



2021

INTERIM REPORT



CONTENTS

Management Discussion and Analysis

Highlights 2

Brand Overview 3

Condensed Consolidated Financial Information

**Condensed Consolidated Income Statement and
Condensed Consolidated Statement of Comprehensive Income** 5

Condensed Consolidated Statement of Financial Position 6

Condensed Consolidated Cash Flow Statement 8

Condensed Consolidated Statement of Changes in Equity 9

Notes to the Condensed Consolidated Financial Information 10

Information Provided in Accordance with the Listing Rules 21

Corporate Information 28

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

Godzilla vs. Kong © 2021 Legendary. All Rights Reserved. © 2021 TOHO CO., LTD. All Rights Reserved. • **Guru Studio** © 2021 Guru Animation Studio Ltd. All Rights Reserved. • **Legendary Entertainment** ™ & © 2021 Legendary. All Rights Reserved. • **Miraculous: Tales of Ladybug & Cat Noir**: Miraculous™ is a trademark of ZAGTOON – METHOD. © 2021 ZAGTOON – ALL RIGHTS RESERVED. • **Pikwik Pack** © 2021 Guru Animation Studio Ltd. All Rights Reserved. • **Spy Ninjas** © 2021 DAVCHY IP HOLDINGS, LLC • **Toho** © 2021 TOHO CO., LTD. All Rights Reserved. • **Warner Bros. Pictures** ™ & © 2021 Warner Bros. Entertainment Inc. All Rights Reserved. • **Vlad & Niki** ™ & © 2021 Content Media Group FZC, LLC. All rights reserved. • **ZAG** © 2021 – ZAGTOON – METHOD ANIMATION – FRANCE TELEVISIONS

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

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

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

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

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

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

Brand Overview

Godzilla vs. Kong

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

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

Miraculous: Tales of Ladybug & Cat Noir

We launched our extensive new line based on ZAG's hit animated series ***Miraculous: Tales of Ladybug & Cat Noir*** in a number of major international markets in Fall 2020, and online in the US market in the summer of 2021. Consumer demand for the brand has been strong, and we expect distribution to expand in the second half of 2021. We are actively working on product line extensions for 2022 and beyond. The highly popular TV show continues to air in over 120 countries worldwide and stream across multiple digital platforms, including Disney Channel, Disney+ and Netflix.

Spy Ninjas

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

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

Vlad & Niki

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

Pikwik Pack

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

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

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	<i>Note</i>	Unaudited		
		Six months ended 30 June		
		2021	2021	2020
		<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 18)</i>		
Revenue	3	27,611	213,988	83,988
Cost of sales		<u>(13,286)</u>	<u>(102,963)</u>	<u>(45,304)</u>
Gross profit		14,325	111,025	38,684
Marketing expenses		(4,405)	(34,137)	(33,518)
Selling and distribution expenses		(1,538)	(11,919)	(6,513)
Administration expenses		<u>(6,382)</u>	<u>(49,471)</u>	<u>(52,954)</u>
Operating profit/(loss)		2,000	15,498	(54,301)
Other net income	4	50	387	5,976
Finance costs		<u>(184)</u>	<u>(1,426)</u>	<u>(1,101)</u>
Profit/(Loss) before income tax	5	1,866	14,459	(49,426)
Income tax credit/(expense)	6	<u>3</u>	<u>24</u>	<u>(3,212)</u>
Profit/(Loss) for the period and total comprehensive income for the period attributable to owners of the Company		<u>1,869</u>	<u>14,483</u>	<u>(52,638)</u>
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share	8			
Basic		<u>0.16</u>	<u>1.23</u>	<u>(4.46)</u>
Diluted		<u>0.16</u>	<u>1.23</u>	<u>(4.46)</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		Unaudited 30 June 2021 US\$'000 (Note 18)	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Non-current assets				
Property, plant and equipment	9	178	1,378	1,798
Right-of-use assets		3,234	25,061	11,353
Prepayments	11	2,000	15,500	15,500
Deferred tax assets		2,438	18,894	17,060
		<u>7,850</u>	<u>60,833</u>	<u>45,711</u>
Current assets				
Inventories		2,419	18,745	10,283
Trade receivables	10	8,073	62,566	41,291
Deposits paid, other receivables and prepayments	11	6,716	52,049	36,349
Financial assets at fair value through profit or loss		879	6,811	7,021
Cash and bank balances		127,201	985,804	949,943
		<u>145,288</u>	<u>1,125,975</u>	<u>1,044,887</u>
Current liabilities				
Trade payables	12	5,279	40,910	10,365
Deposits received, other payables and accrued charges	13	15,005	116,280	84,639
Provisions		3,626	28,103	23,391
Lease liabilities		1,063	8,237	5,694
Taxation payable		1,100	8,522	8,781
		<u>26,073</u>	<u>202,052</u>	<u>132,870</u>
Net current assets		<u>119,215</u>	<u>923,923</u>	<u>912,017</u>
Total assets less current liabilities		<u>127,065</u>	<u>984,756</u>	<u>957,728</u>

		Unaudited 30 June 2021 US\$'000 (Note 18)	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Non-current liabilities				
Lease liabilities		<u>2,338</u>	<u>18,122</u>	<u>5,986</u>
Net assets		<u>124,727</u>	<u>966,634</u>	<u>951,742</u>
Equity				
Share capital	<i>14</i>	<u>1,523</u>	<u>11,800</u>	11,800
Reserves		<u>123,204</u>	<u>954,834</u>	<u>939,942</u>
Total equity		<u>124,727</u>	<u>966,634</u>	<u>951,742</u>

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2021

	Unaudited		
	Six months ended 30 June		
	2021	2021	2020
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 18)</i>		
Operating activities			
Cash generated from/(used in) operations	5,379	41,682	(36,221)
Overseas tax paid	(267)	(2,069)	–
Hong Kong tax refunded	–	–	2,751
	<u>–</u>	<u>–</u>	<u>–</u>
Net cash generated from/(used in) operating activities	5,112	39,613	(33,470)
	<u>5,112</u>	<u>39,613</u>	<u>(33,470)</u>
Investing activities			
Purchases of property, plant and equipment	(8)	(59)	(710)
Purchases of financial assets at fair value through profit or loss	–	–	(3,908)
Interest received	76	587	5,476
Other cash flows arising from investing activities	–	–	13
	<u>–</u>	<u>–</u>	<u>13</u>
Net cash generated from investing activities	68	528	871
	<u>68</u>	<u>528</u>	<u>871</u>
Financing activities			
Payment of lease liabilities	(552)	(4,280)	(4,431)
	<u>(552)</u>	<u>(4,280)</u>	<u>(4,431)</u>
Net cash used in financing activities	(552)	(4,280)	(4,431)
	<u>(552)</u>	<u>(4,280)</u>	<u>(4,431)</u>
Net increase/(decrease) in cash and cash equivalents	4,628	35,861	(37,030)
	<u>4,628</u>	<u>35,861</u>	<u>(37,030)</u>
Cash and cash equivalents at 1 January	122,573	949,943	1,005,556
	<u>122,573</u>	<u>949,943</u>	<u>1,005,556</u>
Cash and cash equivalents at 30 June	127,201	985,804	968,526
	<u>127,201</u>	<u>985,804</u>	<u>968,526</u>
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	<u>127,201</u>	<u>985,804</u>	<u>968,526</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Unaudited						Total HK\$'000
	Share capital HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share-based compensation reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2020	11,800	409	38,285	4,174	13,685	916,925	985,278
Loss and total comprehensive income for the period	-	-	-	-	-	(52,638)	(52,638)
Share option scheme							
– value of services	-	-	-	-	1,166	-	1,166
– share options lapsed	-	-	-	-	(1,233)	1,233	-
Transactions with owners	-	-	-	-	(67)	1,233	1,166
At 30 June 2020	11,800	409	38,285	4,174	13,618	865,520	933,806
	Unaudited						
	Share capital HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share-based compensation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021	11,800	409	38,285	(1,095)	14,153	888,190	951,742
Profit and total comprehensive income for the period	-	-	-	-	-	14,483	14,483
Share option scheme							
– value of services	-	-	-	-	357	-	357
– share options lapsed	-	-	-	-	(1,109)	1,109	-
Unclaimed dividends forfeited	-	-	-	-	-	52	52
Transactions with owners	-	-	-	-	(752)	1,161	409
At 30 June 2021	11,800	409	38,285	(1,095)	13,401	903,834	966,634

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

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

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

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

2. Changes in accounting policies

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

3. Revenue and segment reporting

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

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

3.1 Geographical information

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

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

3.2 Major customers

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

4. Other net income

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

5. Profit/(Loss) before income tax

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

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

6. Income tax (credit)/expense

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

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

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

7. Dividends

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

8. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$14,483,000 (2020: loss of HK\$52,638,000) and the weighted average number of ordinary shares of 1,180,000,000 shares (2020: 1,180,000,000 shares) in issue during the period.

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

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

9. Property, plant and equipment

	<i>HK\$'000</i>
Opening net book amount as at 1 January 2021	1,798
Additions	59
Depreciation	(479)
	<hr/>
Closing net book amount as at 30 June 2021	1,378
	<hr/> <hr/>
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	2,317
Additions	45
Depreciation	(560)
Exchange fluctuation	(4)
	<hr/>
Closing net book amount as at 31 December 2020	1,798
	<hr/> <hr/>

10. Trade receivables

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade receivables	81,347	60,072
Less: Allowance for customer concession	(18,781)	(18,781)
	<u>62,566</u>	<u>41,291</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 2021 HK\$'000	31 December 2020 HK\$'000
0 – 60 days	43,758	28,306
61 – 90 days	12,468	8,267
91 – 180 days	2,120	917
Over 180 days	4,220	3,801
	<u>62,566</u>	<u>41,291</u>

11. Deposits paid, other receivables and prepayments

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current portion		
Advanced royalties (<i>Note(i)</i>)	<u>15,500</u>	<u>15,500</u>
Current portion		
Advanced royalties (<i>Note(i)</i>)	47,246	34,002
Miscellaneous prepaid expenses, deposits paid and receivables	<u>4,803</u>	<u>2,347</u>
	<u>52,049</u>	<u>36,349</u>

Note:

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

13. Deposits received, other payables and accrued charges

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Contract liabilities		
– Purchase commitment guarantee deposits from toy distributors	30,841	30,748
– Sales deposits received in advance	34,943	14,572
Accrued product development, sales, marketing and distribution expenses	7,758	3,344
Accrued royalties	29,010	24,084
Accrued directors' and staff remunerations	4,392	4,996
Withholding tax payable	6,654	4,245
Accrued administrative expenses and professional fees	2,682	2,650
	116,280	84,639

14. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2020 and 30 June 2021	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 2020, 31 December 2020 and 30 June 2021	1,180,000,000	11,800

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 2021			
	Level 1	Level 2	Level 3	Total
	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>6,811</u>	<u>-</u>	<u>-</u>	<u>6,811</u>

	At 31 December 2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment outside Hong Kong	7,021	–	–	7,021

During the six months ended 30 June 2021 and 2020, 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, cash and bank balances, trade payables, other payables and accrued charges and lease liabilities carried at amortised cost) approximate their fair values as at 30 June 2021 and 31 December 2020.

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 2021 were payable as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Within one year	37,739	68,778
In the second to fifth years	169,764	161,626
After five years	14,531	43,594
	<u>222,034</u>	<u>273,998</u>

16.2 Lease commitments

As at 30 June 2021, all of the Group's committed leases had already commenced and recognised as lease liabilities under HKFRS 16, *Leases* (31 December 2020: total future cash outflows for leases of office committed but not yet commenced amounted to HK\$23,200,000).

17. Related party transactions

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Rent and building management fee paid to fellow subsidiaries, Bagnols Limited, Belmont Limited and Great Westwood Limited	3,385	3,720
	<u>3,385</u>	<u>3,720</u>

The amounts shown above represents the cash amount paid to the fellow subsidiaries during the period.

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\$7.75 to US\$1 ruling at 30 June 2021.

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

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 5.6 at 30 June 2021 compared to 7.9 at 31 December 2020.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 30 June 2021, the Group's cash and bank balances were HK\$985,804,000 (31 December 2020: HK\$949,943,000), of which HK\$969,146,000 (31 December 2020: HK\$922,758,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

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

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

Employees

As at 30 June 2021, the Group had a total of 55 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 2021	Vesting/ Exercise period (Note)
			Balance at 1 January 2021	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 (Note 6)	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	-	-	1,304,000	15,248,000	(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 HK\$	Number of share options				Balance at 30 June 2021	Vesting/ Exercise period (Note)
			Balance at 1 January 2021	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>	18 April 2011	0.315	528,000	-	-	528,000	-	(5)
<i>Employees, excluding</i>	13 April 2012	0.415	1,297,500	-	-	176,000	1,121,500	(3)
<i>Directors</i>	15 May 2013	0.930	3,505,500	-	-	352,000	3,153,500	(4)
<i>Other Participants</i>	18 April 2011	0.315	574,000	-	-	574,000	-	(5)
	13 April 2012	0.415	752,000	-	-	-	752,000	(3)
	15 May 2013	0.930	814,500	-	-	-	814,500	(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 18 April 2011, 18 April 2012, 18 April 2013 and 18 April 2014 respectively to 17 April 2021.
- (6) Mr. Lee Ching Kwok, Rin retired as a director of the Company on 21 May 2021.

No options were cancelled during the period.

Apart from the aforesaid, at no time during the period 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.

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

As at 30 June 2021, 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%
IP Shu Wing, Charles	Personal	2,487,026 ordinary shares	0.21%
TRAN Vi-hang William	Personal	1,000,000 ordinary shares	0.08%
YU Hon To, David	Personal	176,000 ordinary shares	0.01%
	Corporate (<i>Note (a)</i>)	1,065,600 ordinary shares	0.09%

Long positions in underlying shares of the Company

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares (<i>ordinary shares</i>)	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%
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	0.96%
CHAN Kong Keung, Stephen	Personal	2,600,000 ordinary shares	0.12%
CHENG Bing Kin, Alain	Personal	2,300,000 ordinary shares	0.11%
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	228,000 ordinary shares	0.01%
	Corporate (<i>Note (b)</i>)	5,472,000 ordinary shares	0.26%

Notes:

- (a) 1,065,600 ordinary shares of the Company were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.
- (b) 5,472,000 ordinary shares of PHL were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.

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 2021.

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 2021, 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 2021, 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>	616,000,000 ordinary shares	52.20%
TGC Assets Limited	Corporate and Beneficial Owner <i>(Note (ii))</i>	616,000,000 ordinary shares	52.20%
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	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”) and is therefore deemed to be interested in the 616,000,000 shares of the Company in aggregate which TGC is interested in.
- (ii) TGC is directly interested in 16,000,000 shares of the Company. Furthermore, since TGC directly owns approximately 51.36% 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 beneficially interested in.

Save as disclosed above, as at 30 June 2021, none of the 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.

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 2021, except the followings:

- (a) Code Provision A.2.1 provides that the roles of the chairman and the chief executive officer should not be performed by the same individual. The Company does not have a designated chief executive officer. The board oversees the management, businesses, strategy and financial performance of the Group. The day-to-day business of the Group is handled by the executive directors collectively. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is adequate to ensure an effective management and control of the Group’s businesses and operations. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.
- (b) Following the retirement of Mr. Lee Ching Kwok, Rin at the annual general meeting on 21 May 2021, (1) the members of the Audit Committee fell below the minimum number of three members as required under Rule 3.21 of the Listing Rules; (2) the chairman of Compensation Committee fell vacant and the members of the Compensation Committee did not comprise a majority of independent non-executive directors (“INEDs”) as required under Rule 3.25 of the Listing Rules; and (3) the members of the Nomination Committee did not comprise a majority of INEDs as required under Code Provision A.5.1, during the period from 21 May 2021 to 27 May 2021. As announced by the Company on 28 May 2021, the said vacancies had been filled up in compliance with the relevant Listing Rules and Code Provision.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2021.

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 2021.

On behalf of the Board
To Shu Sing, Sidney
Chairman

Hong Kong, 13 August 2021

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)
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

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

