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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	**2019** *HK$'000*	2018 *HK$'000*
Revenue	**157,156**	136,694
Gross profit	**80,014**	64,490
Operating loss	**(31,071)**	(41,536)
Loss before income tax	**(21,282)**	(33,767)
Income tax credit	**1,381**	3,224
Loss attributable to owners of the Company	**(19,901)**	(30,543)
Loss per share	***HK cents***	*HK cents*
- Basic	**(1.69)**	(2.58)
- Diluted	**(1.69)**	(2.58)

Playmates Toys group worldwide turnover during the first half of 2019 was HK$157 million (same period in 2018: HK$137 million), representing an increase of 15% compared to the prior year period. The increase in turnover was driven by the rollout of ***Rise of the Teenage Mutant Ninja Turtles***© products across many markets around the world starting in Fall 2018 and continuing throughout the first half of 2019.

Gross profit ratio on toy sales was 51% (same period in 2018: 47%). The increase in gross profit ratio was attributable mainly to: (i) fewer clearance of non-carry forward products in the US market compared to the prior year period, and (ii) lower tooling expenses related to new product introductions. Recurring operating expenses increased by 15% compared to the prior year period (excluding one-time write-off of Toys "R" Us® receivables in 2018), reflecting higher marketing and selling expenses for the relaunch of ***Teenage Mutant Ninja Turtles***© ***("TMNT")***, higher distribution expenses in line with the increase in sales, and stable overhead expenses.

The group reported an operating loss for the period of HK$31.1 million (same period in 2018: HK$41.5 million). Operating loss during the first half of 2018 included a provision for doubtful debts of HK$9.5 million for Toys "R" Us® trade receivables. Net loss attributable to shareholders during the first half of 2019 was HK$19.9 million (same period in 2018: HK$30.5 million).

Despite the continuation of ***Rise of the Teenage Mutant Ninja Turtles***© and ***Ben 10***™ & © toy shipments throughout the year, we expect macroeconomic uncertainties and competitive pressure to persist and intensify in the second half of 2019.

While the operating environment remains challenging, we will adhere to the proven strategy of focusing our resources and efforts to manage our established brands for long term profitability, while actively pursuing selective new opportunities that are good fits for our core competence.

Brand Overview

Teenage Mutant Ninja Turtles©

TMNT is celebrating its 35th anniversary in 2019! Nickelodeon's© ***Rise of the Teenage Mutant Ninja Turtles***© TV show and our ***TMNT*** product line are rolling out across many international markets throughout 2019. Season 2 is scheduled to premiere in Fall 2019, supported by the continued flow of digital content.

We remain confident in Nickelodeon's© long-term plans to maintain the ***TMNT*** brand as an evergreen entertainment franchise.

Ben 10™ & ©

Cartoon Network's™ & © ***Ben 10***™ & © animated TV series continues to be popular in the US and in many international markets. Season 3 of the TV series will continue to air throughout 2019, and Season 4 is scheduled to debut in 2020. We are actively developing the 2019 and 2020 product line extensions.

Power Players©

We have partnered with ZAG®, a global independent entertainment studio, on the upcoming animated series, ***ZAG HEROEZ: Power Players***©. Utilizing ground-breaking CGI-hybrid animation, the action-comedy series follows the adventures of Axel, an adventurous boy who transforms into a living action figure, and his unlikely team of toy heroes as they embark on the biggest "small" adventures a kid could imagine.

Cartoon Network™ & © has secured the television rights to the series, which is scheduled to debut in Fall 2019. Our multi-segment toy line is in development and will launch in early 2020, giving kids worldwide the chance to immerse themselves in the on-screen action just like the heroes of the show. Initial shipments may occur in late 2019.

Godzilla vs. Kong©

In 2020, Legendary™ & ©, Toho© and Warner Bros™ & ©. will bring together Godzilla© and King Kong© in an on-screen battle that has been anticipated by fans around the world for decades. We are developing a full toy line for the ***Godzilla vs. Kong***© blockbuster movie that will give kids worldwide the chance to immerse themselves in the play of epic monster battles.

***Pikwik*©**

In collaboration with Toronto-based entertainment company Guru Studio©, we will bring to market a complete line of figures, playsets, vehicles, plush and role play toys inspired by the new ***Pikwik*©** series, which is scheduled to air in 2020 on Disney© Junior channel in the US and a number of key markets.

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

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

		Unaudited		
		Six months ended 30 June		
		2019	**2019**	2018
	Note	***US$'000***	***HK$'000***	*HK$'000*
		(Note 11)		
Revenue	*3*	**20,148**	**157,156**	136,694
Cost of sales		**(9,890)**	**(77,142)**	(72,204)
Gross profit		**10,258**	**80,014**	64,490
Marketing expenses		**(5,280)**	**(41,184)**	(30,050)
Selling and distribution expenses		**(1,104)**	**(8,608)**	(6,975)
Administration expenses		**(7,857)**	**(61,293)**	(59,470)
Impairment loss on trade receivables		**-**	**-**	(9,531)
Operating loss		**(3,983)**	**(31,071)**	(41,536)
Other net income	*4*	**1,342**	**10,468**	9,883
Finance costs		**(87)**	**(679)**	(2,114)
Loss before income tax	*5*	**(2,728)**	**(21,282)**	(33,767)
Income tax credit	*6*	**177**	**1,381**	3,224
Loss for the period and total comprehensive income for the period attributable to owners of the Company		**(2,551)**	**(19,901)**	(30,543)
		US cents	***HK cents***	*HK cents*
Loss per share	*8*			
Basic		**(0.22)**	**(1.69)**	(2.58)
Diluted		**(0.22)**	**(1.69)**	(2.58)

Condensed Consolidated Statement of Financial Position
As at 30 June 2019

	Note	**Unaudited 30 June 2019 *US$'000*** *(Note 11)*	**Unaudited 30 June 2019 *HK$'000***	Audited 31 December 2018 *HK$'000*
Non-current assets				
Property, plant and equipment		**558**	**4,351**	6,773
Right-of-use assets		**587**	**4,576**	-
Interest in an associated company		**759**	**5,920**	5,920
Deferred tax assets		**4,886**	**38,107**	32,472
		6,790	**52,954**	45,165
Current assets				
Inventories		**2,380**	**18,567**	24,237
Trade receivables	*9*	**4,086**	**31,870**	140,005
Deposits paid, other receivables and prepayments		**3,761**	**29,333**	14,952
Taxation recoverable		**349**	**2,720**	2,720
Cash and bank balances		**136,555**	**1,065,127**	1,008,131
		147,131	**1,147,617**	1,190,045
Current liabilities				
Trade payables	*10*	**3,933**	**30,678**	36,411
Deposits received, other payables and accrued charges		**13,680**	**106,689**	112,779
Loan from an associated company		**748**	**5,831**	5,831
Provisions		**5,097**	**39,758**	46,637
Lease liabilities		**391**	**3,048**	-
Taxation payable		**1,463**	**11,409**	15,813
		25,312	**197,413**	217,471
Net current assets		**121,819**	**950,204**	972,574
Total assets less current liabilities		**128,609**	**1,003,158**	1,017,739
Non-current liabilities				
Lease liabilities		**208**	**1,622**	-
		208	**1,622**	-
Net assets		**128,401**	**1,001,536**	1,017,739
Equity				
Share capital		**1,513**	**11,800**	11,800
Reserves		**126,888**	**989,736**	1,005,939
Total equity		**128,401**	**1,001,536**	1,017,739

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 2018 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 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued a new Hong Kong Financial Reporting Standard ("HKFRS"), HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("Short-Term Leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

There is no impact to the Group's existing contracts under this new lease definition. Contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those Short-Term Leases and leases of low value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to lease of offices.

When the Group enters into a lease in respect of a low value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, leases of low value assets are typically for office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments (if any) that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The incremental borrowing rate used for determination of the present value of the remaining lease payments was 5%.

To ease the transition to HKFRS 16, the Group elected to adopt the practical expedient by not applying the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitment as at 31 December 2018	11,201
Less: Short-Term Lease commitments	(5,426)
Remaining lease payments for leases subject to capitalisation	5,775
Less: discounting impact	(293)
Lease liabilities as at 1 January 2019	**5,482**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities as at 1 January 2019.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at initial application:

	At 31 December 2018	Adoption of HKFRS 16	At 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	-	5,482	**5,482**
Current liabilities			
Lease liabilities	-	2,630	**2,630**
Non-current liabilities			
Lease liabilities	-	2,852	**2,852**
Equity			
Retained profits	951,852	672	**952,524**

(c) Impact on the financial result of the Group after the adoption of HKFRS 16

In the consolidated income statement, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The financial impact to the Group's consolidated income statement is not significant.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. The capital element is classified as financing cash flow and interest element is classified as operating cash flow. Total cash flows are unaffected and the adoption of HKFRS 16 does not have a significant impact to the Group's consolidated cash flow statement.

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, right-of-use assets and interest in an associated company ("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 assets in case of property, plant and equipment and right-of-use assets, and the location of operation in case of interest in an associated company.

	Revenue		Specified non-current assets	
	Six months ended 30 June		30 June	31 December
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**10**	282	**9,772**	11,160
Americas				
- U.S.A.	**85,898**	70,138	**5,075**	1,533
- Others	**16,172**	19,816	**-**	-
Europe	**45,799**	27,666	**-**	-
Asia Pacific other than Hong Kong	**8,873**	17,038	**-**	-
Others	**404**	1,754	**-**	-
	157,146	136,412	**5,075**	1,533
	157,156	136,694	**14,847**	12,693

3.2 Major customers

The Group's customer base includes two (2018: two) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK$52,967,000 and HK$16,832,000 (2018: HK$33,207,000 and HK$16,759,000) respectively.

4. Other net income

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interest income	**10,382**	7,162
Dividend income	**12**	156
Net gain on financial assets at fair value through profit or loss	**-**	2,537
Others	**74**	28
	10,468	9,883

5. Loss before income tax

Loss before income tax is stated after charging the following:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**68,199**	60,575
Product development and tooling costs	**8,898**	10,734
Royalties expenses	**21,715**	19,787
Directors' and staff remunerations	**35,695**	35,037
Depreciation		
- property, plant and equipment	**2,396**	2,520
- right-of-use assets	**1,525**	-
Impairment loss on trade receivables	**-**	9,531
Interest on lease liabilities	**138**	-

6. Income tax credit

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current taxation		
Overseas taxation	**4,254**	1,685
Over provision in prior years – Hong Kong	**-**	(20)
	4,254	1,665
Deferred taxation		
Origination and reversal of temporary differences	**(5,635)**	(4,889)
Income tax credit	**(1,381)**	(3,224)

7. Dividends

7.1 Dividends attributable to the interim period

The directors do not recommend the payment of dividend.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK cents nil (2018: HK cents 3) per share	**-**	35,409

8. Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$19,901,000 (2018: HK$30,543,000) and the weighted average number of ordinary shares of 1,179,996,000 shares (2018: 1,185,430,000 shares) in issue during the period.

Diluted loss per share for the six months ended 30 June 2019 and 2018 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. Trade receivables

	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**47,170**	159,458
Less: Allowance for impairment	**-**	(2,664)
Less: Allowance for customer concession	**(15,300)**	(16,789)
	31,870	140,005

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 2019 *HK$'000*	31 December 2018 *HK$'000*
0 – 60 days	**22,912**	94,295
61 – 90 days	**5,172**	39,858
91 – 180 days	**2,043**	3,182
Over 180 days	**1,743**	2,670
	31,870	140,005

10. 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 2019 *HK$'000*	31 December 2018 *HK$'000*
0 – 30 days	**29,247**	35,163
31 – 60 days	**-**	415
Over 60 days	**1,431**	833
	30,678	36,411

11. 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 2019.

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 30 June 2019, trade receivables were HK$31,870,000 (31 December 2018: HK$140,005,000) and inventories were HK$18,567,000 (31 December 2018: HK$24,237,000).

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 5.8 at 30 June 2019 compared to 5.5 at 31 December 2018.

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 2019, the Group's cash and bank balances were HK$1,065,127,000 (31 December 2018: HK$1,008,131,000), of which HK$1,039,679,000 (31 December 2018: HK$734,041,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar.

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

During the period, 184,000 shares of HK$0.01 each were repurchased by the Company at HK$0.81 per share through the Stock Exchange.

CORPORATE GOVERNANCE

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 2019, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2019.

On behalf of the Board
To Shu Sing, Sidney
Chairman

Hong Kong, 12 August 2019

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

Mr. To Shu Sing, Sidney *(Chairman)*; Mr. Chan Kong Keung, Stephen *(Executive Director)*; Mr. Cheng Bing Kin, Alain *(Executive Director)*; Mr. Chow Yu Chun, Alexander *(Independent Non-executive Director)*; Mr. Lee Ching Kwok, Rin *(Independent Non-executive Director)* and Mr. Yang, Victor *(Independent Non-executive Director)*