

# 2023 INTERIM REPORT



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## MANAGEMENT DISCUSSION AND ANALYSIS

### Highlights

<b>For the six months ended 30 June</b>	<b>2023 HK\$'000</b>	2022 HK\$'000
Revenue	<b>347,231</b>	267,462
Gross profit	<b>187,415</b>	130,563
Operating profit	<b>56,227</b>	18,746
Profit/(Loss) before income tax	<b>86,428</b>	(7,326)
Income tax credit	<b>542</b>	5,914
Profit/(Loss) attributable to owners of the Company	<b>86,970</b>	(1,412)
Earnings/(Loss) per share	<b>HK cents</b>	<i>HK cents</i>
– Basic	<b>7.37</b>	(0.12)
– Diluted	<b>7.37</b>	(0.12)
Interim dividend per share	<b>2.00</b>	–

Playmates Toys worldwide turnover during the first half of 2023 was HK\$347 million (same period in 2022: HK\$267 million), representing an increase of 30% compared to the prior year period. The favourable comparison was driven by initial shipments of our *Teenage Mutant Ninja Turtles* toy line supported by the global release of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* animated movie.

Gross profit ratio on toy sales was 54% (same period in 2022: 49%). Higher gross profit margin in the first half of 2023 reflected favourable product mix, lower ocean freight costs and reduced writedowns on excess inventory, partially offset by higher product development and tooling costs. Operating expenses increased by 20% compared to the prior year period, reflecting higher variable costs, in particular distribution expenses. Administration expenses increased 12.5% compared to the prior year period but decreased slightly as a percentage of revenue.

The group reported an operating profit of HK\$56.2 million during the first half of 2023 (same period in 2022: HK\$18.7 million). Other net income during the current year period included a HK\$13.9 million mark-to-market unrealized gain and HK\$2.1 million realized gain on our listed equities investment position and HK\$15.7 million in interest income. During the prior year period, we recorded a HK\$26.2 million unrealized investment loss and HK\$0.6 million in interest income. Net profit attributable to shareholders during the first half of 2023 was HK\$87.0 million (same period in 2022: net loss of HK\$1.4 million).

We continue to be optimistic about the second half of the year. The relaunch of our ***Teenage Mutant Ninja Turtles*** toy line is off to a strong start in all major markets around the world, driven by the positive response to the ***Teenage Mutant Ninja Turtles: Mutant Mayhem*** animated film released during the summer. ***Miraculous Ladybug & Cat Noir: The Movie*** has also gained popularity on Netflix since its debut. We are hopeful that it will have a positive impact on our ***Miraculous: Tales of Ladybug & Cat Noir*** toy line starting in the second half of the year.

## **Brand Overview**

### ***Teenage Mutant Ninja Turtles (“TMNT”)***

The Paramount Pictures animated movie ***Teenage Mutant Ninja Turtles: Mutant Mayhem***, developed by Paramount Animation and produced by Seth Rogen’s Point Grey Pictures, has delivered strong box office results since its release in August 2023. Consumer response to both the movie and our ***TMNT*** toy line has been positive. Our multi-platform marketing and promotional efforts will continue throughout this Fall in order to sustain the current momentum.

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

### ***Miraculous: Tales of Ladybug & Cat Noir***

The highly popular ***Miraculous: Tales of Ladybug & Cat Noir*** animated series continues to air in over 120 countries worldwide and stream across multiple digital platforms, including Disney Channel, Disney+ and Netflix, with Season 5 rolling out on Disney platforms throughout 2023.

The animated musical feature, ***Miraculous Ladybug & Cat Noir: The Movie***, had a strong debut on Netflix during the summer. We are hopeful that it will bring an expanded audience into the ***Miraculous*** universe and provide a boost to our toy line starting in the second half of the year.

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

*For the six months ended 30 June 2023*

	<i>Note</i>	Unaudited		
		Six months ended 30 June		
		2023	2023	2022
		<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 18)</i>		
<b>Revenue</b>	3	44,517	347,231	267,462
Cost of sales		<u>(20,489)</u>	<u>(159,816)</u>	<u>(136,899)</u>
<b>Gross profit</b>		24,028	187,415	130,563
Marketing and licensing expenses		(7,600)	(59,278)	(56,009)
Selling and distribution expenses		(3,187)	(24,856)	(13,981)
Administration expenses		<u>(6,032)</u>	<u>(47,054)</u>	<u>(41,827)</u>
<b>Operating profit</b>		7,209	56,227	18,746
Other net income/(loss)	4	4,083	31,847	(24,835)
Finance costs		<u>(211)</u>	<u>(1,646)</u>	<u>(1,237)</u>
<b>Profit/(Loss) before income tax</b>	5	11,081	86,428	(7,326)
<b>Income tax credit</b>	6	<u>69</u>	<u>542</u>	<u>5,914</u>
<b>Profit/(Loss) for the period and total comprehensive income for the period attributable to owners of the Company</b>		<u>11,150</u>	<u>86,970</u>	<u>(1,412)</u>
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>Earnings/(Loss) per share</b>	8			
Basic		<u>0.94</u>	<u>7.37</u>	<u>(0.12)</u>
Diluted		<u>0.94</u>	<u>7.37</u>	<u>(0.12)</u>

## Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Unaudited 30 June 2023 US\$'000 (Note 18)	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	9	104	815	678
Right-of-use assets		2,913	22,718	26,958
Deferred tax assets		5,427	42,330	33,082
		<u>8,444</u>	<u>65,863</u>	<u>60,718</u>
<b>Current assets</b>				
Inventories		7,915	61,735	23,700
Trade receivables	10	22,178	172,991	60,962
Deposits paid, other receivables and prepayments	11	6,219	48,511	45,455
Financial assets at fair value through profit or loss		8,926	69,624	58,584
Cash and bank balances		116,444	908,263	927,922
		<u>161,682</u>	<u>1,261,124</u>	<u>1,116,623</u>
<b>Current liabilities</b>				
Trade payables	12	9,383	73,185	11,764
Deposits received, other payables and accrued charges	13	15,758	122,925	101,556
Provisions		4,716	36,788	37,924
Lease liabilities		1,096	8,546	8,272
Taxation payable		2,508	19,562	10,856
		<u>33,461</u>	<u>261,006</u>	<u>170,372</u>
<b>Net current assets</b>		<u>128,221</u>	<u>1,000,118</u>	<u>946,251</u>
<b>Total assets less current liabilities</b>		<u>136,665</u>	<u>1,065,981</u>	<u>1,006,969</u>
<b>Non-current liabilities</b>				
Lease liabilities		2,027	15,807	20,165
<b>Net assets</b>		<u>134,638</u>	<u>1,050,174</u>	<u>986,804</u>
<b>Equity</b>				
Share capital	14	1,513	11,800	11,800
Reserves		133,125	1,038,374	975,004
<b>Total equity</b>		<u>134,638</u>	<u>1,050,174</u>	<u>986,804</u>

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023

	<b>Unaudited</b>		
	<b>Six months ended 30 June</b>		
	<b>2023</b>	<b>2023</b>	<b>2022</b>
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 18)</i>		
<b>Operating activities</b>			
Cash (used in)/generated from operations	(1,496)	(11,669)	63,783
Overseas tax paid	—	—	(2,473)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,496)</b>	<b>(11,669)</b>	<b>61,310</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Investing activities</b>			
Purchases of property, plant and equipment	(57)	(445)	(156)
Purchases of financial assets at fair value through profit or loss	(191)	(1,491)	(15,436)
Proceeds from disposal of financial assets at fair value through profit or loss	819	6,390	—
Interest received	2,012	15,692	621
Dividends received	28	217	221
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash generated from/(used in) investing activities</b>	<b>2,611</b>	<b>20,363</b>	<b>(14,750)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Financing activities</b>			
Dividends paid to owners of the Company	(3,026)	(23,600)	(23,600)
Payment of lease liabilities	(609)	(4,753)	(4,713)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash used in financing activities</b>	<b>(3,635)</b>	<b>(28,353)</b>	<b>(28,313)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,520)</b>	<b>(19,659)</b>	<b>18,247</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at 1 January</b>	<b>118,964</b>	<b>927,922</b>	<b>893,997</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at 30 June</b>	<b>116,444</b>	<b>908,263</b>	<b>912,244</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b><i>Analysis of cash and cash equivalents</i></b>			
Cash and bank balances	<u>116,444</u>	<u>908,263</u>	<u>912,244</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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 2022	11,800	409	38,285	(1,095)	13,015	932,784	995,198
Loss and total comprehensive income for the period	-	-	-	-	-	(1,412)	(1,412)
Share option scheme – share options lapsed	-	-	-	-	(1,518)	1,518	-
2021 interim dividend paid	-	-	-	-	-	(23,600)	(23,600)
Transactions with owners	-	-	-	-	(1,518)	(22,082)	(23,600)
At 30 June 2022	<u>11,800</u>	<u>409</u>	<u>38,285</u>	<u>(1,095)</u>	<u>11,497</u>	<u>909,290</u>	<u>970,186</u>
	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 2023	11,800	409	38,285	4,346	11,354	920,610	986,804
Profit and total comprehensive income for the period	-	-	-	-	-	86,970	86,970
Share option scheme – share options lapsed	-	-	-	-	(3,160)	3,160	-
2022 interim dividend paid	-	-	-	-	-	(23,600)	(23,600)
Transactions with owners	-	-	-	-	(3,160)	(20,440)	(23,600)
At 30 June 2023	<u>11,800</u>	<u>409</u>	<u>38,285</u>	<u>4,346</u>	<u>8,194</u>	<u>987,140</u>	<u>1,050,174</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 2022 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 2022.

### **2. Changes in accounting policies**

The HKICPA has issued a new standard and 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 2023	2022	30 June 2023	31 December 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	-	82	<b>10,917</b>	13,104
Americas				
– U.S.A.	<b>209,899</b>	156,553	<b>11,118</b>	12,735
– Others	<b>31,034</b>	25,591	-	-
Europe	<b>80,492</b>	67,786	<b>1,498</b>	1,797
Asia Pacific other than				
Hong Kong	<b>25,000</b>	16,137	-	-
Others	<b>806</b>	1,313	-	-
	<b>347,231</b>	267,380	<b>12,616</b>	14,532
	<b>347,231</b>	267,462	<b>23,533</b>	27,636

### 3.2 Major customers

The Group's customer base includes three (2022: three) customers with whom transactions exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to approximately HK\$63,012,000, HK\$51,730,000 and HK\$46,491,000 (2022: HK\$53,193,000, HK\$52,685,000 and HK\$43,263,000) respectively.

#### 4. Other net income/(loss)

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gain/(loss) on financial assets at fair value through profit or loss		
– unrealised	13,875	(26,173)
– realised	2,063	–
Interest income	15,692	621
Dividend income	217	221
Government subsidies	–	496
	<u>31,847</u>	<u>(24,835)</u>

#### 5. Profit/(Loss) before income tax

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

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	147,480	125,949
Product development and tooling costs	11,656	7,864
Royalties expenses	50,149	36,684
Directors' and staff remunerations	24,692	25,034
Depreciation		
– property, plant and equipment	308	383
– right-of-use assets	4,240	4,239
Interest expenses on lease liabilities	669	514
Net exchange gain	(761)	(1,524)
	<u>(761)</u>	<u>(1,524)</u>

## 6. Income tax credit

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits after setting off with tax losses brought forward from the past years (2022: No Hong Kong profits tax has been provided as there were tax losses brought forward to fully 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	
	2023	2022
	HK\$'000	HK\$'000
Current tax expense		
Hong Kong profits tax	2,747	–
Overseas taxation	5,716	3,425
Under provision in prior years – overseas	243	–
	<u>8,706</u>	<u>3,425</u>
Deferred tax credit		
Origination and reversal of temporary differences	(9,248)	(9,339)
Income tax credit	<u>(542)</u>	<u>(5,914)</u>

The Group's cumulative unrecognised tax losses as of 30 June 2023 amounted to HK\$9,335,000 (31 December 2022: HK\$92,210,000). These tax losses do not expire under respective tax legislation.

## 7. Dividends

### 7.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend of HK cents 2 per share (2022: HK\$ nil)	<u>23,614</u>	<u>–</u>

At a meeting held on 25 August 2023, the board of directors has resolved to pay an interim dividend of HK cents 2 per share to be paid on 29 September 2023 to shareholders whose names appear on the Company's Register of Members on 12 September 2023.

The interim dividend declared after the end of the reporting period have not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2023.

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the interim period:		
Interim dividend of HK cents 2 per share (2022: HK cents 2)	<b>23,600</b>	23,600
	<b><u>23,600</u></b>	<u>23,600</u>

## 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\$86,970,000 (2022: loss of HK\$1,412,000) and the weighted average number of ordinary shares of 1,180,000,000 shares (2022: 1,180,000,000 shares) in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30 June 2023 and 2022 equals to the basic earnings/(loss) per share as the potential ordinary share on exercise of share options are anti-dilutive and therefore were not included in the calculation of diluted earnings/(loss) per share.

## 9. Property, plant and equipment

	<i>HK\$'000</i>
Opening net book amount as at 1 January 2023	678
Additions	445
Depreciation	(308)
	<hr/>
<b>Closing net book amount as at 30 June 2023</b>	<b>815</b>
	<hr/> <hr/>
Opening net book amount as at 1 January 2022	1,119
Additions	156
Depreciation	(383)
	<hr/>
Closing net book amount as at 30 June 2022	892
Additions	134
Depreciation	(350)
Exchange fluctuation	2
	<hr/>
Closing net book amount as at 31 December 2022	678
	<hr/> <hr/>

## 10. Trade receivables

	<b>30 June 2023 <i>HK\$'000</i></b>	31 December 2022 <i>HK\$'000</i>
Trade receivables	<b>193,493</b>	82,387
Less: Allowance for customer concession	<b>(20,502)</b>	(21,425)
	<hr/>	<hr/>
	<b>172,991</b>	60,962
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
0 – 60 days	<b>158,849</b>	38,537
61 – 90 days	<b>14,065</b>	19,606
91 – 180 days	<b>17</b>	2,742
Over 180 days	<b>60</b>	77
	<u><b>172,991</b></u>	<u>60,962</u>

#### 11. Deposits paid, other receivables and prepayments

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
Advanced royalties ( <i>Note (i)</i> )	<b>32,852</b>	33,705
Prepaid mold and line tooling expenses	<b>9,797</b>	4,782
Miscellaneous prepaid expenses, deposits paid and receivables	<b>5,862</b>	6,968
	<u><b>48,511</b></u>	<u>45,455</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:

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
0 – 30 days	<b>73,183</b>	10,964
31 – 60 days	–	33
Over 60 days	<u>2</u>	<u>767</u>
	<b><u>73,185</u></b>	<b><u>11,764</u></b>

## 13. Deposits received, other payables and accrued charges

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
Contract liabilities		
– Purchase commitment guarantee deposits from toy distributors	<b>7,243</b>	10,725
– Sales deposits received in advance	<b>21,991</b>	13,917
Accrued product development, sales, marketing, licensing and distribution expenses	<b>14,713</b>	19,139
Accrued royalties	<b>67,619</b>	47,090
Accrued directors' and staff remunerations	<b>4,331</b>	4,291
Withholding tax payable	<b>5,596</b>	4,206
Accrued administrative expenses and professional fees	<u><b>1,432</b></u>	<u>2,188</u>
	<b><u>122,925</u></b>	<b><u>101,556</u></b>



## 14. Share capital

	<b>Authorised Ordinary shares of HK\$0.01 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
<b>At 31 December 2022 and 30 June 2023</b>	<b><u>3,000,000,000</u></b>	<b><u>30,000</u></b>
	<b>Issued and fully paid Ordinary shares of HK\$0.01 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
<b>At 1 January 2022, 31 December 2022 and 30 June 2023</b>	<b><u>1,180,000,000</u></b>	<b><u>11,800</u></b>

## 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

<b>At 30 June 2023</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Recurring fair value measurement</b>				
Financial assets at fair value through profit or loss:				
Equity investments listed in				
Hong Kong	12,658	–	–	12,658
Equity investments listed outside				
Hong Kong	56,966	–	–	56,966
	<b>69,624</b>	<b>–</b>	<b>–</b>	<b>69,624</b>
<b>At 31 December 2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Recurring fair value measurement</b>				
Financial assets at fair value through profit or loss:				
Equity investments listed in				
Hong Kong	15,250	–	–	15,250
Equity investments listed outside				
Hong Kong	43,334	–	–	43,334
	<b>58,584</b>	<b>–</b>	<b>–</b>	<b>58,584</b>

During the six months ended 30 June 2023 and 2022, 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 2023 and 31 December 2022.

## 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 2023 were payable as follows:

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
Within one year	<b>73,495</b>	55,945
In the second to fifth years	<b>99,450</b>	134,550
	<b><u>172,945</u></b>	<u>190,495</u>

### 16.2 Lease commitments

As at 30 June 2023 and 31 December 2022, all of the Group's committed leases had already commenced and recognised as lease liabilities under HKFRS 16, *Leases*.

## 17. Related party transactions

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

	<b>Six months ended 30 June</b>	
	<b>2023 HK\$'000</b>	2022 HK\$'000
Rent and building management fee paid to fellow subsidiaries, Bagnols Limited, Belmont Limited and Great Westwood Limited	<b><u>3,001</u></b>	<u>3,037</u>

There was no new lease entered into with related parties during the period ended 30 June 2023. The amounts shown above represents the cash amount paid to fellow subsidiaries under existing leases 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\$7.8 to US\$1 ruling at 30 June 2023.

## **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 2023, trade receivables were HK\$172,991,000 (31 December 2022: HK\$60,962,000) and inventories were HK\$61,735,000 (31 December 2022: HK\$23,700,000). The higher trade receivables and inventories at interim period end reflected a pickup in customer orders and shipments during the second quarter of 2023.

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 4.8 at 30 June 2023 compared to 6.6 at 31 December 2022.

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 2023, the Group's cash and bank balances were HK\$908,263,000 (31 December 2022: HK\$927,922,000), of which HK\$886,817,000 (31 December 2022: HK\$913,737,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 30 June 2023, the Group's treasury investment in listed equities amounted to HK\$69,624,000 (31 December 2022: HK\$58,584,000) representing 5.3% of the total assets of the Group (31 December 2022: 5.0%). This comprised HK\$12,658,000 of equities listed in Hong Kong (31 December 2022: HK\$15,250,000) and HK\$56,966,000 of equities listed overseas (31 December 2022: HK\$43,334,000). None of the individual securities positions held by the Group had a market value that exceeded 0.9% of the total assets of the Group. The top 10 listed securities in aggregate represented 4.8% of the total assets of the Group and included The Walt Disney Company (DIS.US), Amazon.com, Inc. (AMZN.US), NVIDIA Corporation (NVDA.US), Apple Inc. (AAPL.US), Microsoft Corporation (MSFT.US), Alphabet Inc. (GOOG.US), Netflix, Inc. (NFLX.US), Walmart Inc. (WMT.US), New World Development Company Limited (17.HK) and Tencent Holdings Limited (700.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 30 June 2023, the Group had a total of 62 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 Award Plan

A share award plan (“**Share Award Plan**”) was adopted by the Company on 19 May 2023 (the “**Adoption Date**”). The purpose of the Share Award Plan is to (a) recognise and reward the contributions of certain eligible participants (including employee participants, related entity participants and service provider participants) 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 (b) to attract suitable personnel for further development of the Group. Subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the terms and conditions of the Rules of the Share Award Plan, the Board has a discretion to determine the terms of the award, including the vesting conditions and the date on which the award will vest.

The Share Award Plan will remain in force for a period of 10 years until 18 May 2033.

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 will be 118,000,000 Shares, representing 10% of the total number of the Shares in issue as at the Adoption Date (i.e. the plan mandate limit). The maximum number of the Shares which may be issued in respect of all awards granted to the service provider participants under the Share Award Plan is 59,000,000 Shares, representing 5% of the total number of the Shares in issue as at the Adoption Date (i.e. the service providers sublimit). The maximum number of Shares which may be awarded under the Share Award Plan together with Shares which may be issued under options granted to a selected participant, 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.

No share award was granted to any eligible participant by the Company under the Share Award Plan since its adoption and no Share was allotted and issued under the Share Award Plan during the period. No Share was vested, cancelled or lapsed under the Share Award Plan during the period. There was no unvested award at the beginning and at the end of the period and no Share was held in trust under the Share Award Plan. The number of Shares available for award under the Share Award Plan at the beginning and the end of the period are also 118,000,000 Shares.

## 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 Listing Rules:

Participant	Date of grant	Exercise price HK\$	Number of share options				Balance at 30 June 2023	Vesting/ Exercise Period and Remarks (Note)
			Balance at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period		
<b>2018 PTL Scheme</b>								
<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)
CHOW Yu Chun, Alexander	29 June 2018	0.826	500,000	-	-	500,000	-	(1) & (4)
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	11,936,000	-	-	600,000	11,336,000	(1)
<i>Other Participants including consultants and a licensor of the Company</i>	29 June 2018	0.826	4,780,000	-	-	-	4,780,000	(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 2023	Vesting/ Exercise Period and Remarks (Note)
			Balance at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period		
<b>2008 PTL Scheme</b>								
<i>Director of the Company</i>								
CHOW Yu Chun, Alexander	15 May 2013	0.930	525,000	-	-	525,000	-	(3) & (4)
<i>Continuous Contract Employee Participants, excluding Directors</i>	15 May 2013	0.930	3,051,000	-	-	3,051,000	-	(3)
<i>Other Participants including consultants of the Company</i>	15 May 2013	0.930	814,500	-	-	814,500	-	(3)

**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 15 May 2013, 15 May 2014, 15 May 2015 and 15 May 2016 respectively to 14 May 2023.
- (4) Mr. Chow Yu Chun, Alexander resigned and retired as the independent non-executive director of the Company on 19 May 2023 and his unexercised share options lapsed in June 2023.

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

The number of Shares available for issue under the 2018 PTL Scheme as at 30 June 2023 was 41,116,000. The number of options available for grant under the 2018 PTL Scheme at the beginning of the period was 57,784,000. 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.

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 2023, 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***

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Percentage interest held</b>
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	1,000,000 ordinary shares	0.08%
YU Hon To, David	Personal	1,241,600 ordinary shares	0.11%



***Long positions in underlying shares of the Company***

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of equity derivatives held</b>	<b>Number of underlying shares (ordinary shares)</b>	<b>Percentage interest held</b>
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%

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

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Percentage interest held</b>
CHAN Kwong Fai, Michael	Personal	104,000,000 ordinary shares	5.02%
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 30 June 2023.

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 2023, 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 2023, 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> )	626,000,000 ordinary shares	53.05%
TGC Assets Limited	Corporate and Beneficial Owner ( <i>Note (ii)</i> )	626,000,000 ordinary shares	53.05%
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 626,000,000 shares of the Company in aggregate which TGC is interested in.
- (ii) TGC is directly interested in 26,000,000 shares of the Company. Furthermore, since TGC directly owns approximately 51.86% 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 2023, 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 Part 2 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2023, except the followings:

The Code Provision C.2.1 provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The Company does not have a designated chief executive. The board oversees the management, businesses, strategy and financial performance of the Group. The day-to-day business of the Group is handled by the executive directors collectively. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is adequate to ensure an effective management and control of the Group's businesses and operations. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 December 2023. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2023.

## **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 2023.

## **Update on Director's Information pursuant to Rule 13.51B(1) of the Listing Rules**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the publication of the 2022 annual report of the Company are set out below:

- (1) Mr. Chow Yu Chun, Alexander retired as an independent non-executive director of the Company at the conclusion of the Annual General Meeting on 19 May 2023 (“AGM”). Following his retirement, Mr. Chow also ceased to be the chairman of the Audit Committee and a member of the Nomination Committee of the Company.
- (2) Ms. Chan, Helen was appointed as an executive director of the Company at the AGM.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from 11 September 2023 to 12 September 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 8 September 2023. The interim dividend will be paid on 29 September 2023 to the shareholders on the Register of Members of the Company on 12 September 2023.

On behalf of the Board  
**Chan Kwong Fai, Michael**  
*Chairman*

Hong Kong, 25 August 2023

## 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 Abacus 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.playmatestoy.com](http://www.playmatestoy.com)



**Playmates Toys Limited**  
(Incorporated in Bermuda with limited liability)  
(Stock code 869)

[www.playmatestoys.com](http://www.playmatestoys.com)