



2020 Interim Report

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MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2020 HK\$'000	2019 HK\$'000
Revenue	83,988	157,156
Gross profit	38,684	80,014
Operating loss	(54,301)	(31,071)
Loss before income tax	(49,426)	(21,282)
Income tax (expense)/credit	(3,212)	1,381
Loss attributable to owners of the Company	(52,638)	(19,901)
Loss per share	HK cents	HK cents
– Basic	(4.46)	(1.69)
– Diluted	(4.46)	(1.69)

Playmates Toys group worldwide turnover during the first half of 2020 was HK\$84 million (same period in 2019: HK\$157 million), representing a decrease of 47% compared to the prior year period. The decline in turnover was partly due to the planned hiatus of *Teenage Mutant Ninja Turtles* (“*TMNT*”) and a contraction in *Ben 10* – both were main brands during the prior year. In addition, the COVID-19 pandemic severely disrupted the global supply chain, had a significant negative impact on retail sales around the world starting in March, and created an extremely challenging environment in which to launch new brands. As a result, sales from our new brand launches during the first half of 2020 did not offset the contraction in *TMNT* and *Ben 10*.

Gross profit ratio on toy sales was 46% (same period in 2019: 51%). The decrease in gross profit ratio was attributable to higher product development and tooling expenses related to new product introductions, partially offset by a higher percentage of overall sales generated in the U.S. market, which carries a higher gross margin. Recurring operating expenses decreased by 16% compared to the prior year period, reflecting: (i) lower marketing expenses, which increased however as a percentage of turnover, driven by promotional expenses and provisions for unfulfilled advanced royalties related to new brands; and (ii) a reduction in overhead expenses, which increased however as a percentage of turnover.

The Group reported an operating loss for the period of HK\$54 million (same period in 2019: operating loss of HK\$31 million). Net loss attributable to shareholders during the first half of 2020 was HK\$53 million (same period in 2019: net loss of HK\$20 million).

The COVID-19 pandemic continues to present severe challenges to our operating environment in the near term. However, we will continue to prudently manage operating costs and adhere to the proven strategy of focusing our resources and efforts on selective new opportunities that are good fits for our core competence and reflect the changing consumer behaviours.

Brand Overview

Ben 10

Cartoon Network's ***Ben 10*** animated TV series, currently in season 4, continues to attract a significant fan base in the U.S. and in many international markets. New upcoming ***Ben 10*** content includes the animated movie ***Ben 10 vs. The Universe*** premiering this Fall. We expect continued positive contribution from the brand in 2020.

Godzilla vs. Kong

The COVID-19 pandemic has upended movie release schedules, including the ***Godzilla vs. Kong*** movie from Legendary Entertainment and Warner Bros. Pictures, which has been delayed to 2021. We will launch our ***Godzilla vs. Kong*** movie product line in Fall 2020 as previously planned, although major promotions will occur closer to the movie release date next year. In the meantime, we will continue to sell products inspired by Toho's Classic Monsters, which have performed to expectations since launching in Spring 2020.

Power Players

Following its debut on Cartoon Network, ZAG's action-comedy animation series ***Power Players*** is now streaming on Netflix. While the retail shut-down as a result of the COVID-19 pandemic hampered our product launch in the U.S. earlier this year, we are rolling out our ***Power Players*** product line across many major international markets throughout the rest of this year.

Miraculous: Tales of Ladybug & Cat Noir

We are launching a collection of toys inspired by ZAG's hit entertainment property, ***Miraculous: Tales of Ladybug & Cat Noir*** starting in Fall 2020 in selected international markets. The property has become a global phenomenon, streaming and airing in over 120 countries worldwide, with new seasons and specials in production.

Spy Ninjas

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

The first wave of ***Spy Ninjas*** products from Playmates Toys will be available this Fall. It includes secret spy ninja gear, decoders, ninja weapons, a new Project Zorgo mask and other spy gadgets from the series.

Billie Eilish

In partnership with Bravado, we are developing a collection of figures inspired by the breakthrough music artist and five-time Grammy award winner, Billie Eilish. Eilish is the first artist born in this millennium to achieve the #1 spot on the Billboard 200 chart and the youngest female to do so since 2009. As an artist with 19 billion streams globally and over 100 million social media followers, Billie Eilish is today's cultural icon. Our collection will be available starting this Fall to Billie Eilish fans and collectors of all ages.

Pikwik

In collaboration with Toronto-based entertainment company Guru Studio, we will bring to market a complete line of pre-school figures, playsets, vehicles, plush and role play toys inspired by the new ***Pikwik Pack*** series, which is currently under development and slated to air on Disney Junior channel in the U.S. and a number of key international markets.

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

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	<i>Note</i>	Unaudited		
		Six months ended 30 June		
		2020	2020	2019
		<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 18)</i>		
Revenue	3	10,768	83,988	157,156
Cost of sales		<u>(5,808)</u>	<u>(45,304)</u>	<u>(77,142)</u>
Gross profit		4,960	38,684	80,014
Marketing expenses		(4,297)	(33,518)	(41,184)
Selling and distribution expenses		(835)	(6,513)	(8,608)
Administration expenses		<u>(6,789)</u>	<u>(52,954)</u>	<u>(61,293)</u>
Operating loss		(6,961)	(54,301)	(31,071)
Other net income	4	766	5,976	10,468
Finance costs		<u>(141)</u>	<u>(1,101)</u>	<u>(679)</u>
Loss before income tax	5	(6,336)	(49,426)	(21,282)
Income tax (expense)/credit	6	<u>(412)</u>	<u>(3,212)</u>	<u>1,381</u>
Loss for the period and total comprehensive income for the period attributable to owners of the Company		<u>(6,748)</u>	<u>(52,638)</u>	<u>(19,901)</u>
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share	8			
Basic		<u>(0.57)</u>	<u>(4.46)</u>	<u>(1.69)</u>
Diluted		<u>(0.57)</u>	<u>(4.46)</u>	<u>(1.69)</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

		Unaudited 30 June 2020 US\$'000 (Note 18)	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Non-current assets				
Property, plant and equipment	9	297	2,317	2,276
Right-of-use assets		1,905	14,861	3,050
Deferred tax assets		2,701	21,064	22,608
		<u>4,903</u>	<u>38,242</u>	<u>27,934</u>
Current assets				
Inventories		1,354	10,564	19,518
Trade receivables	10	1,533	11,955	66,116
Deposits paid, other receivables and prepayments	11	9,251	72,157	49,846
Taxation recoverable		–	–	2,720
Financial assets at fair value through profit or loss		558	4,349	–
Cash and bank balances		124,170	968,526	1,005,556
		<u>136,866</u>	<u>1,067,551</u>	<u>1,143,756</u>
Current liabilities				
Trade payables	12	1,478	11,525	34,489
Deposits received, other payables and accrued charges	13	12,269	95,697	93,812
Provisions		4,519	35,246	42,348
Lease liabilities		820	6,394	3,169
Taxation payable		1,832	14,292	12,594
		<u>20,918</u>	<u>163,154</u>	<u>186,412</u>
Net current assets		<u>115,948</u>	<u>904,397</u>	<u>957,344</u>
Total assets less current liabilities		<u>120,851</u>	<u>942,639</u>	<u>985,278</u>

		Unaudited 30 June 2020 US\$'000 (Note 18)	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Non-current liabilities				
Lease liabilities		<u>1,132</u>	<u>8,833</u>	–
		<u>1,132</u>	<u>8,833</u>	–
Net assets		<u>119,719</u>	<u>933,806</u>	<u>985,278</u>
Equity				
Share capital	<i>14</i>	<u>1,513</u>	<u>11,800</u>	11,800
Reserves		<u>118,206</u>	<u>922,006</u>	<u>973,478</u>
Total equity		<u>119,719</u>	<u>933,806</u>	<u>985,278</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Unaudited		
	Six months ended 30 June		
	2020	2020	2019
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 18)</i>		
Operating activities			
Cash (used in)/generated from operations	(4,644)	(36,221)	56,972
Overseas tax paid	–	–	(8,658)
Hong Kong tax refunded	353	2,751	–
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/generated from operating activities	(4,291)	(33,470)	48,314
	<u> </u>	<u> </u>	<u> </u>
Investing activities			
Purchases of property, plant and equipment	(91)	(710)	(70)
Purchases of financial assets at fair value through profit or loss	(501)	(3,908)	–
Interest received	702	5,476	10,382
Other cash flows arising from investing activities	2	13	11
	<u> </u>	<u> </u>	<u> </u>
Net cash generated from investing activities	112	871	10,323
	<u> </u>	<u> </u>	<u> </u>
Financing activities			
Repurchase of shares of the Company	–	–	(149)
Issue of shares	–	–	76
Payment of lease liabilities	(568)	(4,431)	(1,568)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in financing activities	(568)	(4,431)	(1,641)
	<u> </u>	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	(4,747)	(37,030)	56,996
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at 1 January	128,917	1,005,556	1,008,131
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at 30 June	124,170	968,526	1,065,127
	<u> </u>	<u> </u>	<u> </u>
Analysis of cash and cash equivalents			
Cash and bank balances	<u>124,170</u>	<u>968,526</u>	<u>1,065,127</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Unaudited						Retained profits HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share-based compensation reserve HK\$'000		
At 31 December 2018	11,800	-	407	38,285	4,174	11,221	951,852	1,017,739
Impact on initial application of HKFRS 16	-	-	-	-	-	-	672	672
Adjusted balance at 1 January 2019	<u>11,800</u>	<u>-</u>	<u>407</u>	<u>38,285</u>	<u>4,174</u>	<u>11,221</u>	<u>952,524</u>	<u>1,018,411</u>
Loss and total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,901)</u>	<u>(19,901)</u>
Share option scheme								
- value of services	-	-	-	-	-	3,099	-	3,099
- shares issued	2	131	-	-	-	(57)	-	76
- share options lapsed	-	-	-	-	-	(830)	830	-
Repurchase of shares of the Company	<u>(2)</u>	<u>(131)</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>(149)</u>
Transactions with owners	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>2,212</u>	<u>812</u>	<u>3,026</u>
At 30 June 2019	<u>11,800</u>	<u>-</u>	<u>409</u>	<u>38,285</u>	<u>4,174</u>	<u>13,433</u>	<u>933,435</u>	<u>1,001,536</u>
At 1 January 2020	<u>11,800</u>	<u>-</u>	<u>409</u>	<u>38,285</u>	<u>4,174</u>	<u>13,685</u>	<u>916,925</u>	<u>985,278</u>
Loss and total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,638)</u>	<u>(52,638)</u>
Share option scheme								
- value of services	-	-	-	-	-	1,166	-	1,166
- share options lapsed	-	-	-	-	-	(1,233)	1,233	-
Transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67)</u>	<u>1,233</u>	<u>1,166</u>
At 30 June 2020	<u>11,800</u>	<u>-</u>	<u>409</u>	<u>38,285</u>	<u>4,174</u>	<u>13,618</u>	<u>865,520</u>	<u>933,806</u>

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

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

This condensed consolidated financial information should be read in conjunction with the 2019 annual financial statements.

The accounting policies used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2019.

2. Changes in accounting policies

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

3. Revenue and segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group’s senior executive management for their decisions about resources allocation to the Group’s business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior executive management of the Group that are used to make strategic decision, the only operating segment of the Group is design, development, marketing and distribution of toys and family entertainment activity products. No separate analysis of the reportable segment profit/loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

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

3.1 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue and (ii) the Group's property, plant and equipment and right-of-use assets ("specified non-current assets"). The geographical location of revenue is based on the country in which the customer is located. The geographical location of the specified non-current assets is based on the physical location of the property, plant and equipment and right-of-use assets.

	Revenue		Specified non-current assets	
	Six months ended 30 June 2020	2019	30 June 2020	31 December 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<u>24</u>	<u>10</u>	<u>14,436</u>	<u>1,978</u>
Americas				
– U.S.A.	63,168	85,898	1,124	3,348
– Others	7,455	16,172	–	–
Europe	11,774	45,799	1,618	–
Asia Pacific other than Hong Kong	1,076	8,873	–	–
Others	<u>491</u>	<u>404</u>	<u>–</u>	<u>–</u>
	<u>83,964</u>	<u>157,146</u>	<u>2,742</u>	<u>3,348</u>
	<u>83,988</u>	<u>157,156</u>	<u>17,178</u>	<u>5,326</u>

3.2 Major customers

The Group's customer base includes one (2019: two) customer with whom transactions exceeded 10% of the Group's total revenue. Revenue from sales to this customer amounted to approximately HK\$40,441,000 (2019: HK\$52,967,000 and HK\$16,832,000 respectively).

4. Other net income

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	5,476	10,382
Dividend income	13	12
Net gain on financial assets at fair value through profit or loss	441	–
Others	46	74
	<u>5,976</u>	<u>10,468</u>

5. Loss before income tax

Loss before income tax is stated after charging the following:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	34,763	68,199
Product development and tooling costs	9,992	8,898
Royalties expenses	11,856	21,715
Directors' and staff remunerations	32,368	35,695
Depreciation		
– property, plant and equipment	664	2,396
– right-of-use assets	4,221	1,525
Lease charges for short-term leases	–	2,713
Interest expenses on lease liabilities	457	138
	<u>457</u>	<u>138</u>

6. Income tax expense/(credit)

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current taxation		
Overseas taxation	1,698	4,254
Over provision in prior years		
– Hong Kong	(30)	–
	<u>1,668</u>	<u>4,254</u>
Deferred taxation		
Origination and reversal of temporary differences (<i>Note</i>)	1,544	(5,635)
	<u>3,212</u>	<u>(1,381)</u>

Note:

The Group has not recognised any deferred tax credit in relation to tax loss during the period ended 30 June 2020 due to the uncertainties in global business environment in light of the ongoing pandemic (2019: the Group recognised HK\$7,652,000 deferred tax credit in relation to tax loss).

The Group's cumulative unrecognised tax losses as of 30 June 2020 amounted to HK\$183,509,000 (31 December 2019: HK\$123,508,000). These tax losses do not expire under respective current tax legislation.

7. Dividends

The directors do not recommend the payment of dividend (2019: HK\$ nil).

8. Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$52,638,000 (2019: HK\$19,901,000) and the weighted average number of ordinary shares of 1,180,000,000 shares (2019: 1,179,996,000 shares) in issue during the period.

Diluted loss per share for the six months ended 30 June 2020 and 2019 equals to the basic loss per share as the potential ordinary shares on exercise of share options are anti-dilutive and therefore were not included in the calculation of diluted loss per share.

9. Property, plant and equipment

	<i>HK\$'000</i>
Opening net book amount as at 1 January 2020	2,276
Additions	710
Depreciation	(664)
Disposals	(5)
	<hr/>
Closing net book amount as at 30 June 2020	<u>2,317</u>
Opening net book amount as at 1 January 2019	6,773
Additions	70
Depreciation	(2,396)
Disposals	(96)
	<hr/>
Closing net book amount as at 30 June 2019	4,351
Additions	51
Depreciation	(2,125)
Disposals	(1)
	<hr/>
Closing net book amount as at 31 December 2019	<u>2,276</u>

10. Trade receivables

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivables	29,752	82,899
Less: Allowance for customer concession	(17,797)	(16,783)
	<u>11,955</u>	<u>66,116</u>

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

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0 – 60 days	8,859	43,546
61 – 90 days	661	16,753
91 – 180 days	818	3,231
Over 180 days	1,617	2,586
	<u>11,955</u>	<u>66,116</u>

11. Deposits paid, other receivables and prepayments

Deposits paid, other receivables and prepayments include advanced royalties of HK\$66,127,000 (31 December 2019: HK\$44,168,000) paid to toy licensors. These advanced royalties are recoupable by the Group against future royalties payable to toy licensors for future sales of licensed toy products.

12. Trade payables

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0 – 30 days	10,523	27,559
31 – 60 days	248	5,198
Over 60 days	754	1,732
	<hr/> 11,525 <hr/>	<hr/> 34,489 <hr/>

13. Deposits received, other payables and accrued charges

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Contract liabilities		
– Purchase commitment guarantee deposits from toy distributors	49,656	50,532
– Sales deposits received in advance	5,875	1,587
Accrued product development, sales, marketing and distribution expenses	2,583	3,064
Accrued royalties	26,770	23,773
Accrued directors' and staff remunerations	4,631	4,528
Withholding tax payable	3,873	7,200
Accrued administrative expenses and professional fees	2,309	3,128
	<hr/> 95,697 <hr/>	<hr/> 93,812 <hr/>

14. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2019 and 30 June 2020	<u>3,000,000,000</u>	<u>30,000</u>
	Issued and fully paid Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2019	1,180,000,000	11,800
Exercise of share options	184,000	2
Cancellation of repurchased shares	<u>(184,000)</u>	<u>(2)</u>
At 31 December 2019 and 30 June 2020	<u>1,180,000,000</u>	<u>11,800</u>

15. Fair value measurement of financial instruments

15.1 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 30 June 2020			Total
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment outside Hong Kong	<u>4,349</u>	<u>-</u>	<u>-</u>	<u>4,349</u>

As at 31 December 2019, there were no financial assets or liabilities measured at fair value.

During the six months ended 30 June 2020 and 2019, 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.

15.2 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, trade payables, other payables and accrued charges and lease liabilities carried at amortised cost) approximate their fair values as at 30 June 2020 and 31 December 2019.

16. Commitments

16.1 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 30 June 2020 were payable as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within one year	61,616	72,839
In the second to fifth years	172,965	119,866
After five years	55,575	31,200
	290,156	223,905

16.2 Lease commitments

Future lease payments for leases committed but not yet commenced:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within one year	1,345	6,125
In the second to fifth years	17,130	27,445
After five years	4,218	6,489
	22,693	40,059

The amounts disclosed above represent future lease payments for leases committed but not yet commenced for office. All future lease payments for leases already commenced before 30 June 2020 have been recognised as lease liabilities under HKFRS 16, *Leases*, and thus are not included in the above disclosed amounts.

17. Related party transactions

17.1 The Group entered into the following significant transactions with related parties:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rent and building management fee paid to fellow subsidiaries, Bagnols Limited, Belmont Limited and Great Westwood Limited	<u>3,720</u>	<u>3,368</u>

17.2 No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

18. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.8 to US\$1 ruling at 30 June 2020.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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 30 June 2020, trade receivables were HK\$11,955,000 (31 December 2019: HK\$66,116,000) and inventories were HK\$10,564,000 (31 December 2019: HK\$19,518,000).

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 6.5 at 30 June 2020 compared to 6.1 at 31 December 2019.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 30 June 2020, the Group's cash and bank balances were HK\$968,526,000 (31 December 2019: HK\$1,005,556,000), of which HK\$940,031,000 (31 December 2019: HK\$970,877,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 30 June 2020, the Group also has treasury investment in equities listed overseas, namely The Walt Disney Company (DIS.US) amounted to HK\$4,349,000 (31 December 2019: HK\$nil) representing 0.4% of the total assets of the Group.

The Group is exposed to foreign currency risk primarily through sales that are denominated in United States dollar. The Group does not hedge its foreign currency risks, as the rate of exchange between Hong Kong dollar and the United States dollar is controlled within a tight range. Long-term changes in foreign exchange rates would have an impact on consolidated earnings.

Employees

As at 30 June 2020, the Group had a total of 65 employees in Hong Kong and the United States of America.

There was no material change in remuneration policies compared to those disclosed in the most recently published annual report.

Share Options

The following 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 the Share Option Scheme adopted on 25 January 2008 (“2008 PTL Scheme”) and the Share Option Scheme adopted on 21 May 2018 (“2018 PTL Scheme”), that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 41(2) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”):

Participant	Date of grant	Exercise Price HK\$	Number of share options				Balance at 30 June 2020	Vesting/ Exercise period (Note)
			Balance at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period		
2018 PTL Scheme								
<i>Directors of the Company</i>								
TO Shu Sing, Sidney <i>Chairman</i>	29 June 2018	0.826	2,000,000	-	-	-	2,000,000	(1)
CHAN Kong Keung, Stephen	29 June 2018	0.826	1,000,000	-	-	-	1,000,000	(1)
CHENG Bing Kin, Alain	29 June 2018	0.826	1,200,000	-	-	-	1,200,000	(1)
CHOW Yu Chun, Alexander	29 June 2018	0.826	500,000	-	-	-	500,000	(1)
LEE Ching Kwok, Rin	29 June 2018	0.826	500,000	-	-	-	500,000	(1)
TRAN Vi-hang William	29 June 2018	0.826	1,000,000	-	-	-	1,000,000	(1)
<i>Continuous Contract Employees, excluding Directors</i>	29 June 2018	0.826	16,552,000	-	-	-	16,552,000	(1)
<i>Other Participants</i>	29 June 2018	0.826	5,580,000	-	-	-	5,580,000	(1)
	12 April 2019	0.792	20,000,000	-	-	-	20,000,000	(2)

Participant	Date of grant	Exercise Price <i>HKS</i>	Number of share options				Balance at 30 June 2020	Vesting/ Exercise period <i>(Note)</i>
			Balance at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period		
2008 PTL Scheme								
<i>Directors of the Company</i>								
CHOW Yu Chun,	13 April 2012	0.415	250,000	-	-	-	250,000	(3)
Alexander	15 May 2013	0.930	525,000	-	-	-	525,000	(4)
<i>Continuous Contract</i>	20 January 2010	0.828	759,000	-	-	759,000	-	(5)
<i>Employees, excluding</i>	18 April 2011	0.315	528,000	-	-	-	528,000	(6)
<i>Directors</i>	13 April 2012	0.415	1,297,500	-	-	-	1,297,500	(3)
	15 May 2013	0.930	3,505,500	-	-	-	3,505,500	(4)
<i>Other Participants</i>	30 March 2010	0.673	1,110,000	-	-	1,110,000	-	(7)
	18 April 2011	0.315	574,000	-	-	-	574,000	(6)
	13 April 2012	0.415	752,000	-	-	-	752,000	(3)
	15 May 2013	0.930	962,500	-	-	-	962,500	(4)

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) Divided into 2 tranches: (i) 10,000,000 share options are exercisable from 12 April 2019 to 31 December 2023; and (ii) 10,000,000 share options are exercisable from 31 December 2020 to 31 December 2023.
- (3) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 13 April 2012, 13 April 2013, 13 April 2014 and 13 April 2015 respectively to 12 April 2022.
- (4) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 15 May 2013, 15 May 2014, 15 May 2015 and 15 May 2016 respectively to 14 May 2023.
- (5) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 20 January 2010, 20 January 2011, 20 January 2012 and 20 January 2013 respectively to 19 January 2020.
- (6) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 18 April 2011, 18 April 2012, 18 April 2013 and 18 April 2014 respectively to 17 April 2021.

- (7) Divided into 3 tranches (with each tranche covering one-third of the relevant share options) exercisable from 31 December 2012, 31 December 2013 and 31 December 2014 to 29 March 2020.

No options were cancelled during the period.

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

As at 30 June 2020, 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 Securities and Futures Ordinance (“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
TO Shu Sing, Sidney	Personal	10,000,000 ordinary shares	0.85%
CHENG Bing Kin, Alain	Personal	2,000,000 ordinary shares	0.17%
CHOW Yu Chun, Alexander	Personal	2,038,000 ordinary shares	0.17%
LEE Ching Kwok, Rin	Personal	1,865,000 ordinary shares	0.16%
TRAN Vi-hang William	Personal	1,000,000 ordinary shares	0.08%

Long positions in underlying shares of the Company

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interest held
TO Shu Sing, Sidney	Personal	2,000,000 share options	2,000,000 shares	0.17%
CHAN Kong Keung, Stephen	Personal	1,000,000 share options	1,000,000 shares	0.08%
CHENG Bing Kin, Alain	Personal	1,200,000 share options	1,200,000 shares	0.10%
CHOW Yu Chun, Alexander	Personal	1,275,000 share options	1,275,000 shares	0.11%
LEE Ching Kwok, Rin	Personal	500,000 share options	500,000 shares	0.04%
TRAN Vi-hang William	Personal	1,000,000 share options	1,000,000 shares	0.08%

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

Name of director	Nature of interest	Number of shares held	Percentage interest held
TO Shu Sing, Sidney	Personal	20,000,000 ordinary shares	0.95%
CHAN Kong Keung, Stephen	Personal	2,600,000 ordinary shares	0.12%
CHENG Bing Kin, Alain	Personal	2,300,000 ordinary shares	0.11%
TRAN Vi-hang William	Personal	160,000 ordinary shares	0.01%

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 30 June 2020.

Details of the share options held by the directors of the Company are disclosed in the above section headed “Share Options”.

Save as disclosed above, as at 30 June 2020, none of the directors of the Company were interested or deemed to be interested in 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 30 June 2020, 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>	600,000,000 ordinary shares	50.85%
TGC Assets Limited	Corporate <i>(Note (i))</i>	600,000,000 ordinary shares	50.85%
PHL	Corporate <i>(Note (ii))</i>	600,000,000 ordinary shares	50.85%
PIL Management Limited	Corporate <i>(Note (ii))</i>	600,000,000 ordinary shares	50.85%
PIL Investments Limited	Corporate <i>(Note (ii))</i>	600,000,000 ordinary shares	50.85%
PIL Toys Limited	Corporate	600,000,000 ordinary shares	50.85%

Notes:

- (i) Mr. Chan Chun Hoo, Thomas (“Mr. Chan”) is the beneficial owner of all of the issued share capital of TGC Assets Limited (“TGC”), since TGC directly owns approximately 50.71% of the shareholding of PHL and is deemed to be interested in the 600,000,000 shares of the Company in aggregate which PHL is interested in, Mr. Chan is also deemed to be interested in the 600,000,000 shares of the Company in aggregate which PHL is interested in.
- (ii) 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 beneficially interested in.

Purchase, Sale or Redemption of Shares

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

Compliance with the Corporate Governance Code

The Company has applied the principles and complied with all the applicable code provisions (“Code Provisions”) of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

The Company does not have a designated chief executive officer. The board oversees the management, businesses, strategy and financial performance of the Group. The day-to-day business of the Group is handled by the executive directors collectively. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is adequate to ensure an effective management and control of the Group’s businesses and operations. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2020.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 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 period ended 30 June 2020.

On behalf of the Board
To Shu Sing, Sidney
Chairman

Hong Kong, 21 August 2020

CORPORATE INFORMATION

Directors

TO Shu Sing, Sidney
(Chairman and Executive Director)
CHAN Kong Keung, Stephen
(Executive Director)
CHENG Bing Kin, Alain
(Executive Director)
CHOW Yu Chun, Alexander
(Independent Non-executive Director)
LAM Wai Hon, Ambrose
(Independent Non-executive Director)
LEE Ching Kwok, Rin
(Independent Non-executive Director)
TRAN Vi-hang William
(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

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

Principal Share Registrars

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

Branch Share Registrars

Tricor Abacus Limited
Level 54
Hopewell Centre
183 Queen's Road East
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.playmatestoy.com



Playmates Toys Limited

(Incorporated in Bermuda with limited liability)

(Stock code 869)

www.playmatestoys.com