

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 869)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

#### RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022 as follows:

#### Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022 US\$'000 (Note 12)	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	3	<b>64,647</b>	<b>504,248</b>	625,108
Cost of sales		<b>(34,428)</b>	<b>(268,541)</b>	(321,584)
<b>Gross profit</b>		<b>30,219</b>	<b>235,707</b>	303,524
Other revenue	4	3,747	29,227	-
Marketing and licensing expenses		(12,489)	(97,412)	(137,648)
Selling and distribution expenses		(4,947)	(38,585)	(30,690)
Administration expenses		(12,104)	(94,405)	(97,429)
<b>Operating profit</b>		<b>4,426</b>	<b>34,532</b>	37,757
Other net loss	5	(2,212)	(17,257)	(2,728)
Finance costs		(304)	(2,370)	(2,987)
<b>Profit before income tax</b>	6	<b>1,910</b>	<b>14,905</b>	32,042
<b>Income tax (expense)/credit</b>	7	<b>(664)</b>	<b>(5,183)</b>	10,939
<b>Profit for the year attributable to owners of the Company</b>		<b>1,246</b>	<b>9,722</b>	42,981
<b>Earnings per share</b>	9	<b>US cents</b>	<b>HK cents</b>	<b>HK cents</b>
Basic		<b>0.11</b>	<b>0.82</b>	3.64
Diluted		<b>0.11</b>	<b>0.82</b>	3.64

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 <i>US\$'000</i> <i>(Note 12)</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>1,246</b>	<b>9,722</b>	42,981
<b>Other comprehensive income, including reclassification adjustments:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries	<b>698</b>	<b>5,441</b>	-
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>1,944</b>	<b>15,163</b>	42,981

## Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 US\$'000 (Note 12)	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment		87	678	1,119
Right-of-use assets		3,456	26,958	20,823
Deferred tax assets		4,241	33,082	32,130
		<b>7,784</b>	<b>60,718</b>	54,072
<b>Current assets</b>				
Inventories		3,038	23,700	58,007
Trade receivables	10	7,816	60,962	124,378
Deposits paid, other receivables and prepayments		5,828	45,455	57,331
Financial assets at fair value through profit or loss		7,511	58,584	71,241
Cash and bank balances		118,964	927,922	893,997
		<b>143,157</b>	<b>1,116,623</b>	1,204,954
<b>Current liabilities</b>				
Trade payables	11	1,508	11,764	28,476
Deposits received, other payables and accrued charges		13,020	101,556	165,702
Provisions		4,862	37,924	37,287
Lease liabilities		1,061	8,272	8,503
Taxation payable		1,392	10,856	10,044
		<b>21,843</b>	<b>170,372</b>	250,012
<b>Net current assets</b>		<b>121,314</b>	<b>946,251</b>	954,942
<b>Total assets less current liabilities</b>		<b>129,098</b>	<b>1,006,969</b>	1,009,014
<b>Non-current liabilities</b>				
Lease liabilities		2,585	20,165	13,816
<b>Net assets</b>		<b>126,513</b>	<b>986,804</b>	995,198
<b>Equity</b>				
Share capital		1,513	11,800	11,800
Reserves		125,000	975,004	983,398
<b>Total equity</b>		<b>126,513</b>	<b>986,804</b>	995,198

Notes:

## 1. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss which are stated at fair values.

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021, except for the adoption of the new or amended HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2022. Details of these changes in accounting policies are set out in Note 2.

## 2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before Intended Use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous Contracts — Cost of Fulfilling a Contract*
- Amendments to HKFRSs: Annual Improvements to HKFRS Standards 2018-2020
- Amendments to HKFRS 3, *Business combinations : Reference to the Conceptual Framework*
- Revised Accounting Guideline 5, *Merger Accounting for Common Control Combinations*

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

### 3. Revenue and segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products. Revenue represented sales of toys and was recognised at the point in time when customers obtain the control of the goods.

Revenue recognised during the year ended 31 December 2022 from sales of toys was HK\$504,248,000 (2021: HK\$625,108,000).

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

#### *Geographical information*

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

	Revenue		Specified non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong (place of domicile)	99	695	13,104	4,641
Americas				
- U.S.A.	303,101	344,807	12,735	16,330
- Others	46,765	44,862	-	-
Europe	128,040	192,956	1,797	971
Asia Pacific other than Hong Kong	23,573	40,634	-	-
Others	2,670	1,154	-	-
	<b>504,149</b>	624,413	<b>14,532</b>	17,301
	<b>504,248</b>	625,108	<b>27,636</b>	21,942

#### *Major customers*

The Group's customer base includes three (2021: three) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to approximately HK\$96,769,000, HK\$90,358,000 and HK\$87,766,000 (2021: HK\$185,193,000, HK\$141,060,000 and HK\$73,694,000) respectively.

### 4. Other revenue

Other revenue represents forfeiture of unrecouped purchase commitment guarantee deposits from toy distributors at the expiry of distribution agreements (2021: HK\$nil).

**5. Other net loss**

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Net unrealised loss on financial assets at fair value through profit or loss	<b>(29,812)</b>	(8,796)
Government subsidies	<b>744</b>	5,310
Interest income	<b>11,223</b>	835
Dividend income	<b>588</b>	394
Others	<b>-</b>	(471)
	<b>(17,257)</b>	(2,728)

**6. Profit before income tax**

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

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Cost of inventories sold	<b>243,563</b>	296,909
Write down of inventories	<b>2,942</b>	330
Product development and tooling costs	<b>18,348</b>	18,986
Royalties expenses	<b>68,276</b>	84,688
Provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	<b>30,655</b>	28,960
Reversal of unutilised provision for consumer returns, cooperative advertising, cancellation charges and freight allowance	<b>(3,880)</b>	(4,130)
Depreciation		
- property, plant and equipment	<b>733</b>	867
- right-of-use assets	<b>8,500</b>	8,758
Directors' and staff remunerations	<b>59,821</b>	64,509
Allowance for customer concession	<b>14,251</b>	4,572
Reversal of allowance for customer concession	<b>(9,647)</b>	(6,640)
Net foreign exchange gain	<b>(3,372)</b>	(559)
Auditors' remuneration	<b>1,400</b>	1,400

## 7. 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 year. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	-	-
Overseas taxation	5,983	4,101
Over provision in prior years – Hong Kong	-	-
Under provision in prior years – overseas	8	30
	<u>5,991</u>	<u>4,131</u>
Deferred taxation		
Origination and reversal of temporary differences	(808)	(15,070)
	<u>5,183</u>	<u>(10,939)</u>

## 8. Dividends

### *Dividends attributable to the year*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend of HK cents 2 per share (2021: HK cents 2)	<u>23,600</u>	<u>23,600</u>

At a meeting held on 10 March 2023, the board of directors declared an interim dividend of HK cents 2 per share to be paid on 17 April 2023 to shareholders whose names appear on the Company's register of members on 28 March 2023. This interim dividend declared after the end of the reporting period have not been recognised as liabilities in the financial statements for the year ended 31 December 2022.

## 9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$9,722,000 (2021: profit of HK\$42,981,000) and the weighted average number of ordinary shares of 1,180,000,000 shares (2021: 1,180,000,000 shares) in issue during the year.

Diluted earnings per share for the year ended 31 December 2022 equals to the basic earnings 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 earnings per share.

Diluted earnings per share for the year ended 31 December 2021 is calculated based on the profit attributable to owners of the Company of HK\$42,981,000 and the weighted average number of ordinary shares of 1,180,375,000 shares in issue during the year, adjusted for the effects of 375,000 dilutive potential shares on exercise of share options.

## 10. Trade receivables

The normal trade terms with customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days (2021: 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>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 – 60 days	<b>38,537</b>	83,410
61 – 90 days	<b>19,606</b>	34,754
91 – 180 days	<b>2,742</b>	3,625
Over 180 days	<b>77</b>	2,589
	<b>60,962</b>	124,378

## 11. Trade payables

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

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 – 30 days	<b>10,964</b>	27,046
31 – 60 days	<b>33</b>	5
Over 60 days	<b>767</b>	1,425
	<b>11,764</b>	28,476

## 12. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.8 to US\$1 ruling at 31 December 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

Playmates Toys group worldwide turnover for the year ended December 31, 2022 was HK\$504 million (2021: HK\$625 million), representing a decrease of 19% compared to the prior year, due primarily to a contraction in *Godzilla vs. Kong* product sales compared to 2021, when the *Godzilla vs. Kong* movie was released. This is partially offset by the expansion of our *Miraculous: Tales of Ladybug & Cat Noir* toy line. The US continued to be our biggest market in 2022, contributing 60% of revenue. Europe as a whole contributed 25%, the rest of the Americas 9% and 5% came from Asia Pacific.

Gross profit ratio on toy sales was 47% (2021: 49%). Lower gross profit margin in 2022 reflected elevated discounts and writedowns to reduce our inventory level in response to a volatile and challenging consumer environment. Operating expenses decreased by 13% compared to the prior year but increased slightly as a percentage of revenue, reflecting higher selling and distribution expenses, offset by lower marketing expenses and stable administrative expenses.

The group reported an operating profit for the period of HK\$34.5 million (2021: HK\$37.8 million). Other net loss during the current year period included a HK\$29.8 million mark-to-market unrealized loss on our equities investment position, which represented 6% of our overall Cash, Bank Balances and Financial Assets at year-end. These equity investments are in companies that are leaders within their industries, with strong balance sheets. We believe these companies are well-positioned to navigate through economic cycles, and ultimately deliver strong shareholder returns over the long run. Net profit attributable to shareholders was HK\$9.7 million (2021: HK\$43.0 million).

Our near-term operating environment remains challenging, as many families around the world are faced with persistent high inflation causing them to cut back on non-essential goods (including toys), and the inventory overhang across the industry that resulted from the supply chain challenges in 2021 will likely persist through the first half of the year. However, we are very optimistic about the year ahead, in particular the relaunch of our *Teenage Mutant Ninja Turtles* toy line to coincide with the global release of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* animated film in the summer of 2023. We expect our 2023 performance to be boosted by innovative new product launches and strong entertainment support from our licensor partners.

### Brand Overview

#### *Teenage Mutant Ninja Turtles*

*Teenage Mutant Ninja Turtles* (“TMNT”) fans young and old from around the world are eagerly awaiting our all-new line of toys based on the upcoming Paramount Pictures animated movie, *Teenage Mutant Ninja Turtles - Mutant Mayhem*. The movie, developed by Paramount Animation and produced by Seth Rogen’s Point Grey Productions is set to hit theaters worldwide on August 4, 2023.

This Fall, the Playmates *TMNT* toy line will launch in the U.S. and over 65 countries worldwide in conjunction with Paramount’s multi-platform theatrical marketing and promotional campaign.

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

The highly popular *Miraculous: Tales of Ladybug & Cat Noir* TV series continues to air in over 120 countries worldwide and stream across multiple digital platforms, including Disney Channel, Disney+ and Netflix, with Season 5 launching on Disney platforms in Fall 2022 and rolling out throughout 2023. An upcoming animated musical feature, *Miraculous Ladybug & Cat Noir: The Movie*, is scheduled for global release in 2023.

## FINANCIAL ANALYSIS

The toy business is inherently seasonal in nature. As a result, a disproportionately high balance of trade receivables is typically generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling season. As at 31 December 2022, trade receivables were HK\$60,962,000 (2021: HK\$124,378,000) and inventories were HK\$23,700,000 or 4.7% of revenue (2021: HK\$58,007,000 or 9.3% of revenue). Lower inventories at 31 December 2022 reflected the Group's strategy to reduce inventory level in response to a volatile and challenging consumer environment.

The current ratio, calculated as the ratio of current assets to current liabilities, was 6.6 at 31 December 2022 and 4.8 at 31 December 2021.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 31 December 2022, the Group's cash and bank balances were HK\$927,922,000 (2021: HK\$893,997,000), of which HK\$913,737,000 (2021: HK\$877,895,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

As at 31 December 2022, the Group's treasury investment in listed equities amounted to HK\$58,584,000 (2021: HK\$71,241,000) representing 5.0% of the total assets of the Group (2021: 5.7%). This comprised HK\$15,250,000 of equities listed in Hong Kong (2021: HK\$19,027,000) and HK\$43,334,000 of equities listed overseas (2021: HK\$52,214,000). None of the individual securities positions held by the Group had a market value that exceeded 1.0% of the total assets of the Group. The top 10 listed securities in aggregate represented 4.5% of the total assets of the Group and included The Walt Disney Company (DIS.US), Amazon.com, Inc. (AMZN.US), Alphabet Inc. (GOOG.US), Microsoft Corporation (MSFT.US), Vitasoy International Holdings Limited (345.HK), NVIDIA Corporation (NVDA.US), Walmart Inc. (WMT.US), New World Development Co Limited (17.HK), Apple Inc. (AAPL.US) and Netflix, Inc. (NFLX.US).

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

No share was repurchased by the Company during the year.

## CORPORATE GOVERNANCE

The board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions (“Code Provisions”) of Part 2 of the Corporate Governance Code (“Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the year ended 31 December 2022, except the followings:

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the risk management and internal control system, the effectiveness of the internal audit function and financial reporting matters including a review of the accounts for the year ended 31 December 2022.

## DIVIDENDS

The board of directors declared an interim dividend of HK cents 2 per share. The said interim dividend will be paid on 17 April 2023 to the shareholders on the Register of Members of the Company on 28 March 2023.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 March 2023 to 28 March 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 24 March 2023.

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

Hong Kong, 10 March 2023

As at the date hereof, the board of directors of the Company comprises the following directors:

Mr. Chan Kwong Fai, Michael (*Chairman*), Mr. Chan Kong Keung, Stephen (*Executive Director*), Mr. Chow Yu Chun, Alexander (*Independent Non-executive Director*), Mr. Ip Shu Wing, Charles (*Independent Non-executive Director*), Mr. Lam Wai Hon, Ambrose (*Independent Non-executive Director*), Mr. Tran Vi-hang William (*Executive Director*) and Mr. Yu Hon To, David (*Independent Non-executive Director*)