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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2015 HK\$'000	2014 HK\$'000
Group revenue	806,384	953,144
- from toy business	687,679	835,235
- from property investments and associated businesses	117,096	116,976
- from investment business	1,609	933
Gross profit	542,857	625,312
Revaluation surplus on investment properties	156,218	188,484
Operating profit	456,456	530,559
Profit before income tax	452,458	536,164
Profit attributable to equity holders of the Company	302,675	347,230
Earnings per share	HK\$	HK\$
- Basic	1.33	1.51
- Diluted	1.33	1.51
Interim dividend per share	0.075	0.075

Property Investments and Associated Businesses

The property investments and associated businesses recorded a slight growth in revenue to HK\$117.1 million (same period in 2014: HK\$117.0 million) during the first half of 2015 compared to the same period last year. Revenue from the property investments and property management businesses increased by 4.7% to HK\$104.3 million (same period in 2014: HK\$99.6 million), while revenue from the food and beverage business decreased by 26.1% to HK\$12.8 million (same period in 2014: HK\$17.4 million), caused primarily by the closure of Fandango restaurant in the period. The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.7 billion. A revaluation surplus of HK\$156.2 million was reported in the consolidated income statement of the Group. Segment operating profit was HK\$240.5 million including revaluation surplus, compared to HK\$260.2 million (including revaluation surplus of HK\$188.5 million) for the same period last year.

(a) Property Investments

The Group's major investment properties include (i) a commercial building, The Toy House, at 100 Canton Road; (ii) a number of residential units at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. Overall occupancy rate of the investment properties in Hong Kong was 96% as of 30 June 2015 and 31 December 2014. As of 30 June 2015, the Group's property portfolio also included two investment properties in the United Kingdom, one in New York City, the United States of America and one in Tokyo, Japan.

(i) *The Toy House*

Rental income generated by The Toy House increased by 4.7% to HK\$78.8 million as compared to HK\$75.3 million during the same period last year, driven mainly by rental increases on existing leases. With the recent opening of the Apple Store on the podium floors of the building, The Toy House reaffirmed its position as a landmark on the premier shopping destination that is Canton Road.

(ii) *Hillview*

Rental income generated by the residential properties at Hillview was \$7.2 million, a decrease of 9.0% as compared to HK\$7.9 million during the same period last year. The demand for luxury residential units in Mid-Levels weakened during 2014 and continued to be soft during the first half of 2015. Over the longer term, we remain optimistic that this investment will benefit from resilient demand for and limited supply of upmarket residential properties in Mid-Levels.

(iii) *Playmates Factory Building*

Rental income generated by Playmates Factory Building increased by 20.4% to HK\$9.8 million as compared to HK\$8.1 million during the same period last year, driven by rental increases from lease renewals, and a high occupancy rate of close to 100%. We believe that the investment will benefit from further developments in Tuen Mun.

(b) Property Management

The Group engaged Savills Property Management Limited to manage The Toy House and Playmates Factory Building. Savills provides comprehensive property management services, including repair and maintenance, building security, general cleaning for common areas, hand-over and take-over of premises, and the monitoring of reinstatement and refurbishment works.

Income generated from the property management business segment increased by 3.1% to HK\$8.2 million as compared to HK\$8.0 million of the same period last year.

(c) **Food & Beverage Business**

Revenue generated from the food and beverage business during the first half of 2015 was HK\$12.8 million, a decrease of 26.1% as compared to HK\$17.4 million during the same period last year. The decrease was caused primarily by the closure of Fandango restaurant in the period. The Group continued to operate two restaurants in The Toy House.

While we maintain a favorable long term view of our property investments and associated businesses, we will continue to adjust the balance of our property portfolio to achieve our strategic objective of seeking investment returns through capital appreciation and growth in recurring income.

Playmates Toys

Playmates Toys group worldwide turnover during the first half of 2015 was HK\$688 million (same period in 2014: HK\$835 million), a decrease of 17.7% compared to the prior year period. The decrease in turnover was driven mainly by a decline in sales outside the US market, as well as the comparison against the prior year period when there were shipments of products related to the *Teenage Mutant Ninja Turtles*[®] (“*TMNT*”) movie.

Gross profit ratio on toy sales was 63.2% (same period in 2014: 62.0%). The increase in gross profit ratio was attributable to a higher percentage of overall sales generated in the US market. Recurring operating expenses decreased by 12.5% compared to the prior year period, reflecting lower selling, royalty and overhead expenses.

Playmates Toys reported an operating profit for the period of HK\$215 million (same period in 2014: HK\$267 million). Net profit attributable to shareholders during the first half of 2015 was HK\$156 million (same period in 2014: HK\$176 million).

During the period, the overall US market remained on a steady recovery path. An improving job market, low interest rates and easier access to credit continued to support consumer confidence at a high level. According to The NPD Group, the leading provider of toys point-of-sale market research data, overall US toy industry retail sales in the first six months of 2015 increased in dollar terms by 6.5% compared to the same period last year. The disruptions at the US west coast ports early in the year mostly dissipated during the second quarter. A number of major action adventure movies prompted strong competitions among boy’s action toys.

In most international markets, the continued weakness of local currencies against the US dollar had a significant negative impact on US dollar-based businesses, including Playmates Toys’.

In the second half of 2015, Playmates Toys expects competitive pressure will further intensify and ongoing currency headwinds will continue to impact international markets. In addition, comparison against prior year will be more challenging in the second half of 2015 due to the significant boost provided by the blockbuster *TMNT* movie last summer. Nevertheless, Playmates Toys remains positive in its longer term outlook, driven by the resilience of the *TMNT* franchise, the release of the second *TMNT* movie in 2016, as well as the launch of major new brands beginning in 2017.

Portfolio Investments

The Group engages in portfolio investments which involve investing in listed equity shares and managed funds. The investment policy provides for a set of prudent guidance and control framework to achieve the objective of managing a portfolio that is highly liquid and offers reasonable risk-adjusted returns through capital appreciation and dividend and interest income.

As at 30 June 2015, fair market value of the Group's investment portfolio was HK\$126.2 million (HK\$57.7 million as at 31 December 2014). The Group reported a net gain from investments of HK\$2.2 million during the first half of 2015, compared to a net gain of HK\$3.6 million during the same period last year. During the first half of 2015, dividend and interest income generated from portfolio investments were HK\$1.6 million (HK\$0.9 million in the first half of 2014) and have been included in the revenue of the Group.

In light of continued uncertainties in the major global economies, the Group will remain vigilant in monitoring and balancing the investment portfolio.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2015

	Note	Unaudited		
		Six months ended 30 June		
		2015	2015	2014
		US\$'000	HK\$'000	HK\$'000
		(Note 10)		
Revenue	3	104,049	806,384	953,144
Cost of sales		(34,003)	(263,527)	(327,832)
Gross profit		70,046	542,857	625,312
Marketing expenses		(17,053)	(132,161)	(152,057)
Selling and distribution expenses		(3,796)	(29,416)	(38,623)
Administration expenses		(10,741)	(83,244)	(96,176)
Net gain on financial assets at fair value through profit or loss		284	2,202	3,619
Revaluation surplus on investment properties		20,157	156,218	188,484
Operating profit		58,897	456,456	530,559
Other net income		371	2,877	15,642
Finance costs		(1,032)	(8,003)	(8,385)
Share of profit/(loss) of an associated company		146	1,128	(1,652)
Profit before income tax	4	58,382	452,458	536,164
Income tax expense	5	(8,787)	(68,100)	(94,439)
Profit for the period		49,595	384,358	441,725
Profit for the period attributable to:				
Equity holders of the Company		39,055	302,675	347,230
Non-controlling interests		10,540	81,683	94,495
		49,595	384,358	441,725
		US\$	HK\$	HK\$
Earnings per share	7			
Basic		0.17	1.33	1.51
Diluted		0.17	1.33	1.51

Condensed Consolidated Statement of Comprehensive Income*For the six months ended 30 June 2015*

	Unaudited		
	Six months ended 30 June		
	2015	2015	2014
	US\$'000	HK\$'000	HK\$'000
	(Note 10)		
Profit for the period	49,595	384,358	441,725
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(222)	(1,718)	(5,113)
Total comprehensive income for the period	49,373	382,640	436,612
Total comprehensive income attributable to:			
Equity holders of the Company	38,833	300,957	342,117
Non-controlling interests	10,540	81,683	94,495
	49,373	382,640	436,612

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

		Unaudited 30 June 2015 US\$'000 (Note 10)	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Non-current assets				
Investment properties		736,721	5,709,587	5,329,580
Other property, plant and equipment		26,103	202,298	210,969
		762,824	5,911,885	5,540,549
Goodwill		771	5,976	5,976
Interest in an associated company		805	6,242	5,114
Deferred tax assets		7,528	58,342	49,309
		771,928	5,982,445	5,600,948
Current assets				
Inventories		8,739	67,726	44,332
Trade receivables	8	31,382	243,215	530,530
Deposits paid, other receivables and prepayments		10,201	79,058	74,331
Taxation recoverable		-	-	593
Financial assets at fair value through profit or loss		20,272	157,106	57,670
Cash and bank balances		169,908	1,316,786	1,233,585
		240,502	1,863,891	1,941,041
Current liabilities				
Bank loans		63,380	491,200	363,800
Trade payables	9	11,624	90,091	80,596
Deposits received, other payables and accrued charges		19,750	153,061	245,519
Provisions		3,413	26,448	45,819
Taxation payable		16,592	128,588	88,052
		114,759	889,388	823,786
Net current assets		125,743	974,503	1,117,255
Total assets less current liabilities		897,671	6,956,948	6,718,203

	Unaudited 30 June 2015 <i>US\$'000</i> <i>(Note 10)</i>	Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
Non-current liabilities			
Bank loans	6,323	49,000	66,400
Deferred tax liabilities	2,975	23,057	22,939
	9,298	72,057	89,339
Net assets	888,373	6,884,891	6,628,864
Equity			
Share capital	2,934	22,738	22,822
Reserves	812,515	6,296,988	6,018,593
Declared dividends	6 2,183	16,920	62,706
Equity attributable to the equity holders of the Company	817,632	6,336,646	6,104,121
Non-controlling interests	70,741	548,245	524,743
Total equity	888,373	6,884,891	6,628,864

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 2014 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 2014, except for the accounting policy changes that are expected to be reflected in the 2015 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 number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group’s results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment information

3.1 Segment results, assets and liabilities

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 Group has presented the following three reportable segments.

Property investments and associated businesses: this segment invests and leases commercial, industrial and residential premises for rental income, to gain from the appreciation in properties’ values in the long term and to provide property management services for property management fee income, and operates restaurants.

Investment business: this segment invests in financial instruments including listed equity and managed funds for interest income and dividend income and to gain from the appreciation in instruments’ values.

Toy business: this segment engages in the design, development, marketing and distribution of toys and family entertainment activity products.

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment to assess segment performance and allocate resources between segments.

Inter-segment revenue represents inter-company rental and property management fee charged on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

The segment results for the six months ended 30 June 2015 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross segment revenue	123,059	1,609	687,679	812,347
Inter-segment revenue	(5,963)	-	-	(5,963)
Revenue from external customers	117,096	1,609	687,679	806,384
Segment profit before depreciation	246,643	3,459	215,932	466,034
Depreciation	(6,143)	-	(852)	(6,995)
Segment operating profit	240,500	3,459	215,080	459,039
Other net income/(loss)	1,800	-	(2,806)	(1,006)
Finance costs	(5,067)	(37)	(2,857)	(7,961)
Share of profit of an associated company	-	-	1,128	1,128
	(3,267)	(37)	(4,535)	(7,839)
Segment profit before income tax	237,233	3,422	210,545	451,200
Unallocated corporate income				1,258
Profit before income tax				452,458

The segment results for the six months ended 30 June 2014 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross segment revenue	122,923	933	835,235	959,091
<u>Inter-segment revenue</u>	<u>(5,947)</u>	<u>-</u>	<u>-</u>	<u>(5,947)</u>
<u>Revenue from external customers</u>	<u>116,976</u>	<u>933</u>	<u>835,235</u>	<u>953,144</u>
Segment profit before depreciation	265,687	4,552	267,252	537,491
<u>Depreciation</u>	<u>(5,486)</u>	<u>-</u>	<u>(370)</u>	<u>(5,856)</u>
<u>Segment operating profit</u>	<u>260,201</u>	<u>4,552</u>	<u>266,882</u>	<u>531,635</u>
Other net income	-	-	2,081	2,081
Finance costs	(4,852)	(29)	(3,397)	(8,278)
Share of loss of an associated company	-	-	(1,652)	(1,652)
	<u>(4,852)</u>	<u>(29)</u>	<u>(2,968)</u>	<u>(7,849)</u>
<u>Segment profit before income tax</u>	<u>255,349</u>	<u>4,523</u>	<u>263,914</u>	<u>523,786</u>
Unallocated corporate income				<u>12,378</u>
Profit before income tax				<u>536,164</u>

The segment assets and liabilities as at 30 June 2015 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	5,982,452	446,968	1,352,510	7,781,930
<u>Interest in an associated company</u>	-	-	6,242	6,242
<u>Total reportable segment assets</u>	<u>5,982,452</u>	<u>446,968</u>	<u>1,358,752</u>	<u>7,788,172</u>
Inter-segment elimination	(55)	-	(1,578)	(1,633)
Deferred tax assets				58,342
Unallocated assets				<u>1,455</u>
Total assets				<u>7,846,336</u>
<u>Reportable segment liabilities</u>	<u>582,687</u>	-	<u>226,974</u>	809,661
Inter-segment elimination	(1,578)	-	(55)	(1,633)
Deferred tax liabilities				23,057
Taxation payable				128,588
Unallocated liabilities				<u>1,772</u>
Total liabilities				<u>961,445</u>

The segment assets and liabilities as at 31 December 2014 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	5,613,181	489,835	1,383,582	7,486,598
<u>Interest in an associated company</u>	-	-	5,114	5,114
<u>Total reportable segment assets</u>	<u>5,613,181</u>	<u>489,835</u>	<u>1,388,696</u>	<u>7,491,712</u>
Inter-segment elimination	(2)	-	(1,570)	(1,572)
Deferred tax assets				49,309
Taxation recoverable				593
Unallocated assets				<u>1,947</u>
Total assets				<u>7,541,989</u>
<u>Reportable segment liabilities</u>	<u>483,392</u>	-	<u>316,776</u>	800,168
Inter-segment elimination	(1,570)	-	(2)	(1,572)
Deferred tax liabilities				22,939
Taxation payable				88,052
Unallocated liabilities				<u>3,538</u>
Total liabilities				<u>913,125</u>

3.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, goodwill 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 investment properties and other property, plant and equipment, the location of operation to which they are allocated in case of goodwill, and the location of operation in case of interest in an associated company.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		30 June	31 December
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	118,232	119,155	5,444,796	5,282,709
Americas				
- U.S.A.	534,378	561,944	175,964	2,645
- Others	29,224	65,006	-	-
Europe	78,445	151,341	265,840	266,285
Asia Pacific other than Hong Kong	41,610	51,873	37,503	-
Others	4,495	3,825	-	-
	688,152	833,989	479,307	268,930
	806,384	953,144	5,924,103	5,551,639

3.3 Major customers

The Group's customer base is diversified and includes three (2014: three) 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\$236.7 million, HK\$142.7 million and HK\$87.3 million (2014: HK\$254.6 million, HK\$131.8 million and HK\$95.4 million) respectively.

4. Profit before income tax

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Cost of inventories sold	237,703	301,851
Product development costs	4,694	3,466
Royalties paid	89,140	113,961
Directors' and staff remunerations	42,139	53,666
Depreciation of other property, plant and equipment	7,195	6,064
Interest on borrowings	4,769	4,470
Net foreign exchange gain	(5,463)	(14,099)

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Overseas taxation is provided on the estimated assessable profits of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate.

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	41,224	54,569
Overseas taxation	28,986	31,554
Under provision in prior years – overseas	6,455	2,585
	<u>76,665</u>	<u>88,708</u>
Deferred taxation		
Origination and reversal of temporary differences	(8,565)	5,731
Income tax expense	<u>68,100</u>	<u>94,439</u>

6. Dividends

6.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.075 (2014: HK\$0.075) per share	16,920	17,160

At a meeting held on 21 August 2015, the board of directors declared an interim dividend of HK\$0.075 per share to be paid on 30 September 2015 to shareholders on the Company's Register of Members on 16 September 2015. This interim dividend declared after the end of the reporting period has not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2015.

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK\$0.075 (2014: HK\$0.05) per share	17,102	11,440
Special interim dividend of HK\$0.20 (2014: HK\$nil) per share	45,604	-
Special dividend of HK\$nil (2014: HK\$0.40) per share	-	91,520
	62,706	102,960

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$302,675,000 (2014: HK\$347,230,000) and the weighted average number of ordinary shares of 227,672,000 shares (2014: 229,686,000 shares) in issue during the period.

Diluted earnings per share for the period ended 30 June 2015 equals to the basic earnings per share as the potential ordinary shares on exercise of share options were not included in the calculation of diluted earnings per share because they are anti-dilutive.

The calculation of diluted earnings per share for the period ended 30 June 2014 is based on the profit attributable to equity holders of the Company of HK\$347,230,000 and the weighted average number of ordinary shares of 229,760,000 shares in issue during the period, adjusted for the effects of 74,000 dilutive potential shares on exercise of share options.

8. Trade receivables

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Trade receivables	245,994	532,534
Less: Allowance for customer concession	(775)	-
Less: Allowance for impairment	(2,004)	(2,004)
	243,215	530,530

The Group grants credits to retail customers of the toy business 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 toy business customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. For property investments and management business, and restaurant operations, no credit term is granted to tenants and customers. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
0 – 30 days	233,650	516,210
31 – 60 days	2,208	4,834
Over 60 days	7,357	9,486
	243,215	530,530

9. 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 2015 HK\$'000	31 December 2014 HK\$'000
0 – 30 days	85,187	78,760
31 – 60 days	4,546	547
Over 60 days	358	1,289
	90,091	80,596

10. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.75 to US\$1 ruling at 30 June 2015.

FINANCIAL ANALYSIS

The property investments and associated businesses generated a relatively steady income stream throughout the period. Approximately 96% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 30 June 2015. Accounts receivables were minimal as at the period end.

Financial assets at fair value through profit or loss include listed equity and managed funds. As at 30 June 2015, the Group's financial assets at fair value through profit or loss amounted to HK\$157,106,000 (31 December 2014: HK\$57,670,000) of which HK\$30,926,000 was held by Playmates Toys for treasury investments (nil as at 31 December 2014).

The toy business is inherently seasonal in nature. In general, sales in the second half-year are higher than those in the first half. As a result, a disproportionately high balance of trade receivables is 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 2015, trade receivables related to toy business were HK\$242,703,000 (31 December 2014: HK\$529,727,000) and inventories were HK\$67,569,000 (31 December 2014: HK\$44,165,000). The higher inventories at interim period end reflected the seasonal build-up of inventories to fulfil existing and expected customer orders.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2015 was 6.9% compared to 5.7% at 31 December 2014. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.1 at 30 June 2015 compared to 2.4 at 31 December 2014.

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 2015, the Group's cash and bank balances were HK\$1,316,786,000 (31 December 2014: HK\$1,233,585,000), of which HK\$1,147,516,000 (31 December 2014: HK\$1,030,617,000) was denominated in United States dollar, HK\$19,127,000 (31 December 2014: HK\$nil) in Japanese Yen, HK\$5,863,000 (31 December 2014: HK\$4,549,000) in British pound and the remaining balance was mainly denominated in Hong Kong dollar.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, 1,020,000 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$7.76 to HK\$9.70 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 2015, 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.

In respect of the segregation of the roles of the chairman and chief executive officer, the Group’s practice is that the Chairman also acts as chief executive officer. This allows him to focus on Group strategy and at the same time ensure that all key issues are considered by the board in a timely manner. 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 suitable and effective in facilitating the operations and business development of the Company and maintaining the checks and balances between the board and the management of the business of the Group. 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 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 September 2015 to 16 September 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on 14 September 2015. The interim dividend will be paid on 30 September 2015 to the shareholders on the Register of Members of the Company on 16 September 2015.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 21 August 2015

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

Mr. Chan Chun Hoo, Thomas (*Chairman*), Mr. Cheng Bing Kin, Alain (*Executive Director*), Mr. Ip Shu Wing, Charles (*Independent Non-executive Director*), Mr. Lee Peng Fei, Allen (*Independent Non-executive Director*), Mr. Lo Kai Yiu, Anthony (*Independent Non-executive Director*), Mr. To Shu Sing, Sidney (*Executive Director*), Mr. Tsim Tak Lung (*Deputy Chairman and Non-executive Director*) and Mr. Yu Hon To, David (*Independent Non-executive Director*)