneration.

At the meeting held on 13 March 2026, the Audit Committee reviewed this report, the Directors' Report and accounts for the year ended 31 December 2025 together with the annual results announcement, with a recommendation to the board of directors for approval.

Compensation Committee

The Compensation Committee was established in July 2007 and its current members include:

IP Shu Wing, Charles (*Independent Non-executive Director*) – *Committee Chairman*

LAM Wai Hon, Ambrose (*Independent Non-executive Director*)

CHAN Kwong Fai, Michael (*Chairman*)

CORPORATE GOVERNANCE REPORT

The majority of the Compensation Committee members are independent non-executive directors. The Compensation Committee advises the board on the Group's overall policy and structure for the remuneration of directors and senior management. The written terms of reference of the Compensation Committee are posted on the websites of the Company and the Stock Exchange.

The Compensation Committee held one meeting during the year. The Compensation Committee met to determine the policy for the remuneration of directors and the Group and assess the performance of executive directors and members of senior management. During the year, no matter of share award or option scheme of the Company was reviewed and/or approved by the Compensation Committee.

Director Remuneration Policy

The board believes that fair remuneration is critical to attract and retain the services of high calibre and experienced directors. Pursuant to the Director Remuneration Policy of the Company, the Compensation Committee is delegated with the authority and duties to establish, review, advise and make recommendations to the board regarding the Group's remuneration policy and practices according to its written terms of reference. The Compensation Committee shall ensure that all the directors are appropriately remunerated in accordance with the Group's business strategy and financial performance. In considering directors' remuneration, certain factors are taken into consideration, where applicable, including but not limited to:

- i. remuneration paid by comparable companies
- ii. time commitment and responsibilities
- iii. business objectives and strategies
- iv. general business and economic conditions
- v. the Group's financial position and performance
- vi. individual performance and/or contribution to the Group
- vii. retention consideration and individual potential

Pursuant to the written terms of reference of the Compensation Committee, it makes recommendations to the board from time to time on the remuneration of the non-executive directors (including independent non-executive directors). The compensation of non-executive directors, including the Compensation Committee members, shall be reviewed by executive directors initially, and the executive directors shall communicate their findings to the Compensation Committee. The Compensation Committee will then consider and make recommendations to the full board for final approval. Subject to relevant laws and regulatory requirements, equity-based remuneration (e.g. share options or grants) with performance-related elements will not be granted to independent non-executive directors. The Compensation Committee is also responsible for determining the remuneration for executive directors and the Chairman of the board. The Compensation Committee ensures that no director or any of his associate is involved in deciding his own remuneration.

Details of the directors' fee and other emoluments of the directors of the Company are set out in note 13.1 to the financial statements and details of their entitlements to the share options and share awards of the Company are set out in the section of "Share Options Scheme" and "Share Award Plan" of the Report of the Directors.

Nomination Committee

The Nomination Committee was established in February 2012 and its current members include:

CHAN Kwong Fai, Michael (*Chairman*) – *Committee Chairman*

CHAN, Helen (*Executive Director*) – *appointed on 15 August 2025*

IP Shu Wing, Charles (*Independent Non-executive Director*)

LAM Wai Hon, Ambrose (*Independent Non-executive Director*)

YU Hon To, David (*Independent Non-executive Director*)

The majority of the Nomination Committee members are independent non-executive directors. The principal responsibility of the Nomination Committee is to review the size, structure and composition of the board, assist the board in maintaining a board skills matrix, identify individuals suitably qualified to become board members, assess the independence of independent non-executive directors and support the regular evaluation of the Board's performance. During the year, the board updated the terms of reference of the Nomination Committee in order to strengthen the board diversity, enhance its effectiveness and further improve the corporate governance practices. The written terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting during the year. The Nomination Committee reviewed the structure, size and diversity of the Board, assessed the independence of all independent non-executive directors and made recommendation to the board on the appointment and re-appointment of directors. All nomination were considered in accordance with the Nomination Policy and the objective criteria therein (including but not limited to skills, knowledge, experience, expertise, professional and educational qualifications), with due regard to the benefits of diversity as set out in the Board Diversity Policy. In conducting the independence assessment, every Nomination Committee member abstained from assessing his own independence. On 15 August 2025, the Company appointed Ms. Chan, Helen as a member of the Nomination Committee for enhancing its gender diversity.

The Nomination Committee conducted an annual assessment of each director's time commitment and contribution to the board, taking into consideration their respective professional qualifications and work experience, existing directorships, other significant external time commitments and other factors or circumstances relevant to their character, integrity, independence and experience. Following the assessment, the Committee concluded that the directors demonstrated an adequate level of time commitment and contribution to the Board as supported by their attendance at meetings, participation in discussions and contributions to decision-making and corporate strategy.

CORPORATE GOVERNANCE REPORT

Board Diversity

The board has adopted a Board Diversity Policy since August 2013. Such policy aims at achieving board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the board. During the year, the board has reviewed the implementation of the Board Diversity Policy to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

The board recognizes the importance and benefits of gender diversity at the board level. Out of seven directors, our board currently has one female director, which represents 14.3% of the board. The board targets to maintain at least the current level of female representation in the next 5 years. In the long run, we shall continue to take steps to further enhance gender diversity as and when suitable candidates are identified. We will also ensure that there continues to be gender diversity when recruiting staff at mid to senior level and provide training and long-term development opportunities to the staff of all genders, so that we will have a pipeline of senior management and potential successors to our board of all genders in due course.

Nomination Policy

The board has adopted a Nomination Policy in December 2018. Such policy sets out the criteria and procedures of considering candidates to be appointed or re-appointed as directors of the Company. When the Board recognises the need to appoint a director, the Nomination Committee may identify or select candidates recommended to the Committee, with or without assistance from external agencies. The Nomination Committee may then use any process that it considers appropriate in connection with its evaluation of a candidate, including but not limited to personal interviews and background checks. The Nomination Committee will have regard to the following factors when considering a candidate including without limitation:

- skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;
- effect on the board's composition and diversity;
- commitment of the candidate to devote sufficient time to effectively carry out his/her duties;
- potential or actual conflicts of interest that may arise;
- independence of the candidate.

CORPORATE GOVERNANCE FUNCTIONS

The board is collectively responsible for performing the corporate governance duties as below:

- (i) develop and review the Company's policies and practices on corporate governance;
- (ii) review and monitor the training and continuous professional development of directors and senior management;
- (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) develop, review and monitor the code of conduct applicable to employees and directors; and
- (v) review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year, the board has reviewed the corporate governance structure, policies and practices of the Company. We will continue to ensure the governance policies including but not limited to the Whistleblowing Policy, Anti-corruption Policy, Director Remuneration Policy, Shareholders Communication Policy, Dividend Policy and Workforce Diversity Policy are implemented effectively and will review them regularly to further enhance the corporate governance of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 of the Listing Rules for securities transactions by directors of the Company. All the members of the board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2025. The Model Code also applies to other specified senior management of the Group.

DIRECTORS' INTERESTS

Details of directors' interests in the securities of the Company are set out in pages 23 to 24 of this annual report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The board has overall responsibility for maintaining an adequate system of risk management and internal controls of the Group and reviewing its effectiveness. The board is committed to implementing an effective and sound risk management and internal control system to safeguard the interest of shareholders and the Company's assets.

The internal control process is accomplished by the board, management and other designated personnel, and designed to provide reasonable assurance regarding the achievement of objectives.

Our approach adopted for assessing the internal controls systems is based on those set by the COSO (the Committee of Sponsoring Organisations of the Treadway Commission), a globally recognized framework which categorizes internal controls into five components as the basis of reviewing its effectiveness, namely *Control Environment*, *Risk Assessment*, *Information and Communication*, *Control Activities* and *Monitoring*. In assessing our internal control system based on the above principles, we have taken into consideration of the nature of business as well as the organization structure. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

Risk Management

The board is responsible for overseeing overall risk management framework of the Group. Risk is inherent in the Group's business and the markets in which it operates. The Group's overall risk management process is overseen by the board and risk management is also integrated into ongoing business activities, including business planning, capital allocation decisions, internal control and day-to-day operations. The board together with senior management, business units, auditors and internal audit consultant are committed to identifying and mitigating key risks through an effective risk management framework.

The Group's risk management framework includes different layers of roles and responsibilities. Business units regularly review their risk profiles, and carry out risk management and reporting activities from time to time. Senior management is responsible for assessing material risks at the Group level, tracking progress of mitigation plans and reporting to the board regularly. The internal audit function performed by the Consultant (as defined below) also provides assurance to the board whether the control environments are adequate. The board oversees material risks that require attention and supervises the risk management process as a whole.

Control Effectiveness

The board has conducted an annual review of the risk management and internal control system which covered the relevant financial, operational, compliance controls and risk management functions within the established framework. The board's annual review has also considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function as well as those relating to ESG performance and reporting, and their training programmes and budget. The board considered that the risk management and internal control system for the year was effective and adequate. No significant areas of concerns that may affect the financial, operational, compliance controls and risk management functions of the Group have been identified. The directors are satisfied with the effectiveness of the Group's risk management and internal controls and consider that key areas of the Group's system of internal controls are reasonably implemented, which provide prevention of material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting, efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

There was no internal audit function within the Group during the year. The board has appointed an external independent professional ("**Consultant**") to perform the internal audit function for the Group for the year. The Consultant has reviewed the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed. The Consultant has reported to the board with its findings and makes recommendations to improve the risk management and internal control of the Group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more effective to appoint external independent professionals to perform internal audit functions for the Group.

With respect to procedures and internal controls for handling and dissemination of inside information, the Company has procedures and policies in place for ensuring compliance with the inside information disclosure requirements under the regulatory regime. The Company has provided Guidelines on Securities Dealing Restrictions and Disclosure Requirements to all directors and relevant employees at the relevant time in respect of assessing, reporting and disseminating inside information, and abiding shares dealing restrictions. The Company has also included in its code of business conduct and staff handbook a strict prohibition on the unauthorized disclosure or use of confidential information.

Whistleblowing Policy and Anti-Corruption Policy

The board established a Whistleblowing Policy since 2012. The main objective of the policy is to provide employees and external parties a reporting channel and procedures to report any serious misconduct or malpractice involving the Company and its employees even on an anonymous basis. The Audit Committee has been delegated with the overall responsibility for monitoring and reviewing the implementation of the Whistleblowing Policy.

Our Anti-corruption Policy outlines the Company's policy and requirements relating to the prevention and reporting of any suspected corruption and related malpractice. We have also provided anti-corruption information or training to directors and employees to enhance their awareness.

CORPORATE GOVERNANCE REPORT

DIVIDENDS

The Company has adopted a Dividend Policy, details of which are set out in the Directors' Report. The Dividend Policy sets out the principles and factors that guide the Board in determining the declaration and payment of dividends, with the aim of balancing the interests of shareholders with the need to retain adequate resources for sustainable growth of the Company. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:-

- (a) the Company's actual and expected financial performance;
- (b) dividends received from the Company's subsidiaries and associates;
- (c) retained earnings and distributable reserves of the Company and its subsidiaries and associates;
- (d) the liquidity position of the Group;
- (e) the Group's expected working capital requirements;
- (f) general business conditions and strategies;
- (g) taxation considerations;
- (h) possible effects on creditworthiness;
- (i) legal, statutory and regulatory restrictions;
- (j) contractual restrictions; and
- (k) any other factors that the Board deem appropriate.

The Board confirms that all dividend decisions made during the year were in strict accordance with the Dividend Policy and duly approved by the Board.

During the year, the Board declared interim dividends at a lower rate than that of the corresponding period of the previous year. This decision was made after due consideration of the Group's financial performance, cash flow position, capital allocation priorities and prevailing business and operating condition, including the need to retain resources to support ongoing operations and future development.

WORKFORCE DIVERSITY POLICY

The board has adopted a Workforce Diversity Policy. This Policy outlines our approach and commitment to fostering an inclusive and diverse workplace that values employees of all backgrounds, experiences and perspectives. The Policy aims at upholding diversity and inclusion in the employment related practices for fostering an inclusive, diverse, and supportive workplace where all employees, regardless of gender, gender identity, age, family status, race, ethnicity, nationality, religion, sexual orientation, disability or other characteristics protected by applicable laws, are valued, respected, and treated fairly with equal access to opportunities. All employment-related decisions are based on merit, free from any form of discrimination or bias. During the year, the board has reviewed the implementation of the Workforce Diversity Policy to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Workforce Gender Diversity

The Company is committed to fostering workforce diversity and has established policies to strengthen gender balance and inclusiveness. As at 31 December 2025, the gender composition of the Company was as follows:

Category	Male	Female
Senior Management	75%	25%
General Workforce (excluding senior management)	52%	48%

The Company will continue to monitor, review and update its policies and practices to maintain gender diversity across all levels of the organization. We also strive to maintain gender diversity when recruiting and selecting key management and other personnel across the Group's operations. It is our objective to continue to maintain an appropriate balance of gender diversity with reference to market practices and our business needs. As at 31 December 2025, we maintained a 46:54 ratio of female to male in our overall workforce including the senior management and general workforce. The board targets to maintain a comparable level of gender balance in the next 5 years.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The company secretary is an employee of the Company and has been appointed by the board. The appointment and removal of the Company Secretary is subject to board approval. The company secretary reports to the board Chairman. All members of the board have access to the advice and service of the Company Secretary. During the year, the company secretary complied with the annual professional training requirement under Rule 3.29 of the Listing Rules to keep abreast of latest regulatory changes and corporate governance practices and to refresh her skills and knowledge.

AUDITORS' REMUNERATION

For the year ended 31 December 2025, the auditors of the Group only provided audit services to the Group and the remuneration paid by the Group to the auditors for the performance of audit services was HK\$1,570,000. In order to maintain their independence, the auditors will not be employed for non-audit work unless prior approval is obtained from the Audit Committee.

DIRECTORS' AND INDEPENDENT AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the accounts of the Company for the year ended 31 December 2025. The statement of the auditors of the Company about their reporting responsibilities on the accounts is set out in the auditor's report on pages 74 to 79 of this annual report.

COMMUNICATIONS WITH SHAREHOLDERS

The board understands the importance of maintaining effective communication with the Company's shareholders and investors. The Company has established a Shareholders Communication Policy which will be reviewed by the board on an annual basis to ensure its effectiveness. The Company communicates with its shareholders and/or investors mainly by the following channels:

- (i) The Company regards the annual general meeting or special general meetings (if any) as an important event in which all directors will make an effort to attend. The general meetings provide opportunities for the shareholders to communicate directly with the board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. In order to enhance minority shareholders' rights, all resolutions put to votes by shareholders at general meetings were passed by poll. The poll results will be published on the websites of the Company and the Stock Exchange on the same date of the meetings.
- (ii) The Company publishes corporate communications including announcements, annual reports, interim reports and/or circulars as required by the Listing Rules to ensure that the shareholders receive accurate, clear and timely information about the Company. All corporate communications are available on the websites of the Company and the Stock Exchange.

- (iii) All press releases and presentation materials provided in conjunction with the Company's annual general meeting and results announcement, if any, are made available on the website of the Company as soon as practicable after their release.
- (iv) Designated senior management of the Company maintains regular dialogue with institutional investors and analysts from time to time.
- (v) The Company maintains open and transparent communication with shareholders through various channels, including the annual general meeting where shareholders are encouraged to express their views and ask questions, as well as by promptly responding to shareholder enquiries received via email throughout the year.

The board, including the Chairman and Independent Non-Executive Directors, maintains open and direct communication with shareholders to facilitate constructive engagement and to understand their views on matters affecting the Company including governance and strategic issues. During the year, the Board engaged with shareholders at the Company's Annual General Meeting which provided a platform for constructive dialogue. In addition, the Chairman responded to enquiries from shareholders, institutional investors and other stakeholders through emails and virtual meetings on an ongoing basis. Follow-up actions were coordinated by the Investor Relations Manager or other senior management, as appropriate, to ensure that all the enquires and feedbacks were duly handled and considered.

The Board reviewed the Shareholders' Communication Policy for the year ended 31 December 2025 and was satisfied with its implementation and effectiveness.

Shareholders should direct their questions about their shareholdings and share registrations to the Company's Registrar. The contact details of the Company's Share Registrar are available on the "Stock Information" section of the website of the Company.

Shareholders may make enquiries to the Company by contacting the Company's Investor Relations. The contact details of the Company's Investor Relations are available on the "Contact Us" section of the website of the Company.

Shareholders may also make specific enquiries to the board by writing to the company secretary at the principal office of the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting and putting forward proposals at general meetings

Pursuant to the Bye-laws of the Company, shareholders holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition to the board or the company secretary, to require a special general meeting to be called by the board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act 1981 ("Act").

Pursuant to the Act, either any number of the shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than one hundred of such shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Shareholders may make enquiries to the board by writing to the company secretary at the principal office of the Company.

CHANGES IN CONSTITUTIONAL DOCUMENTS

A special resolution was passed by the shareholders of the Company at the annual general meeting on 30 May 2025 for amending the Memorandum of Association and Bye-laws of the Company ("Bye-laws") in order to bring the Bye-laws in line with certain changes to the Listing Rules. Details of the amendments were set out in the circular of the Company dated 7 April 2025. The latest version of the Bye-laws is available on the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Playmates Toys Limited (hereinafter referred to as the “Company” or “Playmates Toys”) with its subsidiary (collectively, the “Group”, “We” or “Our”) has its core activities in the creation, design, marketing and global distribution of branded toys. With a sound reputation and the experience of over 60 years, we are one of the most reputable toy marketing companies globally.

Having a deep ambition to construct long-term trusted ties with our stakeholders in the community, the Group is pleased to publish our 2025 environmental, social and governance (“ESG”) report (the “Report”) summarising our ESG performance and initiatives.

Scope of the Report

The Report examines the Company’s ESG management approaches, and the Group’s corresponding performance within boundaries under operational control, which remain unchanged from the previous reporting boundary, including the sales of toys and administrative activities in Hong Kong and the U.S. offices from 1 January 2025 to 31 December 2025 (the “Reporting Period”, “2025”).

Reporting Standard

The Report has been prepared in accordance with the “Comply or Explain” provisions of the ESG Reporting Code under Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEx ESG Reporting Code”) as of 31 December 2025. The Report has been reviewed and approved by the Board of Directors of the Company (the “Board”).

Reporting Principles

During the preparation process, the Group adheres to the fundamental reporting principles, namely materiality, quantitative, balance and consistency, as outlined in the HKEx ESG Reporting Code.

1. **Materiality**

We performed a materiality assessment to determine the material ESG issues and focus of this Report. The materiality matrix and details of stakeholder engagement are illustrated in later section of this Report.

2. **Quantitative**

All disclosed information, environmental and social KPIs were organised and calculated according to HKEx ESG Reporting Code and standardised methodologies. The assumption and calculation principles are illustrated in the relevant sections.

3. **Balance**

The Board has acknowledged its responsibility to oversee the Company’s sustainable development and review the truthfulness, accuracy and completeness of this report. This report has been prepared without bias.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. **Consistency**

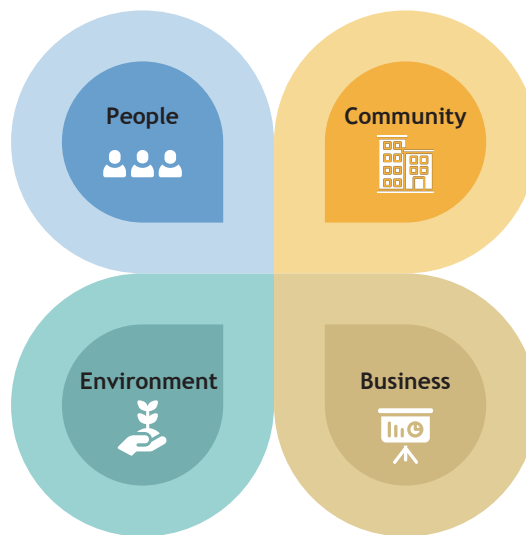
Unless otherwise specified, this Report has been prepared in the same way in terms of the reporting scope and methodologies when compared to those in previous years. We adopted consistent environmental and social data management approach to allow a fair comparison of our performance over time.

Contact and Feedback

The Group strives to build a trusted relationship with the community. We formulate our business strategies for the best interests of our stakeholders; therefore, we treasure your feedback on this ESG Report and our sustainability performance. If you have any comments or suggestions, please feel free to contact us via playmatestoys.ir@playmates.net.

OUR SUSTAINABILITY MANAGEMENT APPROACH

Aiming at achieving business sustainability in a long run, the Group has established its Corporate Social Responsibility (“CSR”) Policy by adopting a four-pillar approach focusing on aspects of business, people, community and environment. With our dedication to fostering the well-being of our stakeholders, our objectives and commitments towards the four aspects are outlined in the policy to lead the Group towards its sustainability pathway.



Four-pillar approach of the CSR Policy

Sustainability Governance¹

The Board is responsible for overseeing sustainability issues (including climate-related risks and opportunities), formulating the CSR strategy and regularly reviewing the Group's CSR practices and performance as well as the CSR Policy. The Board oversees the progress of the Group's sustainability targets and strategies through regular updates and reports provided by management and/or the CSR Committee. These updates enable the Board to assess how the ESG-related goals align with and support the Group's business priorities, and to provide strategic guidance where necessary. Moreover, the Board provides members with applicable trainings and knowledge related to ESG and climate-related issues. The Board recognises importance of controlling and managing sustainability-related risks and continuously reviews the Group's strategy and policy direction of the Group in relation to its sustainability areas.

A Corporate Social Responsibility Committee ("CSR Committee") has been established, comprising chairman of the Company, executive directors and representatives from different departments. The CSR Committee regularly advises the Board on sustainability and climate-related risks and opportunities, particularly in relation to major transactions or policy updates, to ensure that the Board is aware of these risks and opportunities. The CSR Committee is also responsible for overseeing the implementation of sustainability policies and strategies, and providing regular reports to the Board. The written terms of reference setting out the authority and duties of the CSR Committee were adopted by the Board.

Sustainability Risks Management

The Group incorporates sustainability (including climate-related) risks and opportunities which may impact the Group's business and operations are incorporated into its risk assessment framework. These risks and opportunities are reviewed and updated regularly by the management. Each sustainability (including climate-related) risk is evaluated in terms of the significance of impact and likelihood of occurrence before prioritisation. High-priority risks are categorised as material risks and will be reported to the Board periodically.

To ensure the enterprise risk management and internal control systems are properly and effectively implemented, the Audit Committee is responsible for discussing and overseeing the systems with the management. Board meeting is organised quarterly to review the risk assessment framework, including the sustainability (including climate-related) risks and opportunities as well as the feedbacks collected through stakeholder engagement before formulating responsive business strategies.

During the Reporting Period, certain risks such as physical risks, transition risks, supply chain disruption and IT security were identified. Mitigation measures have been implemented to reduce the impact of the risks. Details of the measures are discussed in the Climate-related Disclosures, Supply Chain Management and Data Privacy section respectively.

¹ Our current remuneration policy does not include climate-related considerations. We will explore the feasibility in factoring climate-related considerations into executive's remuneration where appropriate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

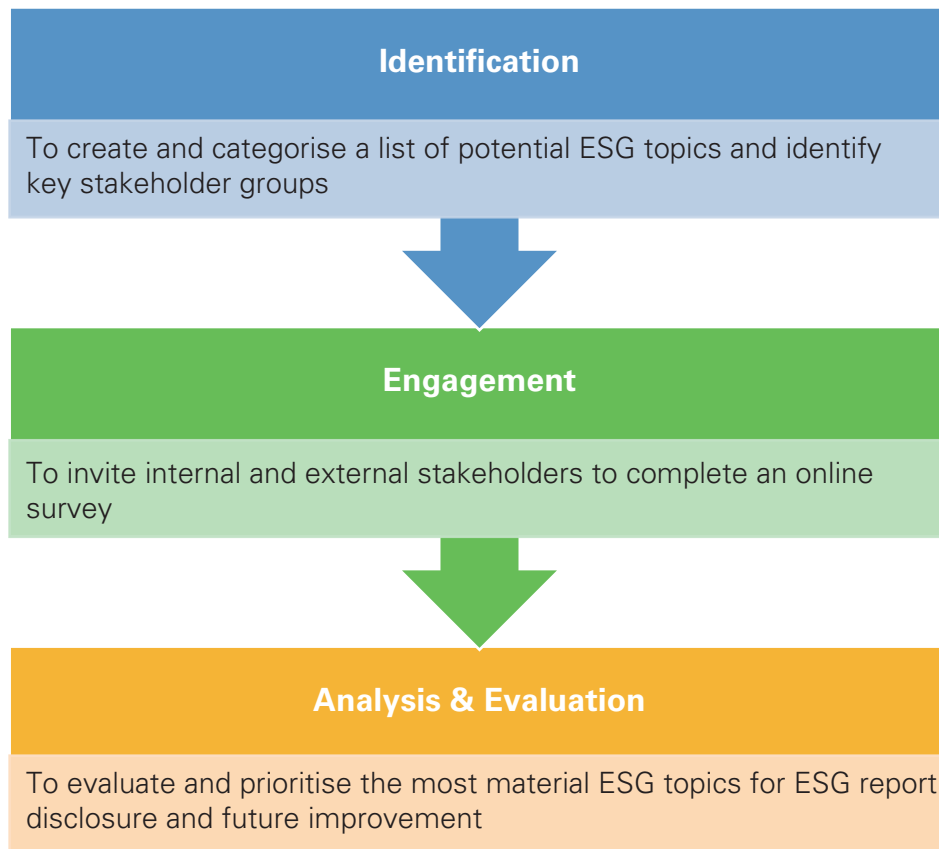
With an ongoing communication and engagement with its stakeholders, the Group can better understand the perspectives and expectations of its stakeholders on the Group's ESG issues of the greatest concern, as well as the associated environmental and social impacts on the business. By gathering stakeholders' opinions and understanding their concerns, the Group can refine its management policies and approaches on ESG management, determine a more suitable way to address the ESG issues as well as making continuous improvement on its ESG performance. The Group has not only identified key stakeholder groups who have a significant impact on our business or those who can be significantly affected by our operations, but has also been maintaining regular communication with them through various channels, which are illustrated in the table below:

Stakeholder groups	Communication channels
Investors and shareholders	<ul style="list-style-type: none">• Company website• Phone and email• Company's publications including financial statements• Annual general meeting• Investor presentations
Customers	<ul style="list-style-type: none">• Joint business planning• Bilateral senior management meetings• Ongoing direct communication
Licensors	<ul style="list-style-type: none">• Joint business planning• Bilateral senior management meetings• Ongoing direct communication
Suppliers	<ul style="list-style-type: none">• On-site visits• Procurement processes• Compliance reporting• Audit and assessments
Employees	<ul style="list-style-type: none">• Training and orientation• Staff meetings• Performance appraisal• Staff events
Community and the public	<ul style="list-style-type: none">• Company website• Company's publications• Community activities• Charity donations
Media	<ul style="list-style-type: none">• Company website• Company's publications

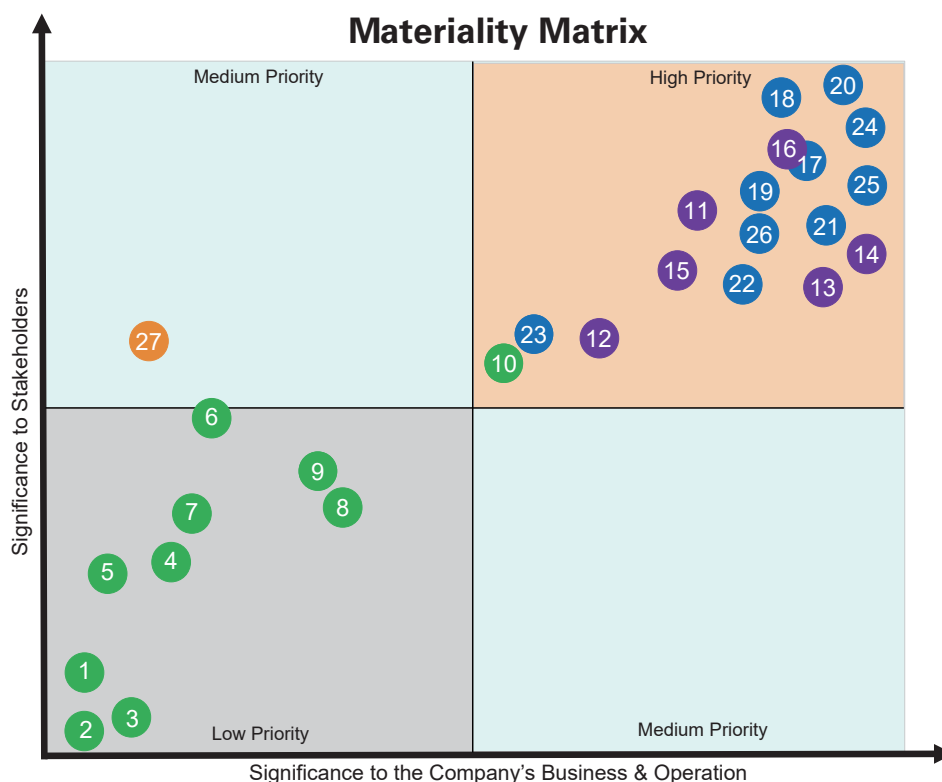
MATERIALITY ASSESSMENT

In order to provide a direction and framework for the Report and formulation of ESG management strategies, it is necessary to identify the material ESG issues that matter the most to the Group. An independent consultant has been commissioned to conduct a materiality assessment in terms of online questionnaire for the Group in order to formulate strategies for managing the material ESG issues that matter most to the Group. Our key stakeholder groups (e.g. employees, customers, suppliers, and shareholders) were invited to fill in a questionnaire and determine the relevance and importance of the identified 27 ESG topics to the Group's business operations and the stakeholders themselves respectively.

Based on the materiality of each of the ESG topics expressed by the stakeholders, the ESG topics are prioritised and shown in the materiality assessment matrix below. The topics which fell in the upper right corner of the matrix were defined as the topics that matter most to the Group's business operations and our stakeholders as far as they are concerned.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



● Environment	● Employment	● Operation
1 Emissions	11 Labour practices	17 Customer satisfaction with quality management
2 Carbon footprint management	12 Equal opportunities, Anti-discrimination and Diversity	18 Customer health and safety
3 Climate resilience	13 Employee wellbeing	19 Marketing and product and service labelling compliance
4 Circular economy	14 Occupational health and safety	20 Intellectual property
5 Environmental data management	15 Employee training and development	21 Customer privacy and data protection
6 Energy efficiency	16 Prevention of child and forced labour	22 Responsible supply chain management
7 Water resource management		23 Sustainable materials and production
8 Use of materials		24 Product safety and quality
9 Waste management		25 Ethical business
10 Environmental compliance		26 Socio-economic compliance
		● Community
		27 Community involvement

The above materiality assessment has helped us analyse our ESG risks and opportunities in an attempt to improve our business strategies. It has also helped us meet the sustainability reporting standards and led us to a better resource allocation focusing on the important ESG issues. Most importantly, it provides a pathway to stakeholder satisfaction by meeting their expectations.

RESPONSIBLE OPERATIONS

We value the enduring relationship with our customers and business partners. To provide products and services of top quality in a way that satisfies the needs and requirements of the customers, we have been communicating with our customers to gain insights into the changing market demand for the products and services so that the Group can respond swiftly. In addition, we have a set of strict guidelines to ensure our employees act with integrity.

Supply Chain Management

Having established supply chain management is not only crucial to the Group's operational efficiency, but it also contributes to the quality of our products and services. As such, stringent procedures for supplier assessment and management are in place to align with our standards and requirements. By ensuring the selection procedures are conducted in a fair, ethical and impartial manner, we are committed to maintaining a close relationship based on mutual respect with qualified suppliers for our long-term development.

To ensure we have a reliable supply chain, the Group selects and assesses suppliers, contractors and vendors based on a range of impartial and objective criteria, including quality, suitability, timeliness and competency. All suppliers, contractors and vendors are required to comply with the legal requirements and regulations in the relevant jurisdictions. During the Reporting Period, we collaborated with a total of 11 suppliers for our toy products which were all from Vietnam, Indonesia and mainland China.

Quality and Safety of Products and Services

Our reputation and success lay upon providing safe and high-quality products and services that meet our customers' expectations. We therefore are committed to maximising the customer satisfaction by providing them with products and services of the finest quality. In the meantime, customers can feel relaxed enjoying our products and services, knowing that we have a set of strict safety guidelines in place. During the Reporting Period, we were not aware of any material breach of relevant laws and regulations relating to health and product safety. No products sold or shipped by us was subject to recalls for safety and health reasons during the Reporting Period. We have not received any letter of advice from the U.S. Consumer Product Safety Commission nor any non-conformance report of our suppliers' social responsibility audit during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Advertising Ethics

We are committed to establishing a long-lasting trust with our customers by providing accurate information in our marketing and advertising publication. Our marketing strategy is complied with all relevant laws and regulations and our own ethical standards.

The Group's Advertising & Promotion Philosophy

- We will accurately portray our products in clear terms appropriate for our target audience.
- We will never communicate a misleading message.
- We will not omit important facts about our products, make false claims or deceptive statements about our competitors' offerings.

Given the business nature of our toys business, most of the advertisements and promotional materials are consumed by children. We make sure the way how information is collected in the website of Playmates Toys is complied with the US Online Privacy Protection Act, which sets out rules for collecting information from children. As a member of the "kidSAFE Seal Program", all of the content in Playmates Toys' website has been independently reviewed to ensure compliance with the standards of online safety and/or privacy.

During the Reporting Period, we were not aware of any material breach of relevant laws and regulations relating to advertising and labelling in connection with our products and services provided by the Group and method of redress.

Satisfying Our Customers' Needs

Maintaining effective communication with our customers is the key to enhancing the quality of products and services, and to maximising customer satisfaction. We communicate with our customers by arranging regular joint business planning meetings, senior management meetings as well as feedback collection and other means of direct communication. During the Reporting Period, a total number of 5 products and service-related complaints were received. The complaints were handled by designated employees promptly and all the complaints were settled within the Reporting Period.

Business Integrity

The Group spares no effort in protecting our reputation and the interest of the stakeholders by exercising the highest standards of business ethics. We do not tolerate any forms of misconducts that undermine our business integrity. To achieve this, the Code of Business Conduct is in place to govern the business practices and staff behaviours.

During the Reporting Period, the Group was not aware of any material breach of Prevention of Bribery Ordinance (Cap. 201) and other laws and regulations relating to bribery, extortion, fraud, money laundering, data privacy, intellectual property, nor any legal cases regarding corruption practices against the Group or our employees.

Anti-corruption

All business activities carried out by the Group are regulated by the Code of Business Conduct, under which the employees are strictly forbidden to solicit or accept or offer any forms of advantages such as gifts, entertainment or contributions from/to customers, suppliers, public servants, employees of a government department or public body, or any person in connection with the Group's business in most circumstances. We have adopted an Anti-corruption Policy to further enhance the governance of the Company. We review such policy and our Code of Business Conduct regularly to ensure that our anti-corruption policies are consistent with applicable laws and regulations.

Our employees are required to act in the best interest of the Group. Any business decisions made or decisions taken must be independent and free from the influence of the relationship that our employees might have with our business partners, customers and regulators. Insider trading (i.e. gaining personal benefits using material non-public information) is strictly prohibited.

In the event of observing suspected breach of the anti-corruption requirements, employees are encouraged to report the case to the respective Department Head or the management. All suspected cases will be referred to the Independent Commission Against Corruption where necessary.

In this year, our directors and employees were updated with information on anti-corruption rules, regulations and practices. A total of 32 hours anti-corruption training was provided during the Reporting Period.

Anti-money laundering

With a deep understanding of how money laundering behaviours can inflict damage to the economy, the society and the corporate reputation, the Group bears zero tolerance on any forms of money laundering behaviours. The Code of Business Conduct contains clear guidelines on what constitutes a suspicious transaction. Employees are required to report to the Ethics Resource Team for guidance if they spot any suspicious transactions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data privacy

Given the fact that our business areas are highly competitive, any unauthorised disclosures of business information and personal data of the Group, our business partners, customers, and employees, whether intentionally or not, would induce severe damage to the interest and reputation of the Group and other stakeholders. Hence, stringent protective measures have been carried out to secure the confidentiality of the data of the Group and relevant stakeholders.

Proprietary information of the Group, our customers and business partners must be properly labelled and securely stored. All employees have the obligation to adhere to the stringent standards on handling confidential information during the employment and after the termination of the employment. The Group bears zero tolerance on any behaviour of using the proprietary information for personal gain. To ensure data security and compliance with privacy regulations, we have entrusted designated executives to monitor the implementation of security procedures.

Intellectual property

As the core competency of the Group lies in ideas and innovation, intellectual property is one of our most valuable assets. We are committed to protecting our intellectual property rights in accordance with the relevant laws and regulations, including but not limited to trademark registration, copyright notice and patent marking. We will seek formal protection on any ideas or output developed based on the Group's resources. Meanwhile, we respect the intellectual property rights of other parties. The Group will not knowingly use the patent rights of other parties unless they are properly licensed.

Whistle-blowing

We established a Whistleblowing Policy since 2012. The main objective of the policy is to provide employees and external parties a reporting channel and procedures to report any serious misconduct or malpractice involving the Company and its employees even on an anonymous basis. Clear guidelines have been set out regarding the acceptance scope, violation behaviour, reporting channels, handling procedures and information confidentiality of whistle-blow incidents in accordance with related management regulations.

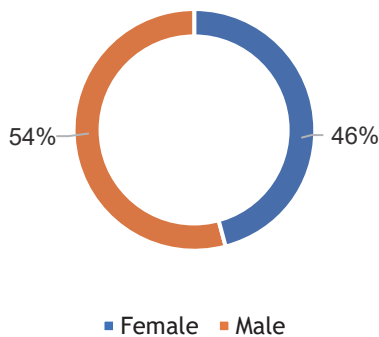
Any person who has reasonable evidence of actual or suspected improper conduct involving the Company can make a report confidentially, in writing, to the chairman of the Audit Committee. Upon receiving a report, an investigation will be handled by the Audit Committee in a confidential and timely manner. We ensure that the identity of whistle-blowers is secured in the highest manner possible and we do not tolerate any forms of intimidation or retaliation thereafter. Meanwhile, we make our best efforts to ensure that the information collected is accurate, and employees who deliberately provide untrue information are subject to disciplinary actions.

RESPONSIBLE EMPLOYMENT

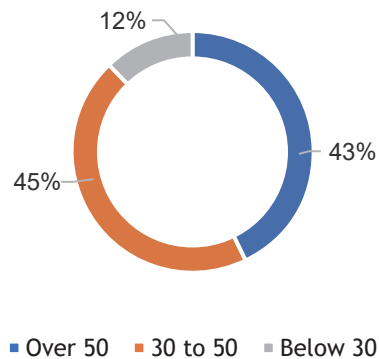
The Group's core competency lies in the possession of talented employees, whose hard work and skills have contributed to our business achievements. The Group is committed to putting in resources in enhancing employees' physical and mental health, career development, and well-being. In addition, we are committed to maintaining high employment standards and a healthy and safe workplace. We strive to provide the best possible support and opportunities to the employees so that they could thrive with us.

As at the end of the Reporting Period, the total number of employees of the Group was 69. Information of our workforce and turnover rate by different categories is illustrated below:

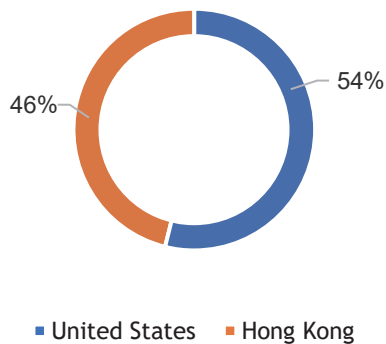
Workforce by Gender



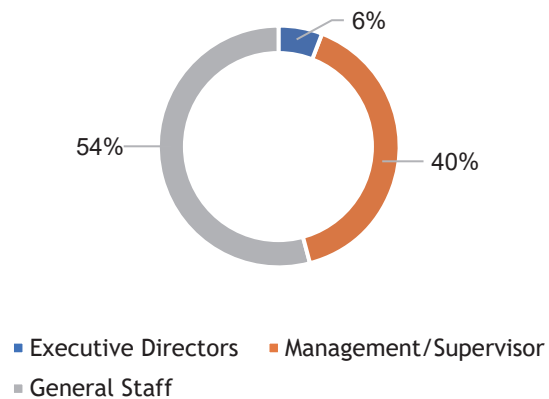
Workforce by Age Group



Workforce by Geographical Location



Workforce by Employment Category



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Turnover Rate ²	% in 2025
Total	5.80%
By gender	
Male	5.41%
Female	6.25%
By geographical region	
Hong Kong	12.50%
United States	13.51%
By age group	
Below 30	12.50%
30 to 50	6.45%
Over 50	3.33%

Healthy and Safe Workplace

The Group endeavours to maintain a safe and healthy workplace both physically and mentally to our employees. As our businesses are principally office-based, a comprehensive safety workplace protocol can effectively eliminate safe and health risks. To protect the health of all employees, all new joiners are required to attend a medical examination and declare any known contraction of contagious or infectious disease prior to the start of employment.

The Group spares no effort in ensuring that our employees work in a drug-free workplace. Possession, consumption, sale, distribution or being under the influence of illegal drugs are strictly prohibited in our premises. We also prohibit employees from engaging in any other activities which may create an unsafe work environment while carrying out work-related responsibilities or within the Group's premises. Staff are encouraged to report any actual and potential health, safety and fire hazards to the respective Department Head or immediate supervisor as a precautionary measure to prevent any injury or damage in workplace.

Meanwhile, we adopt a set of safety guidelines in attending work during extreme weather, which is in line with the guidance set out by the Labour Department and the Hong Kong Observatory. When Typhoon Signal No. 8 or above and/or Black Rainstorm Warning is in force, employees are required to take necessary precautions and stay indoor wherever they are, and not to leave the building until the signal is lowered and the condition is safe to do so.

² The turnover rate of each category was calculated by dividing the number of employee who left during the Reporting Period by the number of employee of such category as at 31 December 2025.

During the Reporting Period, the Group was not aware of any material breach of relevant laws and regulations in Hong Kong pertaining to provision of a safe working environment and protection of employees from occupational hazards, such as Occupational Safety and Health Ordinance (Cap. 509) and Employees' Compensation Ordinance (Cap. 282). Meanwhile, no work-related fatality and lost day due to work-related injuries was recorded in 2025.

	2025	2024	2023
Number of lost day due to work-related injuries	0	0	0
Number of work-related fatalities	0	0	0

Employment Conditions

The Group's performance and success depend primarily on our employees. We aim to promote the growth of our employees and the Group mutually by providing a motivated workplace, in which the performance and efforts of the employees are highly valued. The Group offers remuneration packages based on factors such as performance, experience, qualifications and length of service. The remuneration policy of the Group is subject to periodic review by the Board.

Apart from the statutory holidays and paid annual leave, all eligible employees are also entitled to additional paid leave entitlements such as sick leave, marital leave, maternity leave, examination leave, compassionate leave and jury service/witness leave. At the same time, we offer benefits such as medical allowance, the Mandatory Provident Fund and tuition allowance to eligible employees.

Discrimination-free and Fair Workplace

As an equal opportunity employer, we are committed to ensuring that our workplace is fair, diverse, open, and equal working environment for our employees. Hence, any forms of discrimination or harassment based on age, gender, race, disability, marital status or other legally-protected status will not be tolerated. The anti-discrimination policy is stipulated in our Code of Business Conduct. Employment decisions are made solely on the basis of work-related factors such as employees' qualifications, experience, skills and achievements, without considering any other characteristics as stated in the applicable laws. In the event of experiencing offensive harassment or other indecency or obscenity, employees are encouraged to report to the respective Department Head or immediate supervisor immediately.

The Company has also adopted a Workforce Diversity Policy. This Policy outlines our approach and commitment to fostering an inclusive and diverse workplace that values employees of all backgrounds, experiences and perspectives. The Policy aims at upholding diversity and inclusion in the employment related practices for fostering an inclusive, diverse, and supportive workplace where all employees, regardless of gender, gender identity, age, family status, race, ethnicity, nationality, religion, sexual orientation, disability or other characteristics protected by applicable laws, are valued, respected, and treated fairly with equal access to opportunities. All employment-related decisions are based on merit, free from any form of discrimination or bias.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any material breaches of relevant laws and regulations in Hong Kong, including among others the Employment Ordinance (Cap. 57), that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

Child and Forced Labour-free Workplace

We are committed to protecting the labour rights of our potential and current employees. We bear zero tolerance on any forms of child or forced labour in the Group's business operations. It is mandatory for job applicants to reach the legal working age and show their valid identification and qualification documents at the recruitment stage for background check. In the meantime, qualified candidates are required to enter into a legal-binding labour contract to ensure they are hired on a voluntary and fair basis. The enforcement of our child and forced labour policy extends to our suppliers, under which we do not knowingly use suppliers who are involved in using child and forced labour.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in Hong Kong, including among others the Employment Ordinance (Cap. 57), relating to child and forced labour.

Development and Training

We understand the importance of acquainting updated knowledge and the latest market trends in order to unleash the potential and creativity of our employees. To maintain our progress on the knowledge track, we are committed to devoting resources to promoting learning. Eligible employees are entitled to tuition allowances and paid leave for attending external vocational, academic or professional training courses to enhance their skills or qualifications relevant to their duties at work. We also organise internal training sessions for our management regarding legal and regulatory updates and other matters that are material to the business operations of the Group to keep up with the industrial and market updates. We encourage our people to think broadly about their career advancement and goals in their annual performance-based appraisals, in which the employees are encouraged to contribute their ideas and suggestions to the Company, in order to achieve mutual growth of the employees and the Group.

We believe professional skills, expertise and lifelong development of the employees are imperative to keeping them abreast of the latest developments of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions, unleash the employees' potential and ultimately, attain a sustainable business growth.

2025	
Total number of hours of training received by employees	299.50
Average hours of training per employee and percentage ³ (%) of employees who received training	4.34 (72.46%)
By gender	
Male	5.09 (54.00%)
Female	3.47 (46.00%)
By employment category	
Executive directors	28.25 (8.00%)
Management/Supervisor	3.14 (46.00%)
General staff	2.66 (46.00%)

ENVIRONMENTAL PROTECTION^{4, 5}

In order to protect the environment, the Group takes an active role in managing our air and greenhouse gas emissions, discharges into water and land, and non-hazardous waste from our business operations. The Group is dedicated to minimising the environmental impact of its operations and ensuring full compliance with all relevant environmental laws and regulations in the jurisdictions where it conducts business. We also hold our suppliers to the same high standards, requiring them to secure all necessary regulatory approvals and to operate in strict adherence to applicable environmental laws. This includes compliance with the environmental requirements set out in the International Council of Toy Industries (ICTI) CARE Seal of Compliance programme, or equivalent recognised standards.

The younger generation is one of our most important customer groups. We have a vital obligation to monitor our carbon footprint and conserve our natural resources to combat climate change, and ensure our planet remains habitable for future generations. We are proactive in managing emerging environmental risks and improving our performance. To pursue long-term and sustainable operations, we have reviewed and restated the following environmental targets regarding greenhouse gas (“GHG”) emissions, waste management, and energy use and water efficiency.⁶ The Group will continue to review market developments and opportunities to enhance our performance.

³ Percentage of employees trained was calculated by dividing the number of employees in specified categories who took part in training by employees who took part in training.

⁴ We have not yet factored a carbon price into our decision-making processes. We will explore the feasibility of establishing an internal carbon pricing mechanism where appropriate.

⁵ We currently do not have a climate-related transition plan. We will explore the feasibility of implementing a climate transition plan in the future.

⁶ To address the evolving business environment, we have re-established our environmental targets to ensure they are more targeted, measurable, and aligned with current operational and regulatory realities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG emissions

- Maintain scope 2 carbon emissions by 2031, using 2024 as the baseline year

Waste Management

- Maintain waste recycling rate by 2031, using 2024 as the baseline year

Energy Use Efficiency

- Maintain energy consumption intensity, using 2024 as the baseline year

Water Efficiency

- Maintain water consumption intensity by 2031, using 2024 as the baseline year

Below are some environmental measures implemented during the Reporting Period:

Toys Business

- Avoid unnecessary components in our products
- Reduce packaging of our products, and use environmentally-friendly packaging materials as far as practicable
- Optimise the number of carton boxes and containers to reduce the demand for logistics, and use off-peak delivery where feasible
- Select paper from sustainable sources endorsed by the Forest Stewardship Council and use recycled paper where feasible in our Hong Kong offices

Climate-related Disclosures^{7, 8}

Climate change has emerged as a critical global issue that profoundly affects the long-term sustainability of organisations. During the Reporting Period, we have identified physical risks and the effectiveness of our disaster recovery plan as material ESG risks.

To build resilience against unpredictable climate events, such as typhoons and extreme weather, we have established a business continuity plan. This plan details major climate-related risks, potential financial and non-financial impacts, and mitigation plans for essential operations. Its implementation is expected to significantly reduce operations and supply chain disruptions during such events.

We maintain insurance coverage against key operational and climate-related risks, including fire incidents, third-party injuries on premises, staff injuries during business activities, and transit loss or damage to finished goods shipments. In 2025, we allocated approximately HK\$182,000 to climate-related insurance to protect our assets and products from typhoons, floods, extreme heat, and cold. These measures are reviewed regularly to minimise potential major losses.

7 Due to challenges and resource limitation in conducting a reliable and meaningful climate-related scenario analysis at this time, the Company has applied the Reasonable Information Relief and Capabilities Relief and will not provide such disclosures in this report.

8 Due to challenges in obtaining or disclosing reliable cross-industry metrics at this time, the Company has applied the Reasonable Information Relief and will not provide such disclosures in this report.

We also anticipate risks arising from evolving government policies and regulations amid growing global climate focus. Our operational and legal teams continuously monitor business practices and processes to ensure compliance, engaging external consultants as required.

The material climate-related risks and opportunities identified by the Company are outlined below⁹:

Climate Risks

Type of risks:	Physical risks	Acute risk	Typhoon/hurricane
Description:	A typhoon/hurricane is a severe tropical cyclone with sustained wind speeds that forms over warm ocean. Characterised by powerful winds spiraling around a calm, central eye.		
Time Horizon#:	Short-, Medium- and Long-term (2027, 2030 and 2050)		
Time Horizon Reference:	Acute physical risks are evaluated across short, medium, and long-term horizons to reflect their potential for immediate disruption as well as the sustained adaptations they necessitate. This time frame ensures readiness for sudden extreme weather events while facilitating long-term resilience and adaptation strategies across operational landscapes.		
Potential Impacts:	<p>Financial:</p> <ul style="list-style-type: none"> • Dampness-induced spoilage of inventory resulting in write-off losses will cause a decline in gross profit margin. • Logistics delays may cause lost sales opportunities, while inventory pile-ups or supply shortages will impact revenue. • Post-disaster facility reconstruction and upgrades will increase capital expenditure. • Frequent typhoon disasters may drive up insurance premiums. <p>Non-financial:</p> <ul style="list-style-type: none"> • Transportation networks may experience delays due to transportation disruptions or facility damage, impacting product distribution and supply chain operations. • Display merchandise, or interior fixtures may sustain water damage from post-typhoon seepage or flooding, necessitating additional repairs and replacements. • Business operations will require additional manpower for post-typhoon cleanup and repairs, alongside enhanced emergency protective measures. • Restricted employee attendance and reduced customer foot traffic may affect sales performance. 		

⁹ Due to challenges in obtaining reliable quantitative information regarding the current or anticipated financial effects of climate-related risks and opportunities, the Company has applied the Reasonable Information Relief and Capabilities Relief and will not provide such quantitative disclosures in this Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Type of risks:	Physical risks	Acute risk	Typhoon/hurricane
Mitigation Plan:	<ul style="list-style-type: none"> Enhance building emergency response plans to ensure immediate resilience, and evaluate supply chain robustness and operational strategies for adaptation. Secured insurance to mitigate potential risk. 		
Type of risks:	Physical risks	Chronic risk	Increase in Annual Average Temperature
Description:	A gradual elevation in the average temperature recorded over a year, typically linked to global warming and climate change trends.		
Time Horizon#:	Medium- and Long-term (2030 and 2050)		
Time Horizon Reference:	Chronic physical risks are designated as medium to long term to reflect their progressive emergence and enduring impacts. This time frame allows for the strategic planning and implementation of adaptation measures to address sustained changes in climate conditions and environmental degradation.		
Potential Impacts:	<p>Financial:</p> <ul style="list-style-type: none"> Extended operation periods for air conditioning and cooling systems result in increased energy costs and relevant expenditures. Employee workspace improvements and heat prevention measures (e.g., AC upgrades, labor protection arrangements) lead to higher labor and facility expenses. <p>Non-financial:</p> <ul style="list-style-type: none"> Prolonged high temperatures may compromise the health and work efficiency of personnel staff. 		
Mitigation Plan:	<ul style="list-style-type: none"> Coordinate with landlords to enhance HVAC efficiency and the related infrastructure. Make appropriate workplace improvement to enhance labour protection. 		

Type of risks:	Transition risks	Policy and Legal risk	Stringent Emission Disclosure Requirements
Description:	Mandated detailed reporting of greenhouse gas emissions requires companies to disclose their environmental impact more transparently.		
Time Horizon#:	Medium- and Long-term (2030 and 2050)		
Time Horizon Reference:	Policy and legal risks are designated as medium to long term, recognizing the evolutionary nature of regulatory frameworks and policy shifts. This time frame supports the anticipation and adaptation to new legal requirements and policy developments as economies progress towards sustainability goals. These risks are not considered short term because policy and legal changes typically require extended periods to be enacted and to transmit through legal, market, and operational channels, thereby affecting market behavior.		
Potential Impacts:	<p>Financial:</p> <ul style="list-style-type: none"> • Compliance with disclosure requirements necessitates investments in carbon emission management systems, external verification, and carbon audit advisory services, increasing compliance and operational costs. • Sustained adherence to regulatory standards and reporting quality will persistently elevate administrative and consultancy expense burdens. • Potential exposure to regulatory penalties and diminished market trust may adversely impact brand reputation and financing capacity. <p>Non-financial:</p> <ul style="list-style-type: none"> • Increased allocation of human and technical resources to collect, track, and report operational and supply chain carbon emissions data. • Establishing internal carbon management systems and reporting mechanisms requires cross-departmental collaboration and data integration, escalating administrative complexity. • Non-compliant behaviour or delayed disclosures may trigger regulatory penalties, brand reputation damage, and investor scrutiny. • Resource commitments toward energy efficiency enhancements, carbon management, and emission reduction strategy implementation are essential to manage comprehensive cost exposure. 		
Mitigation Plan:	<ul style="list-style-type: none"> • Monitor carbon management systems to ensure accurate reporting. • Enhance governance capabilities and trainings to meet regulatory standards, thereby maintaining compliance and safeguarding the company's reputation. 		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Opportunities

Type of opportunities:	Shifting Consumer Lifestyles and Values
Description:	Consumer lifestyles and values are rapidly pivoting toward green, healthy, and responsible consumption, propelling new market growth opportunities for enterprises with robust brand portfolios and retail distribution networks.
Time Horizon#:	Medium- and Long-term (2030 and 2050)
Time Horizon Reference:	Shifting consumer lifestyles and values represent a medium-to-long term strategic opportunity. This stems from the trend-driven and cumulative nature of evolving consumption preferences and value orientations, which are typically propelled by long-term socio-cultural currents, policy initiatives, and intergenerational mindset evolution. Such transformations rarely manifest fully in near-term market behaviors.
Potential Impacts:	Financial: <ul style="list-style-type: none">• Enhance brand reputation and customer loyalty to attract ESG-aligned consumer segments.• Drive sales conversion uplift and reduce churn rates through innovative sustainability campaigns and green marketing initiatives.
Potential Actions:	<ul style="list-style-type: none">• Support low-carbon lifestyle awareness through retail and digital platforms, alongside consumer education initiatives.• Launch sustainability-themed marketing campaigns and loyalty programs incentivizing green participation.• Leverage data analytics to track evolving sustainability preferences, enabling differentiated product portfolios and targeted outreach.

Time horizon rationale:

Short term: As a short-term benchmark year, the focus is on addressing immediate and near-term climate risks by integrating mitigation and adaptation measures into existing planning, operational activities, and capital allocation processes to enhance overall operational resilience.

Medium term: As a mid-term milestone, systematically evaluate transition risks and opportunities, emissions trajectory, supply chain resilience, and operational performance, and aligned with our targets across waste management, energy use efficiency and water efficiency intensity.

Long term: Focus on our strategic resilience, asset allocation, and long-term investment decisions to strengthen our company's capabilities in sustainable value creation and risk management.

Environmental Performance Table

	Unit	2025	2024
Air Emissions			
Nitrogen oxides	kg	1.62	1.84
Sulphur oxides	kg	0.04	0.05
Particulate matters	kg	0.12	0.14
Waste Management (Note 1)			
Total amount of non-hazardous waste generated	Tonnes	34.83	27.70
Sent to landfill	Tonnes	27.86	26.35
Recycled	Tonnes	6.97	1.40
Intensity	Tonnes per HK\$ million revenue	0.07	0.03
Greenhouse Gas Emission			
Scope 1 (Note 2)	Tonnes of carbon dioxide equivalent ("Tonnes CO ₂ e")	6.31	8.37
Scope 2 (Note 3)	Tonnes CO ₂ e	23.97	25.98
Total operational GHG emissions (Scope 1 & 2)	Tonnes CO ₂ e	30.28	34.35
Operational GHG emission intensity	Tonnes CO ₂ e per HK\$ million revenue	0.06	0.04
Scope 3 (Note 4)	Tonnes CO ₂ e	41,037.12 ¹⁰	179.95
Total GHG emissions (Scope 1,2,3)	Tonnes CO ₂ e	41,967.40	214.30
Energy Consumption (Note 5)			
Total energy consumption	MWh	86.60	90.74
Unleaded petrol	MWh	23.71	28.61
Electricity	MWh	62.89	62.13
Intensity	MWh per HK\$ million revenue	0.17	0.10
Water Consumption & Discharge (Note 6)			
Total water consumption	m ³	3,352	2,252
Intensity	m ³ per HK\$ million revenue	6.54	2.42
Total wastewater discharge	m ³	3,352	2,252
Packaging Material Consumption			
Total packaging	Tonnes	2,107.89	3,485.31
Intensity	kg per number of products	0.27	0.24

¹⁰ The increase in data 2025 compared to 2024 is primarily attributable to the inclusion of additional Scope 3 categories.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Note:

1. The non-hazardous waste from the office operation of the Group is mainly general refuse, while the hazardous waste is mainly used toner cartridges. The used toner cartridges were gathered by the toner supplier for their recycling.
2. Scope 1 refers to direct GHG emissions from the stationary and mobile sources combustion. The calculation is made reference to the published emission factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the guidance worksheets of World Resources Institute's GHG Protocol Tool for Mobile Combustion.
3. Scope 2 refers to indirect GHG emissions from the purchased electricity. The calculation is based on the emission factors from the 2020 Sustainability Report published by the CLP and the Emission Factors for Greenhouse Gas Inventories published by the United States Environmental Protection Agency.
4. Scope 3 mainly refers to indirect GHG emission from Category 1 – Purchased Goods and Services, Category 5 – Waste Generated in Operations, and Category 12 – End-of-life Treatment of Sold Products.
5. The conversion factors from volumetric units of unleaded petrol consumption to energy units are in reference to CDP Technical note: Conversion of fuel data to MWh.
6. In 2025, the Group had no issue in water sourcing.
7. The calculation for this "Environmental Performance Table" had referred to GHG Protocol – Emission Factors from Cross-Sector Tools and the published emission factors of the "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.

COMMUNITY ENGAGEMENT

The Group cares deeply about the community where it operates. We are committed to making contribution to the society and supporting the communities through charitable donations and other forms of community engagement. In 2025, a total amount of HK\$255,528 cash donation was made to Sachs Family Foundation, Autism Charity Donation, The Toy Foundation, The OC Autism Foundation, Licensing International Foundation for a scholarship fund and Women in Toys Foundation. Meanwhile, we encouraged our employees to participate in community contribution activities during the Reporting Period.

HKEx ESG Reporting Code Index

HKEx ESG Reporting Code General Disclosures & KPIs		Explanation/Reference Section
A. Environment		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	ENVIRONMENTAL PROTECTION
KPI A1.1	The types of emissions and respective emissions data.	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	ENVIRONMENTAL PROTECTION
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL PROTECTION – Environmental Performance Table

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEx ESG Reporting Code General Disclosures & KPIs		Explanation/Reference Section
KPI A2.3	Description of energy use target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL PROTECTION – Environmental Performance Table
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	ENVIRONMENTAL PROTECTION – Environmental Performance Table
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	ENVIRONMENTAL PROTECTION
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENTAL PROTECTION
Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	RESPONSIBLE EMPLOYMENT – Employment Conditions, Discrimination-free and Fair Workplace, Child and Forced Labour-free Workplace
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	RESPONSIBLE EMPLOYMENT
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	RESPONSIBLE EMPLOYMENT

HKEx ESG Reporting Code General Disclosures & KPIs**Explanation/Reference Section**

Aspect B2: Health and Safety

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	RESPONSIBLE EMPLOYMENT – Healthy and Safe Workplace
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	RESPONSIBLE EMPLOYMENT – Healthy and Safe Workplace
KPI B2.2	Lost days due to work injury.	RESPONSIBLE EMPLOYMENT – Healthy and Safe Workplace
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	RESPONSIBLE EMPLOYMENT – Healthy and Safe Workplace

Aspect B3: Development and Training

General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	RESPONSIBLE EMPLOYMENT – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. management, middle management).	RESPONSIBLE EMPLOYMENT – Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	RESPONSIBLE EMPLOYMENT – Development and Training

Aspect B4: Labour Standards

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	RESPONSIBLE EMPLOYMENT – Child and Forced Labour-free Workplace
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	RESPONSIBLE EMPLOYMENT – Child and Forced Labour-free Workplace
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	RESPONSIBLE EMPLOYMENT – Child and Forced Labour-free Workplace

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEx ESG Reporting Code General Disclosures & KPIs		Explanation/Reference Section
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	RESPONSIBLE OPERATIONS – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	RESPONSIBLE OPERATIONS – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	RESPONSIBLE OPERATIONS – Quality and Safety of Products and Services, Advertising Ethics
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	RESPONSIBLE OPERATIONS – Quality and Safety of Products and Services
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	RESPONSIBLE OPERATIONS – Satisfying Our Customers' Needs
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	RESPONSIBLE OPERATIONS – Intellectual property

HKEx ESG Reporting Code General Disclosures & KPIs		Explanation/Reference Section
KPI B6.4	Description of quality assurance process and recall procedures.	RESPONSIBLE OPERATIONS – Quality and Safety of Products and Services
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Data privacy
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	RESPONSIBLE OPERATIONS – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	RESPONSIBLE OPERATIONS – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	RESPONSIBLE OPERATIONS – Whistle-blowing
KPI B7.3	Description of anti-corruption training provide to directors and staff.	RESPONSIBLE OPERATIONS – Anti-corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	COMMUNITY ENGAGEMENT
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	COMMUNITY ENGAGEMENT
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	COMMUNITY ENGAGEMENT

INDEPENDENT AUDITOR'S REPORT



To the members of
Playmates Toys Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Playmates Toys Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 80 to 135, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to notes 2.12 and 4 to the consolidated financial statements

Revenue principally comprises revenue from the design, development, marketing and distribution of toys and family entertainment activity products.

Sales of toys are recognised when control of the goods has been transferred to the customers, being at the point in time when the goods are delivered.

We identified the recognition of revenue as a key audit matter because of its significance to the Group and revenue is one of the key performance indicators of the Group, therefore it is a significant audit risk area.

How the matter was addressed in our report

Our audit procedures to assess the recognition of revenue included:

- obtaining an understanding of internal controls over revenue recognition;
- reviewing sales agreements and/or sales orders from customers, on a sample basis, to understand the terms of the sales transactions to assess if the Group's revenue recognition criteria were in accordance with the requirements of the prevailing accounting standards;
- assessing, on a sample basis, whether revenue transactions recorded during the financial year had been occurred by comparing the transactions selected with relevant underlying documentation, including goods delivery notes and the terms of sale as set out in the sales agreements;
- assessing, on a sample basis, whether specific revenue transactions around the financial year end had been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including goods delivery notes and the terms of sale as set out in the sales agreements;
- identifying if there are any significant adjustments to revenue during the reporting period, understanding the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

INDEPENDENT AUDITOR'S REPORT



Valuation of advanced royalties

Refer to notes 2.13 and 19 to the consolidated financial statements

We identified the valuation of advanced royalties as a key audit matter as significant management judgments and estimations are required in assessing the realisation of advanced royalties through future product sales, with reference to the historical sales pattern, expectation of future product sales based on current market conditions and other specific attributes that might have an impact on the sales forecast.

As at 31 December 2025, the Group has advanced royalties amounted to approximately HK\$38 million in the consolidated statement of financial position.

How the matter was addressed in our report

Our audit procedures to assess the valuation of advanced royalties included:

- obtaining an understanding of the management's assessment on the realisation of advanced royalties;
- obtaining the management's sales forecast and comparing to historical sales pattern to evaluate the reasonableness of the management's assessment on the sufficiency of future product sales in support of the recoupment of advanced royalties;
- obtaining an understanding of how the allowance for unfulfilled royalties is estimated by the management;
- reviewing the license agreements to understand the terms of agreement including the licensing period, guaranteed royalties and royalty rates;
- assessing, on a sample basis, whether the advanced royalties recorded during the financial year had been occurred by comparing the transactions selected with relevant underlying documentation, including bank payment advices, invoices issued by licensors and the terms of agreement as set out in the license agreements;
- testing, on a sample basis, the mathematic accuracy of the computation of royalties and whether the recoupment of advanced royalties is properly recorded;
- identifying if there are any significant adjustments to advanced royalties during the reporting period, understanding the reasons for such adjustments and comparing the details of adjustments with relevant underlying documentation.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the 2025 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

13 March 2026

Kan Kai Ching

Practising Certificate No.: P07816

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

	Note	2025 US\$'000 (Note 31)	2025 HK\$'000	2024 HK\$'000
Revenue	4	65,668	512,211	931,334
Cost of sales		(33,895)	(264,378)	(430,867)
Gross profit		31,773	247,833	500,467
Marketing and licensing expenses		(15,709)	(122,535)	(191,470)
Selling and distribution expenses		(6,007)	(46,855)	(83,321)
Administration expenses		(16,376)	(127,729)	(131,384)
Operating (loss)/profit		(6,319)	(49,286)	94,292
Other net income	7	7,652	59,682	87,840
Finance costs	8	(286)	(2,234)	(3,760)
Profit before income tax	6	1,047	8,162	178,372
Income tax expense	9	(3,015)	(23,515)	(46,744)
(Loss)/Profit for the year attributable to owners of the Company		(1,968)	(15,353)	131,628
(Loss)/Earnings per share	11	US cents	HK cents	HK cents
Basic		(0.17)	(1.30)	11.15
Diluted		(0.17)	(1.30)	11.15

The notes on pages 86 to 135 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 US\$'000 (Note 31)	2025 HK\$'000	2024 HK\$'000
(Loss)/Profit for the year	(1,968)	(15,353)	131,628
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>	4	28	162
– <i>Tax impact</i>	–	–	(9)
Other comprehensive income for the year	4	28	153
Total comprehensive income for the year attributable to owners of the Company	(1,964)	(15,325)	131,781

The notes on pages 86 to 135 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	2025 US\$'000 (Note 31)	2025 HK\$'000	2024 HK\$'000
Non-current assets				
Property, plant and equipment	14	581	4,532	666
Right-of-use assets	15.1	2,014	15,706	9,996
Deferred tax assets	25	2,743	21,392	32,665
		5,338	41,630	43,327
Current assets				
Inventories	17	3,515	27,419	27,654
Trade receivables	18	13,898	108,405	136,670
Deposits paid, other receivables and prepayments	19	6,327	49,354	64,633
Tax recoverable		2,851	22,236	22,050
Financial assets at fair value through profit or loss	20	12,163	94,871	87,473
Cash and deposits with banks	28.2	124,280	969,387	1,043,325
		163,034	1,271,672	1,381,805
Current liabilities				
Trade payables	21	4,643	36,214	19,372
Deposits received, other payables and accrued charges	22	13,696	106,829	122,330
Provisions	23	5,074	39,579	55,074
Lease liabilities	15.2	823	6,421	9,433
Taxation payable		1,302	10,154	14,547
		25,538	199,197	220,756
Net current assets		137,496	1,072,475	1,161,049
Total assets less current liabilities		142,834	1,114,105	1,204,376
Non-current liabilities				
Lease liabilities	15.2	1,243	9,694	1,924
Long service payment liabilities	24.1	186	1,451	1,330
		1,429	11,145	3,254
Net assets		141,405	1,102,960	1,201,122
Equity				
Share capital	27.1	1,513	11,800	11,800
Shares held for share award plan	27.2	–	–	–
Reserves		139,892	1,091,160	1,189,322
Total equity		141,405	1,102,960	1,201,122

On behalf of the board

CHAN Kong Keung, Stephen
Director

TRAN Vi-hang William
Director

The notes on pages 86 to 135 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025

	Note	2025 US\$'000 (Note 31)	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities				
Cash (used in)/generated from operations	28.1	(1,222)	(9,531)	165,012
Hong Kong tax paid		(28)	(221)	(35,589)
Overseas tax paid		(2,128)	(16,600)	(52,550)
Net cash (used in)/generated from operating activities		(3,378)	(26,352)	76,873
Cash flows from investing activities				
Purchases of property, plant and equipment		(578)	(4,508)	(391)
Purchases of financial assets at fair value through profit or loss		(691)	(5,393)	(4,912)
Proceeds from disposal of financial assets at fair value through profit or loss		2,136	16,661	17,978
Dividends received		64	499	507
Interest received		5,153	40,195	55,338
Decrease in bank deposits and treasury notes with original maturity greater than 3 months		25,839	201,547	139,559
Net cash generated from investing activities		31,923	249,001	208,079
Cash flows from financing activities				
Repurchase of shares of the Company		–	–	(448)
Purchase of shares for share award plan		(443)	(3,457)	–
Dividends paid to owners of the Company		(10,586)	(82,570)	(94,442)
Payment of lease liabilities	28.3	(1,255)	(9,787)	(9,655)
Net cash used in financing activities		(12,284)	(95,814)	(104,545)
Net increase in cash and cash equivalents		16,261	126,835	180,407
Cash and cash equivalents at 1 January		72,752	567,466	387,402
Effect of foreign exchange rate changes		99	774	(343)
Cash and cash equivalents at 31 December	28.2	89,112	695,075	567,466

The notes on pages 86 to 135 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share capital <i>HK\$'000</i>	Shares held for share award plan <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Shared-based compensation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024	11,807	-	785	409	38,285	4,346	7,943	1,100,342	1,163,917
Profit for the year	-	-	-	-	-	-	-	131,628	131,628
Other comprehensive income:									
– Remeasurement of long service payment liabilities (net of tax)	-	-	-	-	-	-	-	153	153
Total comprehensive income for the year	-	-	-	-	-	-	-	131,781	131,781
Repurchase of shares of the Company	(7)	-	(441)	7	-	-	-	(7)	(448)
Share option scheme									
– share options lapsed	-	-	-	-	-	-	(2,066)	2,066	-
Share award plan									
– value of services	-	-	-	-	-	-	290	-	290
2023 second interim dividend paid	-	-	-	-	-	-	-	(35,421)	(35,421)
2023 special interim dividend paid	-	-	-	-	-	-	-	(35,421)	(35,421)
2024 first interim dividend paid	-	-	-	-	-	-	-	(23,600)	(23,600)
Unclaimed dividends forfeited	-	-	-	-	-	-	-	24	24
Transactions with owners	(7)	-	(441)	7	-	-	(1,776)	(92,359)	(94,576)
At 31 December 2024	11,800	-	344	416	38,285	4,346	6,167	1,139,764	1,201,122

	Share capital <i>HK\$'000</i>	Shares held for share award plan <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Shared-based compensation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2025	11,800	-	344	416	38,285	4,346	6,167	1,139,764	1,201,122
Loss for the year	-	-	-	-	-	-	-	(15,353)	(15,353)
Other comprehensive income:									
– Remeasurement of long service payment liabilities	-	-	-	-	-	-	-	28	28
Total comprehensive income for the year	-	-	-	-	-	-	-	(15,325)	(15,325)
Share option scheme									
– share options lapsed	-	-	-	-	-	-	(291)	291	-
Share award plan									
– value of services	-	-	-	-	-	-	3,190	-	3,190
– purchase of shares for share award plan	-	(3,457)	-	-	-	-	-	-	(3,457)
– vesting of share awards	-	3,457	-	-	-	-	(3,480)	23	-
2024 second interim dividend paid	-	-	-	-	-	-	-	(35,400)	(35,400)
2024 special interim dividend paid	-	-	-	-	-	-	-	(35,400)	(35,400)
2025 first interim dividend paid	-	-	-	-	-	-	-	(11,770)	(11,770)
Transactions with owners	-	-	-	-	-	-	(581)	(82,256)	(82,837)
At 31 December 2025	11,800	-	344	416	38,285	4,346	5,586	1,042,183	1,102,960

The notes on pages 86 to 135 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

1 General Information

The Company was incorporated in Bermuda on 11 April 2005. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal office is 23/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate holding company of the Company is Playmates Holdings Limited ("PHL"), which is incorporated in Bermuda. The immediate holding company of the Company is PIL Toys Limited, a company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 16 to the financial statements.

The financial statements for the year ended 31 December 2025 were approved for issue by the board of directors on 13 March 2026.

2 Summary of Material Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), 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. These financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The material accounting policies that have been used in preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. Changes in accounting policies and the impacts on the Group's financial statements, if any, are disclosed in note 3 to the financial statements.

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 measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on the Group's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.5 "Inventories", note 2.6 "Financial assets", note 2.7 "Impairment of non-financial assets", note 2.10 "Provisions", note 2.13 "Advertising and marketing expenses, advanced royalties and product development costs", note 2.14.3 "Long service payments", note 2.14.4 "Share-based compensation", note 2.16 "Deferred taxation" and note 2.17 "Current taxation" to the financial statements. Other than that, no significant accounting estimations and judgments have been made.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as the “Group”) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective.

2.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

In the Company’s statement of financial position, subsidiaries are recorded at cost less any impairment losses unless the subsidiary is held for sale or included in a disposal group. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee’s pre or post-acquisition profits are recognised in the Company’s profit or loss.

2.4 Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Gains or losses arising from the retirement or disposal are determined as the difference between the sales proceeds and the carrying amount of the asset and recognised in profit or loss.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

Depreciation is calculated using the straight-line method to write off cost less the residual values over the estimated useful lives, as follows:

Leasehold improvements	3-10 years
Vehicle, equipment, furniture and fixtures	3-10 years
Computers	3-5 years

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

The Group reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

2.6 Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Except for those trade receivables that do not contain a significant financing component which are measured at the transaction price, all financial assets are initially measured at fair value. On initial recognition, transaction costs that are directly attributable to the purchase of financial assets are added to the carrying amount of the financial assets except for financial assets at fair value through profit or loss in which case such transaction costs are recognised in profit or loss. All purchases or sales of financial assets are recognised and derecognised on a trade date basis (i.e. the date on which the Group commits to purchase or sell the financial asset).

(i) **Classification of financial assets**

Investments other than equity investments

Non-equity financial assets held by the Group are classified into one of the following measurement categories:

- amortised cost, if the financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the financial asset is calculated using the effective interest method;
- fair value through other comprehensive income (“FVOCI”) – recycling, if the contractual cash flows of the financial asset comprise solely payments of principal and interest and the financial asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses (“ECL”), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial asset is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- fair value through profit or loss (“FVPL”), if the financial asset does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the financial asset (including interest) are recognised in profit or loss.

Equity investments

Investment in equity securities are classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) in equity until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss.

The Group currently classifies all its equity investments at FVPL. These equity investments are managed according to internal policies and their performance is evaluated periodically on a fair value basis. Assets in this category are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

Trade receivables

Trade receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. They are stated at amortised cost using the effective interest method less allowance for impairment losses and allowance for customer concession.

Other financial assets

Deposits paid, other receivables and cash and deposits with banks of the Group are stated at amortised cost.

(ii) Measurement of financial assets

Financial assets measured at amortised cost

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Interest income from these financial assets are recognised in profit or loss as other income in accordance with the Group's policies in note 2.12 to these financial statements. Any gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired.

Financial assets at FVPL

Financial assets at FVPL are subsequently carried at fair value. Unrealised and realised gains and losses arising from changes in the fair value of such financial assets are recognised in profit or loss in the period in which they arise.

(iii) Impairment of financial assets

The Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortised cost.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets measured at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

At the end of each reporting period, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is regarded as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group provides for impairment on the financial asset based on forward looking information and when there is information indicating that the debtor is in severe financial difficulty. Impaired financial assets may still be subject to enforcement activities under the Group's recovery procedures. Any subsequent recoveries made are recognised in profit or loss as reversal of impairment in the period which the recovery occurs.

(iv) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2.7 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, advanced royalties and interest in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.8 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and restoration, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term and is stated at cost less accumulated depreciation and impairment losses (see note 2.7).

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

Payments for capitalised leases are allocated between lease liabilities and interest expenses. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement.

2.9 Financial liabilities

The Group's financial liabilities include trade and other payables and lease liabilities. They are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charge are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.15). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method. Accounting policies for lease liabilities are set out in note 2.8.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

2.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. All provisions are current in nature and therefore the effect of the time value of money is not material.

(i) Consumer returns

The Group uses agreed customer allowances based on a percentage of sales and information on actual consumer returns of goods to estimate return percentages. The provision is calculated based on these factors and is adjusted for any fluctuations in the returns expected by management as of each period end.

A portion of the Group's retail customers receive a fixed percentage of sales as their allowance. The allowance for each retail customer is agreed and documented in the terms of trade. Certain customers receive an allowance based on their actual consumer return experience.

In evaluating the adequacy of the prior year provision, the Group prepares an analysis to determine the reasons for unclaimed deductions. If the analysis determines that some carry forward provision amounts were no longer appropriate based on actual claims experience, the proper adjustments will be made to release the over-accrued portion.

(ii) Cooperative advertising

The Group participates in customer advertising programmes which are negotiated on an individual basis. In addition, the Group contributes toward specific expenses of the customers for in-store sales promotions and advertising circulars.

In the case of fixed percentage, the amounts are negotiated and documented in the terms of trade with the respective customer. In the case of all special programs, the program application, limits and amounts are offered on a case by case basis by the Group. Some of the programs are set for defined periods of time or limited to a maximum number of units sold, and confirming data is provided by the retailer to finalise the actual program cost.

Claims for cooperative advertising may be received up to two years after the relevant reporting period end and, in certain cases, later. The Group reviews the provisions periodically and any unrequired amount will be reversed when determined.

(iii) Cancellation charges

The provision represents the estimated amounts that would be payable to suppliers to settle the cost incurred by them for production orders which have been or are likely to be cancelled. The Group generally settles these amounts in the year after the year that specific product ceases to be actively sold to customers.

In most cases, the vendor may try to mitigate the Group's exposure by utilising the unused components in its other products. Such arrangement may also reduce the Group's potential cancellation exposure.

At each relevant reporting period end, the Group will analyse the potential cancellation charge exposure for order cancellations due to commitments for finished goods, work in process items and material authorisations. The Group will also review if any items can be carried over to be produced and sold in the subsequent year. Once any adjustment is made, the remaining exposure is adjusted by a factor representing the historical negotiated discount agreed with the suppliers.

(iv) Freight allowance

The provision represents the estimated amounts that would be payable to the Group's US retail customers for the transportation of products from the Group's third-party warehouse to the customers' distribution centers. A portion of the Group's US retail customers receive a fixed percentage of sales as their allowance. For those customers, the standard allowance is agreed and documented in the terms of trade. In addition, the Group is responsible for incidental freight-related charges, such as quantity discrepancies, late shipments and other non-compliance with the customers' shipping requirements. The Group uses information on actual incidental freight-related charges to estimate the provision percentage.

The provision is calculated based on these factors and is adjusted for any fluctuations in freight charges expected by management at the end of each reporting period. The Group also reverses any over-accrued amounts if the analysis determines that those carry forward provision amounts are no longer appropriate based on actual experience.

All provisions are established for specific exposures.

Management relies on available contemporary and historical information to evaluate each potential exposure and exercises its best judgement to estimate the amount of provision necessary and sufficient for each potential exposure.

Over – or under-provision for the above exposures, arising from subsequent events and the eventual settlement, are adjusted in that subsequent period where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

2.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where any company of the Group repurchases the Company's equity share capital, the consideration paid, including any attributable costs, is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued.

2.12 Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled.

(i) Sale of toys

Revenue from sales of toys is recognised when control of the goods has been transferred to the customers, being at the point in time when the goods are delivered. Delivery occurs when the title of the products has been passed to the customers or when the risks of obsolescence and loss have been transferred to the customers according to the sales contract. Revenue from sales of toys excludes sales tax and is after deduction of any trade discounts, allowances and returns.

Historical experience is used to estimate and provide for the discount, using the most likely outcome method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Allowances and returns which give rise to variable consideration are disclosed in note 2.10 (i) and (iv).

Deposits from customers and distributors are recognised as a contract liability when the customer or distributor pays consideration before the Group recognises the related revenue.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Interest income

Interest income is recognised on a time proportion basis as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.13 Advertising and marketing expenses, advanced royalties and product development costs

2.13.1 Advertising and marketing expenses are expensed as incurred.

2.13.2 Advanced royalties represent prepayments made to licensors of intellectual properties under licensing agreements which are recoupable against future royalties. Advanced royalties are amortised at the contractual royalty rate based on actual product sales. Management evaluates the future realisation of advanced royalties periodically and charges to expense any amounts that management deems unlikely to be recoupable at the contractual royalty rate through product sales. All advanced royalties are amortised within the term of the license agreement and are written off upon the abandonment of the product or upon the determination that there is significant doubt as to the success of the product.

2.13.3 Product development costs are recognised as intangible assets when the following criteria are met:

- (i) demonstration of technical feasibility of completing the product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

All other product development costs are charged to profit or loss as incurred.

2.14 Employee benefits

2.14.1 Employee leave entitlements

Employees' entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave entitlements as a result of services rendered by employees up to the end of the reporting period.

2.14.2 Pension obligations

The Group operates defined contribution provident fund schemes for its employees, the assets of which are held separately from those of the Group in independently administered funds. The Group's contributions under the schemes are charged to profit or loss as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any contributions forfeited from employees who leave the Group, relating to unvested benefits, are used to reduce the Group's ongoing contributions otherwise payable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

2.14.3 Long service payments

The Group is obliged to pay long service payment (“LSP”) to Hong Kong employees under the Hong Kong Employment Ordinance. The Group’s net obligation in respect of LSP, which is a defined benefit plan, is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group’s MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The cost of providing the long service payment liabilities is charged to profit or loss so as to spread the costs over the service lives of employees. Net interest expense related to the discounting of long service payment liabilities is also recognised in profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the other comprehensive income in the period when they arise.

The present value of the long service payment depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of long service payment liabilities.

2.14.4 Share-based compensation

The Group operates equity-settled, share-based compensation plans under which the Group receives services from employees as consideration for equity instruments of the Company. These plans comprise a share option scheme and a share award plan.

The fair value of the employee services received in exchange for the grant of options and awarded shares is recognised as an expense in profit or loss with a corresponding increase in the “share-based compensation reserve” within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted or shares awarded, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At the end of each reporting period, the Group revises the number of options or awarded shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity.

For share options, the equity amount is recognised in the “share-based compensation reserve” until the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits). The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

For share awards, the Group may either issue new shares or purchase its own shares from the open market through the trustee of the share award plan. The shares issued or purchased by the Group that are not yet vested under the share award plan were recorded as “shares held for share award plan” as a reduction under equity. Upon vesting of the awarded shares, the related costs of the issued shares or purchased shares are reduced from the “shares held for share award plan” account, and the related fair value of the awarded shares are debited to the “share-based compensation reserve” with the difference charged/credited to retained profits.

2.15 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2.16 Deferred taxation

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

2.17 Current taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense/credit in profit or loss.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (i) the Group has the legally enforceable right to set off the recognised amounts; and
- (ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group is subject to income taxes in certain jurisdictions other than Hong Kong. The Group engages tax professionals to calculate provisions for income taxes. Judgment is required in such calculations. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period which such determination is made.

2.18 Foreign currency translation

The financial statements are presented in Hong Kong dollar (HK\$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting period end retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollar. Assets and liabilities have been translated into Hong Kong dollar at the closing rates at the end of the reporting period. Income and expenses have been converted into the Hong Kong dollar at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold or closed, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified from equity to profit or loss as part of the gain or loss.

2.19 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.20 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.

2.21 Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family or a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Adoption of Amended HKFRS Accounting Standards

The HKICPA has issued the following amendment to HKFRS Accounting Standards that are first effective for the current accounting period of the Group:

- Amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*

The amendments have had no 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.

4 Revenue

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 2025 from sales of toys was HK\$512,211,000 (2024: HK\$931,334,000).

5 Segment Information

5.1 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	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Hong Kong (place of domicile)	–	388	12,351	4,491
Americas				
– U.S.A.	391,994	653,360	1,709	5,572
– Others	29,569	54,441	–	–
Europe	74,802	190,287	6,178	599
Asia Pacific other than Hong Kong	15,846	32,470	–	–
Others	–	388	–	–
	512,211	930,946	7,887	6,171
	512,211	931,334	20,238	10,662

5.2 Major customers

The Group's customer base includes two (2024: 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\$161,941,000 and HK\$158,097,000 (2024: HK\$283,011,000 and HK\$215,710,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

6 Profit before Income Tax

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

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	223,808	391,499
(Reversal of write down)/Write down of inventories	(590)	252
Product development and tooling costs	34,720	31,535
Royalties expenses	72,382	135,586
Provision for consumer returns, cooperative advertising, cancellation charges and freight allowance (Note 23)	44,252	65,606
Reversal of unutilised provision for consumer returns, cooperative advertising, cancellation charges and freight allowance (Note 23)	(4,830)	(3,276)
Depreciation		
– property, plant and equipment (Note 14)	642	448
– right-of-use assets (Note 15.1)	8,481	8,481
Directors' and staff remunerations (Note 12)	80,145	85,700
Allowance for customer concession	14,713	24,063
Reversal of allowance for customer concession	(17,757)	–
Net foreign exchange loss	27	798
Loss on disposal of property, plant and equipment	–	7
Auditors' remuneration	1,570	1,570

7 Other Net Income

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gain/(loss) on financial assets at fair value through profit or loss		
– unrealised	19,692	26,517
– realised	(1,026)	5,449
Interest income	40,195	55,338
Dividend income	499	507
Others	322	29
	59,682	87,840

8 Finance Costs

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Bank charges	1,880	2,951
Interest on lease liabilities	354	809
	2,234	3,760

9 Income Tax Expense

- 9.1 Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits for the year. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	35	–
Overseas taxation	12,207	29,763
Over provision in prior years – Hong Kong	–	(3)
Over provision in prior years – overseas	–	(56)
	12,242	29,704
Deferred taxation		
Origination and reversal of temporary differences	11,273	17,040
Income tax expense	23,515	46,744

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

9.2 Reconciliation between tax expense and accounting profit before income tax at applicable tax rates:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Profit before income tax	8,162	178,372
Tax on profit before income tax, calculated at the rates applicable to (loss)/profits in the tax jurisdiction concerned	11,349	48,028
Tax effect of:		
Non-taxable income	(2,056)	(2,712)
Non-deductible expenses	281	380
Unrecognised tax losses	14,842	1,370
Utilisation of previously unrecognised tax losses	(456)	(677)
Reversal of previously recognised temporary differences	(445)	414
Over provision in prior years	–	(59)
Income tax expense	23,515	46,744

10 Dividends

10.1 Dividends attributable to the year

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
First interim dividend of HK cent 1 per share (2024: HK cents 2 per share)	11,800	23,600
Second interim dividend of HK cents nil per share (2024: HK cents 3 per share)	–	35,400
Special interim dividend of HK cents nil per share (2024: HK cents 3 per share)	–	35,400
Less: dividend for shares held in trust under share award plan (<i>Note(i)</i>)	(30)	–
	11,770	94,400

At a meeting held on 15 August 2025, the board of directors declared a first interim dividend of HK cent 1 per share, which was paid on 19 September 2025.

The board of directors do not recommend payment of a second interim dividend at the meeting held on 13 March 2026.

Note:

- (i) Shares acquired and held in trust by the trustee of the share award plan of the Company are recorded as “shares held for share award plan” as a reduction under equity. The dividends for shares held in trust under the share award plan were deducted from the total dividends.

10.2 Dividends attributable to the previous financial year and paid during the year

	2025	2024
	HK\$'000	HK\$'000
Dividends in respect of the previous financial year and paid during the year:		
Second interim dividend of HK cents 3 per share (2024: HK cents 3)	35,400	35,421
Special interim dividend of HK cents 3 per share (2024: HK cents 3)	35,400	35,421
	70,800	70,842

11 (Loss)/Earnings per Share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK\$15,353,000 (2024: profit of HK\$131,628,000) and the weighted average number of ordinary shares of 1,177,339,000 shares (2024: 1,180,516,000 shares) in issue during the year excluding any ordinary shares purchased by the Company held for share award plan.

Diluted loss per share for the year ended 31 December 2025 equals to the basic loss per share as (i) the potential ordinary shares on exercise of share options and (ii) the potential ordinary shares deemed to be issued under the share award plan are anti-dilutive. Therefore they were not included in the calculation of diluted loss per share.

Diluted earnings per share for the year ended 31 December 2024 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

12 Directors' and Staff Remunerations

	2025 HK\$'000	2024 HK\$'000
Wages, salaries and other benefits	76,288	83,185
Share-based compensation	1,063	97
Contributions to defined contribution provident fund (Note)	2,631	2,227
Long service payments expenses (Note 24.1(a))	163	191
	80,145	85,700

Note: Under the Group's defined contribution schemes, there had been no forfeiture of unvested contribution during the year ended 31 December 2025 (2024: forfeiture of unvested contribution HK\$147,000 which was utilised for reducing contribution during 2024). There was no balance available to reduce the Group's future contribution at 31 December 2025 and 2024.

13 Directors' Remuneration and Senior Management's Emoluments

13.1 Directors' emoluments

The emoluments of each director disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are set out below:

Name of director	Fee 2025 HK\$'000	Salary 2025 HK\$'000	Discretionary bonus 2025 HK\$'000	Share-based compensation 2025 HK\$'000 (Note 2)	Other benefits 2025 HK\$'000 (Note 1)	Employer's	Total 2025 HK\$'000
						contribution to provident fund 2025 HK\$'000	
CHAN, Helen	10	240	-	-	9	18	277
CHAN Kong Keung, Stephen	10	576	-	-	27	18	631
CHAN Kwong Fai, Michael	-	2,228	-	-	238	134	2,600
IP Shu Wing, Charles	400	-	-	-	-	-	400
LAM Wai Hon, Ambrose	400	-	-	-	-	-	400
TRAN Vi-hang William	10	2,160	-	532	67	18	2,787
YU Hon To, David	400	-	-	-	-	-	400
	1,230	5,204	-	532	341	188	7,495

Name of director	Fee	Salary	Discretionary bonus	Share-based compensation	Other benefits	Employer's contribution to provident fund	Total
	2024	2024	2024	2024	2024	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Note 2)	<i>HK\$'000</i> (Note 1)	<i>HK\$'000</i>	<i>HK\$'000</i>
CHAN, Helen	10	360	9	–	7	18	404
CHAN Kong Keung, Stephen	10	672	22	–	16	18	738
CHAN Kwong Fai, Michael	–	2,228	2,356	–	217	134	4,935
IP Shu Wing, Charles	400	–	–	–	–	–	400
LAM Wai Hon, Ambrose	400	–	–	–	–	–	400
TRAN Vi-hang William	10	1,965	360	48	168	18	2,569
YU Hon To, David	400	–	–	–	–	–	400
	1,230	5,225	2,747	48	408	188	9,846

Notes:

1. Other benefits include medical allowance.
2. Share-based compensation represents the estimated value of share awards granted to the directors under the Company's share award plan. The value of these share awards is measured according to the Group's accounting policy for share-based payment transactions as set out in note 2.14.4.

None of the directors have waived the right to receive their emoluments for the years ended 31 December 2025 and 2024. There was no compensation for loss of office and/or inducement for joining the Group paid/ payable to the directors in respect of the years ended 31 December 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

13.2 Five highest paid individuals

Two (2024: Two) of the five highest paid individuals are directors, whose emoluments are disclosed above. Details of the emoluments of the other three (2024: three) highest paid individuals are as follows:

	2025	2024
	HK\$'000	HK\$'000
Salaries, other allowances and benefits in kind	7,334	6,982
Bonuses	569	1,093
Share-based compensation	532	48
Employer's contributions to provident fund	386	260
	8,821	8,383

The emoluments of these three (2024: three) individuals are within the following bands:

	Number of individuals	
	2025	2024
HK\$		
2,000,001 – 2,500,000	1	2
2,500,001 – 3,000,000	1	–
3,000,001 – 3,500,000	–	1
3,500,001 – 4,000,000	1	–
	3	3

14 Property, Plant and Equipment

	Leasehold improvements <i>HK\$'000</i>	Vehicle, equipment, furniture and fixtures <i>HK\$'000</i>	Computers <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2025	553	4,206	2,315	7,074
Additions	–	4,039	469	4,508
At 31 December 2025	553	8,245	2,784	11,582
Accumulated depreciation				
At 1 January 2025	553	3,986	1,869	6,408
Charge for the year	–	338	304	642
At 31 December 2025	553	4,324	2,173	7,050
Net book value				
At 31 December 2025	–	3,921	611	4,532
Cost				
At 1 January 2024	553	4,181	2,136	6,870
Additions	–	25	366	391
Disposals	–	–	(187)	(187)
At 31 December 2024	553	4,206	2,315	7,074
Accumulated depreciation				
At 1 January 2024	553	3,822	1,765	6,140
Charge for the year	–	164	284	448
Disposals	–	–	(180)	(180)
At 31 December 2024	553	3,986	1,869	6,408
Net book value				
At 31 December 2024	–	220	446	666

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

15 Right-of-Use Assets and Lease Liabilities

15.1 Right-of-use assets

Movement during the year:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
At 1 January	9,996	18,477
Depreciation	(8,481)	(8,481)
Adjustment due to lease modification	14,191	–
At 31 December	15,706	9,996

The right-of-use assets represent the Group's rights to use leased premises as offices and exhibition space over the lease terms. Adjustment due to lease modification for 2025 represents extension of lease term upon renewal of existing leases.

15.2 Lease liabilities

(i) Maturity analysis:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within one year	6,421	9,433
In the second year	4,726	1,924
In the third to fifth year	4,968	–
	16,115	11,357
Current portion included in current liabilities	(6,421)	(9,433)
Non-current portion included in non-current liabilities	9,694	1,924

(ii) Movement during the year:

	2025	2024
	HK\$'000	HK\$'000
At 1 January	11,357	20,229
Exchange fluctuation	–	(26)
Interest expenses	354	809
Lease payments	(9,787)	(9,655)
Adjustment due to lease modification	14,191	–
At 31 December	16,115	11,357

(iii) Total cash outflows for leases during the year ended 31 December 2025 were HK\$9,787,000 (2024: HK\$9,655,000), included within financing cash flows in the consolidated cash flow statement.

16 Interest in Subsidiaries

Details of the principal subsidiaries of the Company as at 31 December 2025 and 2024 are as follows:

Name of company	Place of incorporation	Total issued and fully paid shares	Effective percentage holding	Principal activities, place of operation
<i>Shares held indirectly:</i>				
Playmates International Company Limited	Hong Kong	1 ordinary share	100% (2024: 100%)	Toy development, marketing and distribution, and related investment activities, Hong Kong
Playmates Toys Inc.	U.S.A.	305,000 common stocks of US\$30 each	100% (2024: 100%)	Toy marketing and distribution, U.S.A.
Team Green Innovation Inc.	U.S.A.	10 common stocks of US\$0.01 each	100% (2024: 100%)	Product design and development services, U.S.A.

The above table includes subsidiaries of the Company which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

17 Inventories

As at 31 December 2025, inventories represent finished toys products with carrying amount of HK\$27,419,000 (2024: HK\$27,654,000). During the year ended 31 December 2025, there was a reversal of write down of inventories HK\$590,000 (2024: HK\$nil) arising from sales of the written down inventories.

18 Trade Receivables

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade receivables	140,842	175,517
Less: Allowance for customer concession	(32,437)	(38,847)
	108,405	136,670

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.

18.1 Aging analysis

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 (2024: 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:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
0 – 60 days	73,490	89,307
61 – 90 days	33,485	35,777
91 – 180 days	1,083	8,294
Over 180 days	347	3,292
	108,405	136,670

18.2 Trade receivables that are not impaired

The aging analysis of trade receivables that are not impaired is as follows:

	2025	2024
	HK\$'000	HK\$'000
Neither past due nor impaired	99,359	108,331
1 – 90 days past due	8,694	27,428
91 – 180 days past due	7	232
Over 180 days past due	345	679
	9,046	28,339
	108,405	136,670

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to customers that have a good track record of credit with the Group. Based on past experience and forward looking elements of the Group, impairment allowance in respect of these balances is considered to be insignificant, as there has not been a significant change in credit quality and the balances are expected to be fully recoverable. The Group does not hold any collateral over these balances. Details of the Group's credit risk management practices are disclosed in note 32.2.3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

19 Deposits Paid, Other Receivables and Prepayments

	2025 HK\$'000	2024 HK\$'000
Advanced royalties (<i>Note (i)</i>)	37,880	48,851
Prepaid mold and line tooling expenses	3,531	4,163
Prepaid marketing expenses	5,134	4,064
Miscellaneous prepaid expenses, deposits paid and receivables	2,809	7,555
	49,354	64,633

Note:

- (i) These advanced royalties are recoupable by the Group against future royalties payable to toy licensors for future sales of licensed toy products.

20 Financial Assets at Fair Value through Profit or Loss

	2025 HK\$'000	2024 HK\$'000
Equity investments listed in Hong Kong	11,213	10,728
Equity investments listed outside Hong Kong	83,658	76,745
	94,871	87,473

21 Trade Payables

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

	2025 HK\$'000	2024 HK\$'000
0 – 30 days	34,455	17,955
31 – 60 days	1,363	1,389
Over 60 days	396	28
	36,214	19,372

22 Deposits Received, Other Payables and Accrued Charges

	2025 HK\$'000	2024 HK\$'000
Contract liabilities		
– Purchase commitment guarantee deposits from toy distributors (<i>Note (i)</i>)	6,069	7,081
– Sales deposits received in advance (<i>Note (ii)</i>)	7,513	10,192
Accrued product development, sales, marketing, licensing and distribution expenses	20,436	16,931
Accrued royalties	58,591	68,580
Accrued directors' and staff remunerations	6,281	13,394
Withholding tax payable	4,687	3,394
Accrued administrative expenses and professional fees	3,252	2,758
	106,829	122,330

Notes:

- (i) Certain toy distributors paid a non-refundable purchase commitment guarantee deposit in consideration of the Group granting distribution rights for sales and marketing of licensed toy products in certain territories and within a certain time period according to the distribution agreement. The distributor is entitled to recoup this paid deposit against purchases of licensed toy products from the Group by deducting a certain percentage from each sales transaction amount payable to the Group until such deposit is fully recouped. The Group recognises the recouped deposit balance as revenue at the same point of time when the products are delivered to the distributor. During the year ended 31 December 2025, the Group has recognised revenue of HK\$1,012,000 (2024: HK\$4,512,000) from the balance as at the beginning of the reporting period.

Any unrecouped purchase commitment guarantee deposit at the expiry of a distribution agreement shall be forfeited and credited to profit or loss of the Group. During the years ended 31 December 2025 and 2024, HK\$nil of such deposits has been forfeited and recorded as other revenue.

- (ii) This balance represents sales deposits received in advance from toy distributors before delivery of products. The Group recognised this sales deposit balance as revenue when the products are delivered to distributors. During the year ended 31 December 2025, the Group has recognised revenue of HK\$10,192,000 (2024: HK\$10,439,000) from the balance as at the beginning of the reporting period.

23 Provisions

	Consumer returns HK\$'000	Cooperative advertising HK\$'000	Cancellation charges HK\$'000	Freight allowance HK\$'000	Total HK\$'000
At 1 January 2025	9,528	29,916	410	15,220	55,074
Additional provisions made	5,246	28,438	323	10,245	44,252
Reversal of unutilised provisions	(440)	(3,458)	(205)	(727)	(4,830)
Provisions utilised	(7,342)	(32,632)	(134)	(14,809)	(54,917)
At 31 December 2025	6,992	22,264	394	9,929	39,579

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

24 Long Service Payment Liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to LSP in accordance with the Hong Kong Employment Ordinance under certain circumstances. The amount payable is determined with reference to the employee's final salary and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

Starting from 1 May 2025 (the "Transition Date"), the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") came into effect, which abolishes the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. Separately, a 25-year scheme to provide a subsidy ("Subsidy") for employer's costs in relation to the post-transition portion of the LSP has been implemented with effect on 1 May 2025.

Among other things, upon the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

24.1 Movement of long service payment liabilities

The amounts recognised in the consolidated statement of financial position is the present value of unfunded obligations and its movement are as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
At 1 January	1,330	1,301
Current service cost (<i>Note (a)</i>)	118	134
Interest cost (<i>Note (a)</i>)	45	57
Remeasurement arising from experience adjustments and changes in actuarial assumptions	(28)	(162)
Benefits paid	(14)	–
At 31 December	1,451	1,330

Notes:

- (a) During the year ended 31 December 2025, total long service payments expenses charged to profit or loss including current service cost and interest cost amounted to HK\$163,000 (2024: HK\$191,000). They are recognised in administrative expenses.
- (b) The weighted average duration of the long service payment liabilities as at 31 December 2025 is 10.4 years (2024: 11.3 years).

24.2 Significant actuarial assumptions and sensitivity analysis

An actuarial valuation of long service payment liabilities was carried out at 31 December 2025 by Aon Hong Kong Limited, an independent qualified actuary firm, using the projected unit credit method.

The principal actuarial assumptions used are as follows:

	2025	2024
Discount rate	3.1%	3.4%

The below analysis shows how the long service payment liabilities would have increased/(decreased) as a result of 0.5% change in the significant actuarial assumptions:

	2025		2024	
	Increase in 0.5% HK\$'000	Decrease in 0.5% HK\$'000	Increase in 0.5% HK\$'000	Decrease in 0.5% HK\$'000
Discount rate	(80)	87	(79)	87

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

25 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% (2024: 16.5%) in Hong Kong, and federal and state tax rates of 21% (2024: 21%) and 8.84% (2024: 8.84%) respectively in the U.S..

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated Depreciation HK\$'000	Unrealised profits on inventories HK\$'000	Other temporary differences HK\$'000 (Note (a))	Employee benefits HK\$'000 (Note (b))	Total HK\$'000
At 1 January 2024	823	17,629	29,010	2,252	49,714
Charged to profit or loss	(178)	(9,964)	(6,353)	(545)	(17,040)
Charged to other comprehensive income	–	–	–	(9)	(9)
At 31 December 2024 and 1 January 2025	645	7,665	22,657	1,698	32,665
Charged to profit or loss	(459)	(2,018)	(8,722)	(74)	(11,273)
At 31 December 2025	186	5,647	13,935	1,624	21,392

Notes:

- (a) Other temporary differences mainly represent provisions and unrealised gain on investments.
- (b) Employee benefits represents share-based compensation and long service payment liabilities.

Deferred tax assets not recognised

The Group's cumulative unrecognised tax losses as of 31 December 2025 amounted to HK\$98,256,000 (2024: HK\$11,071,000). These tax losses do not expire under respective current tax legislation.

Deferred tax liabilities not recognised

As at 31 December 2025, temporary differences relating to the undistributed profits of certain subsidiaries of the Group amounted to HK\$1,143,249,000 (2024: HK\$849,947,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits.

26 Equity Settled Share-based Transactions

26.1 Share option scheme

A share option scheme of the Company was adopted on 21 May 2018 (“2018 PTL Scheme”). Under the 2018 PTL Scheme, a nominal consideration at HK\$10 was paid by each option holder for each lot of share options granted. Share options are exercisable in stages in accordance with the terms of the 2018 PTL Scheme within ten years after the date of grant. Following the adoption of Share Award Plan (see note 26.2), the 2018 PTL Scheme was terminated on 19 May 2023 and no further options will be granted thereunder. All outstanding options already granted under the 2018 PTL Scheme shall continue to be valid and exercisable in accordance with the provisions of the 2018 PTL Scheme and their terms of issue.

All share-based compensation under the share option schemes will be settled in equity.

The number and weighted average exercise price of share options granted under the 2018 PTL Scheme are as follows:

	2025		2024	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
At 1 January	0.826	19,696	0.809	40,296
Granted		–		–
Exercised		–		–
Lapsed	0.826	(952)	0.793	(20,600)
At 31 December	0.826	18,744	0.826	19,696
Exercisable at 31 December	0.826	18,744	0.826	19,696

Notes:

Subject to the waiver or variation by the board from time to time at its sole discretion, in general 25% of the share options granted shall be vested each year commencing on the date of grant and exercisable until the expiration of the relevant option period. No share options were cancelled during the year.

The share options outstanding at 31 December 2025 had a weighted average remaining contractual life of 2.49 years (2024: 3.49 years).

In the years ended 31 December 2025 and 2024, the amount of share-based compensation expense charged to the consolidated income statement was nil and correspondingly the amount credited to share-based compensation reserve was nil. No liabilities were recognised for share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

26.2 Share award plan

A share award plan was adopted by the Company on 19 May 2023 (“Share Award Plan”). Unless otherwise cancelled or amended, the Share Award Plan shall remain in force for a period of 10 years until 18 May 2033.

During the year ended 31 December 2025, no share award was granted under the Company’s Share Award Plan. During the year ended 31 December 2024, 6,000,000 share awards were granted to selected participants pursuant to the Share Award Plan and all the said awarded shares vested on 6 December 2025. Details of the shares awarded under the Share Award Plan during the year ended 31 December 2025 are as follows:

Date of grant	Fair value per share (Note a) HK\$	Number of share awards				Unvested awards at 31 December 2025	Vesting Date
		Unvested awards at 1 January 2025	Granted during the year	Vested during the year	Lapsed during the year		
6 December 2024	0.58	6,000,000	–	6,000,000	–	–	6 December 2025

Note:

- (a) The fair value of the awarded shares was based on the closing price per share at the date of grant and adjusted by the fair value of the dividends during the vesting period as the grantees are not entitled to dividends during the vesting period.

In the year ended 31 December 2025, HK\$3,190,000 share-based compensation expense had been charged to the consolidated income statement and the corresponding amount of which had been credited to share-based compensation reserve (2024: HK\$290,000). No liabilities were recognised for share-based payment transactions.

27 Equity - Group and Company

27.1 Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2024 and 2025	3,000,000,000	30,000
	Issued and fully paid Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2024	1,180,700,000	11,807
Cancellation of repurchased shares	(700,000)	(7)
At 31 December 2024 and 2025	1,180,000,000	11,800

27.2 Shares held for share award plan

	Issued and fully paid Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2024 and 2025	–	–
Purchase of shares for share award plan (<i>Note (i)</i>)	(6,000,000)	(3,457)
Vesting of shares of share award plan (<i>Note (ii)</i>)	6,000,000	3,457
At 31 December 2025	–	–

Note:

- (i) During the year ended 31 December 2025, the trustee of the Share Award Plan of the Company (“**Trustee**”) purchased 6,000,000 shares (2024: nil) from the open market to satisfy the share awards vested during the year. The total amount paid to purchase these shares during the year was HK\$3,457,000 (2024: HK\$nil). Shares purchased and held on trust by the Trustee for share awards that are not yet vested under the Share Award Plan are recorded as “shares held for share award plan” as a reduction under equity.
- (ii) During the year ended 31 December 2025, a total of 6,000,000 shares (2024: nil) were vested under the Share Award Plan. The total purchased cost of the vested shares was HK\$3,457,000 (2024: HK\$nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

27.3 Reserves

Company

	Shares held for share award plan <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024	–	785	7,943	409	389,931	399,068
Profit for the year	–	–	–	–	30,041	30,041
Repurchase of shares of the Company	–	(441)	–	7	(7)	(441)
Share award plan						
– value of services	–	–	290	–	–	290
Share option scheme						
– share options lapsed	–	–	(2,066)	–	2,066	–
2023 second interim dividend paid	–	–	–	–	(35,421)	(35,421)
2023 special interim dividend paid	–	–	–	–	(35,421)	(35,421)
2024 first interim dividend paid	–	–	–	–	(23,600)	(23,600)
Unclaimed dividends forfeited	–	–	–	–	24	24
At 31 December 2024 and 1 January 2025	–	344	6,167	416	327,613	334,540
Profit for the year	–	–	–	–	10,428	10,428
Share award plan						
– value of services	–	–	3,190	–	–	3,190
– purchase of shares for share award plan	(3,457)	–	–	–	–	(3,457)
– vesting of share awards	3,457	–	(3,480)	–	23	–
Share option scheme						
– share options lapsed	–	–	(291)	–	291	–
2024 second interim dividend paid	–	–	–	–	(35,400)	(35,400)
2024 special interim dividend paid	–	–	–	–	(35,400)	(35,400)
2025 first interim dividend paid	–	–	–	–	(11,770)	(11,770)
At 31 December 2025	–	344	5,586	416	255,785	262,131

The application of the share premium account and the capital redemption reserve account is governed by the Bermuda Companies Act 1981.

27.4 Capital management

The Group's capital management is primarily to provide a reasonable return for owners of the Company and benefits for other stakeholders and to safeguard the Group's ability to continue as a going concern.

Capital represents total equity and debts. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. The Group may maintain or adjust the capital structure by taking necessary measures including issuing new shares and raising new debt financing.

The net debt to equity ratio defined and calculated by the Group as total borrowings less cash and cash equivalents expressed as a percentage of total equity. The ratio is not presented as the Group has no net debt at 31 December 2024 and 2025.

28 Notes to the Consolidated Cash Flow Statement

28.1 Reconciliation of profit before income tax to cash generated from operations

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Profit before income tax	8,162	178,372
Interest income	(40,195)	(55,338)
Dividend income	(499)	(507)
Depreciation of property, plant and equipment	642	448
Depreciation of right-of-use assets	8,481	8,481
Loss on disposal of property, plant and equipment	–	7
Interest on lease liabilities	354	809
Net gain on financial assets at fair value through profit or loss	(18,666)	(31,966)
Share-based compensation expenses	3,190	290
Unrealised exchange (gain)/loss	(774)	317
Operating (loss)/profit before working capital changes	(39,305)	100,913
Decrease in inventories	235	31,232
Decrease in trade receivables, deposits paid, other receivables and prepayments	43,543	167,607
Decrease in trade payables, deposits received, other payables and accrued charges and provisions	(14,152)	(134,931)
Increase in long service payment liabilities	148	191
Cash (used in)/generated from operations	(9,531)	165,012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

28.2 Analysis of cash and cash equivalents

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Cash and bank balances	574,394	483,567
Time deposits	120,681	318,665
Treasury notes	274,312	241,093
Cash and deposits with banks in the consolidated statement of financial position	969,387	1,043,325
Less:		
Time deposits with original maturity greater than 3 months	–	(234,766)
Treasury notes with original maturity greater than 3 months	(274,312)	(241,093)
Cash and cash equivalents in the consolidated cash flow statement	695,075	567,466

28.3 Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities. Changes in the Group's liabilities from financing activities arose only from lease liabilities (Note 15.2).

29 Commitments

29.1 Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to design, develop, market and distribute certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amounts of financial commitments contracted but not provided for at the end of the year were payable as follows:

	2025	2024
	HK\$'000	HK\$'000
Within one year	61,893	42,385
In the second to fifth years	67,431	96,174
	129,324	138,559

29.2 Lease commitments

As at 31 December 2025 and 2024, all of the Group's committed leases had already commenced and recognised as lease liabilities under HKFRS 16, *Leases*.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

30 Related Party Transactions

30.1 The Group had the following transactions with related parties:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Rent and building management fee paid to fellow subsidiary, Prestige Property Management Limited as agent of Belmont Limited (<i>Note (a), (d)</i>)	5,028	5,028
Rent and building management fee paid to fellow subsidiary, Great Westwood Limited (<i>Note (b), (d)</i>)	666	680
Rent and building management fee paid to fellow subsidiary, Prestige Property Management Limited as agent of Bagnols Limited (<i>Note (c), (d)</i>)	329	329

The amounts shown on the above table represent the cash amount paid to each fellow subsidiary respectively during the year.

Notes:

- (a) On 5 December 2025, the Group entered into a renewal lease with Prestige Property Management Limited as agent of Belmont Limited for certain HK properties with a lease term from 1 January 2026 to 31 December 2028 and recognised a right-of-use asset and a lease liability of approximately HK\$10.9 million respectively. At 31 December 2025, the lease liability balance under this lease amounted to HK\$10,936,000 (2024: HK\$4,139,000).
- (b) On 5 December 2025, the Group entered into a renewal lease with Great Westwood Limited for a UK property with a lease term from 1 January 2026 to 31 December 2028 and recognised a right-of-use asset and a lease liability of approximately HK\$2.3 million respectively. At 31 December 2025, the lease liability balance under this lease amounted to HK\$2,341,000 (2024: HK\$649,000).
- (c) On 5 December 2025, the Group entered into a renewal lease with Prestige Property Management Limited as agent of Bagnols Limited for certain HK properties with a lease term from 1 January 2026 to 31 December 2028 and recognised a right-of-use asset and a lease liability of approximately HK\$0.9 million respectively. At 31 December 2025, the lease liability balance under this lease amounted to HK\$914,000 (2024: HK\$320,000).
- (d) The leases mentioned in notes (a), (b) and (c) above in aggregate constituted connected transactions during the year 2025 in respect of assets acquisition and details of which were disclosed in the announcement of the Company dated 5 December 2025. These connected transactions were exempt from independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

30.2 No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 13.1.

31 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 2025.

32 Financial Risk Management and Fair Value Measurement

32.1 Categories of financial instruments

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Financial assets		
Financial assets at amortised cost		
Trade receivables	108,405	136,670
Deposits paid and other receivables	2,071	2,039
Cash and deposits with banks	969,387	1,043,325
Financial assets at fair value through profit or loss	94,871	87,473
	1,174,734	1,269,507
Financial liabilities at amortised cost		
Trade payables	36,214	19,372
Other payables and accrued charges	64,099	76,064
Lease liabilities	16,115	11,357
	116,428	106,793

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

32.2 Financial risk factors

Exposure to currency risk, price risk, credit risk and liquidity risk arises in the normal course of business. The risks are minimised by the financial management policies and practices described below:

32.2.1 Currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency different from domestic currencies used to fund the operations of the relevant group companies. The currency giving rise to this risk is mainly 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 may have an impact on consolidated earnings/(losses).

32.2.2 Price risk

The Group is exposed to equity securities price risk arising from listed equity investments held by the Group which are classified in the consolidated statement of financial position as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

At 31 December 2025, it is estimated that a general increase/decrease of 5 per cent of global major indices, with all other variables held constant, would decrease/increase the Group's loss for the year and increase/decrease the Group's equity by approximately HK\$4,744,000 (2024: increase/decrease the Group's profit for the year and increase/decrease the Group's equity by approximately HK\$4,374,000).

32.2.3 Credit risk

Financial instruments held by the Group that may be subject to credit risk include cash equivalents and trade and other receivables. Cash equivalents consist principally of deposits and short-term money market funds placed with major financial institutions. These instruments are short-term in nature and bear minimal risk. To date, the Group has not experienced any losses on cash equivalents.

The Group sells its products primarily to national and regional mass-market retailers in the United States and to third party independent distributors outside the United States. Credit is extended to United States customers for domestic sales based on an evaluation of the customers' financial condition, and generally collateral is not required. The Group assigns the majority of its trade receivables to factoring and receivable agencies to manage the credit risk. The factoring and receivable processing agents would analyse the Group's customers, credit approval and collection processing of the receivables. These agreements transfer the credit risk due to a customer's inability to pay to the factoring and receivable agents so as to mitigate credit exposure of the Group. Direct shipments to customers who are located outside the United States are normally secured by letters of credit or advance payment as credit is only extended to a limited number of customers.

At 31 December 2025, the Group's gross trade receivables amounted to approximately HK\$120,548,000 (2024: HK\$125,900,000) were assigned to factoring and receivable processing agents with the collection period consistent with the normal trade terms with toy business customers in the United States.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the corresponding historical credit losses experienced, adjusted with the expected change between current and forward-looking information on macroeconomic factors, if material. Taking into account (i) the historical credit loss experience over the past years, (ii) the majority of the Group's trade receivables arising from sales to customers in the United States has been assigned to a factoring and receivable processing agent which is a reputable financial institution and (iii) all trade receivables arising from sales to customers outside the United States are secured by letters of credit or advanced payment, the expected credit loss rate for the Group's trade receivables as at 31 December 2025 was assessed to be 0% (2024: 0%). Accordingly, no provision matrix is disclosed.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position as summarised in note 32.1 above.

Concentrations of credit risk

The Group markets a substantial portion of its products to customers in the retail industry. The Group continually evaluates the credit risk of these customers. The percentages of sales for the year attributable to the Group's major customers were:

	2025	2024
Sales		
– the largest customer	32%	30%
– five largest customers in aggregate	80%	76%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

32.2.4 Liquidity risk

The Group aims to maintain prudent liquidity risk management through maintaining sufficient cash and flexibility in funding by keeping adequate credit lines available.

The analysis of the Group's contractual maturities of its financial liabilities as at the end of the reporting period below is based on the undiscounted cash flows of financial liabilities.

	2025				Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Total undiscounted amount HK\$'000	
Trade payables	36,214	–	–	36,214	36,214
Other payables and accrued charges	64,099	–	–	64,099	64,099
Lease liabilities	7,052	5,104	5,104	17,260	16,115
	107,365	5,104	5,104	117,573	116,428

	2024				Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Total undiscounted amount HK\$'000	
Trade payables	19,372	–	–	19,372	19,372
Other payables and accrued charges	76,064	–	–	76,064	76,064
Lease liabilities	9,787	1,949	–	11,736	11,357
	105,223	1,949	–	107,172	106,793

32.3 Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	At 31 December 2025			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Equity investments listed in Hong Kong	11,213	–	–	11,213
Equity investments listed outside Hong Kong	83,658	–	–	83,658
	94,871	–	–	94,871
<hr/>				
	At 31 December 2024			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Equity investments listed in Hong Kong	10,728	–	–	10,728
Equity investments listed outside Hong Kong	76,745	–	–	76,745
	87,473	–	–	87,473

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

32.4 Financial assets and liabilities not reported at fair value

The carrying amounts of the Group's financial assets and liabilities (comprising trade receivables, deposits paid and other receivables, cash and deposits with banks, trade payables, other payables and accrued charges and lease liabilities carried at amortised cost) approximate their fair values as at 31 December 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

33 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature – dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
Amendments to Hong Kong Interpretation 5, <i>Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause</i>	1 January 2027
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures and related amendments</i>	1 January 2027
Amendment to HKAS 21, <i>Translation to Hyperinflationary Presentation Currency</i>	1 January 2027
Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date not yet determined

HKFRS 18 will replace HKAS 1 *Presentation of Financial Statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively. Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the income statement, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements. The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

There are no other new/amended HKFRS Accounting Standards not yet effective that are expected to have any material impact on the Group's consolidated financial statements.

34 Company Level Statement of Financial Position

	Note	2025 US\$'000 (Note 31)	2025 HK\$'000	2024 HK\$'000
Non-current assets				
Interest in subsidiaries		18,895	147,380	147,380
Current assets				
Other receivables and prepayments		76	595	484
Amounts due from subsidiaries		184	1,436	640
Tax recoverable		24	186	–
Financial assets at fair value through profit or loss		1,438	11,213	10,728
Cash and deposits with banks		15,739	122,764	390,332
		17,461	136,194	402,184
Current liabilities				
Other payables and accrued charges		81	635	452
Amounts due to subsidiaries		1,155	9,008	202,772
		1,236	9,643	203,224
Net current assets		16,225	126,551	198,960
Net assets		35,120	273,931	346,340
Equity				
Share capital	27.1	1,513	11,800	11,800
Reserves	27.3	33,607	262,131	334,540
Total equity		35,120	273,931	346,340

On behalf of the board

CHAN Kong Keung, Stephen
Director

TRAN Vi-hang William
Director

FIVE YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	512,211	931,334	1,109,399	504,248	625,108
Profit before income tax	8,162	178,372	260,747	14,905	32,042
Income tax (expense)/credit	(23,515)	(46,744)	(37,002)	(5,183)	10,939
(Loss)/Profit for the year attributable to owners of the Company	(15,353)	131,628	223,745	9,722	42,981
Total assets	1,313,302	1,425,132	1,568,110	1,177,341	1,259,026
Total liabilities	(210,342)	(224,010)	(404,193)	(190,537)	(263,828)
Net assets	1,102,960	1,201,122	1,163,917	986,804	995,198

The following trademarks and copyrights are used in the context of this report:

Godzilla x Kong © 2026 Legendary. All Rights Reserved. © 2026 TOHO CO., LTD. All Rights Reserved.
• **Power Rangers** ©2026 SCG POWER RANGERS LLC AND HASBRO • **Nickelodeon** © 2026 VIACOM INTERNATIONAL INC. ALL RIGHTS RESERVED. NICKELODEON AND ALL RELATED TITLES AND LOGOS ARE TRADEMARKS OF VIACOM INTERNATIONAL INC.
• **Teenage Mutant Ninja Turtles** © 2026 Viacom International Inc. All Rights Reserved.



Celebrating 60 Years of Play!

Since 1966, the joy of play has inspired everything we do...
and it wouldn't have been possible without the
incredible support of our friends and partners.
Thank you for growing with Playmates!



Playmates Toys Limited
(Incorporated in Bermuda with limited liability)
(Stock code 869)
www.playmatestoys.com