

*Playmates*  
TOYS



2014

# INTERIM REPORT

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Highlights

<b>For the six months ended 30 June</b>	<b>2014 HK\$'000</b>	2013 HK\$'000
Revenue	<b>835,235</b>	596,185
Gross profit	<b>517,501</b>	373,438
Operating profit	<b>266,882</b>	200,036
Profit before income tax	<b>263,914</b>	195,647
Income tax (expense)/credit	<b>(88,410)</b>	15,364
Profit attributable to equity holders of the Company	<b>175,504</b>	211,011
Earnings per share	<b>HK cents</b>	HK cents
– Basic	<b>14.93</b>	18.24
– Diluted	<b>14.59</b>	18.02
Interim dividend per share	<b>5.00</b>	Nil

Playmates Toys group worldwide turnover during the first half of 2014 was HK\$835 million (same period in 2013: HK\$596 million), an increase of 40.1% compared to the prior year period. The increase in turnover was driven mainly by the initial shipments of products related to the *Teenage Mutant Ninja Turtles* (“*TMNT*”) movie, as well as expanded *TMNT* product line and distribution territories compared to the prior year period. Since the initial shipments of *TMNT* movie products during the period were intended for sales by our customers in the second half of 2014, they may have skewed the seasonality pattern in favor of our turnovers in the first half of the year.

Gross profit ratio on toy sales was 62.0% (same period in 2013: 62.6%). The decrease in gross profit ratio was attributable to additional tooling expenses related to new product segments. Recurring operating expenses increased by 44.5% compared to the prior year period, reflecting higher marketing and promotional expenses, and increased overhead expenses.

The group reported an operating profit for the period of HK\$267 million (same period in 2013: HK\$200 million). Net profit attributable to shareholders during the first half of 2014 was HK\$176 million (same period in 2013: HK\$211 million), reflecting the impact of a normalized tax rate in 2014 as tax credits due to accumulated losses in prior years were substantially utilized during 2013. The tax expense of HK\$88 million during the first half of 2014 included approximately HK\$2.6 million and HK\$3.0 million of adjustments related to prior year tax under provision and prior year unrecognized deferred tax items respectively. Excluding these adjustments, the effective tax rate would have been 31.4% during the first half of 2014.

During the period, our key markets in North America continued their recovery. Consumer confidence in the US continued to improve with strengthening employment, rising home prices, easier access to credit and stock market gains. According to NPD, the leading provider of toys point-of-sale market research data, overall US retail toy industry retail sales in the first six months of 2014 were up in dollar terms by about 1% compared to the same period last year. In Europe however, economic conditions, in particular retail and distribution activities, were dampened by the uncertainties generated by the political crisis in the Crimean Peninsula.

While uncertainties and risks remain in our operating environment, we are confident that sales of *TMNT* products, driven by sustained popularity of the Nickelodeon TV show, the release of the summer blockbuster movie from Paramount Pictures, and introduction of innovative new products, will continue to be strong in the second half of 2014. We expect our performance in terms of turnover and operating profit for the whole year will be better than 2013, although the year-on-year growth may not reflect the magnitude reported for the first half of the year.

The Board declared a HK Cents 5 per share interim dividend distribution.

## **Brand Overview**

### ***Teenage Mutant Ninja Turtles***

Nickelodeon's *TMNT* TV show continues to achieve top ratings with the core boys' audience in the US. New premier episodes have consistently ranked number one among the target boys audience in the time period. The pipeline of fresh entertainment content remains strong with Season 3 premiering in Fall 2014. Nickelodeon has recently confirmed plans to continue to propel the momentum of this global hit franchise by the green-lighting of Season 4, expected to debut in Fall 2015.

The blockbuster movie from Paramount Pictures was released in early August in a number of major markets. It ranked number one in gross box office receipts in its opening weekend in the US and prompted Paramount to announce that it is moving forward with plans for a sequel to be released in 2016. The global rollout is expected to continue with upcoming releases in several European markets in September and October, and in Japan in December.

Driven by the sustained popularity of the TV show, Playmates' *TMNT* toys continued to perform well at retail, although competition did pick up during the Spring/Early Summer period with the release of several major action adventure movies. According to NPD, *TMNT* remained the number one action figure brand in the US for the first half of 2014. For the Fall selling season, in addition to core product line extensions, we are introducing a new *TMNT* product segment developed specifically for younger kids. The planned 2015 product line, which includes more new segments, including one with the *Mutations* theme, has received enthusiastic response from the trade.

In tandem with the global rollout of the TV show, distribution of our *TMNT* toys has reached most major markets/territories, including China and Japan beginning in the first half of 2014. According to reports from distribution partners, *TMNT* continued to rank among the top three brands in the action figure category in Australia, Canada, France, Germany, Italy, Russia, Spain and the UK.

### ***Girls Brands***

*Hearts For Hearts Girls*, the line of multicultural dolls with a philanthropic theme, has now extended to 12 *Hearts For Hearts Girls* with the introduction of *Nyeshia* from Harlem, and *Surjan* from Nepal. Distribution support from major US retailers for the brand will further expand in the Fall selling season.

*Waterbabies* maintained a steady sales pace during the period. Planned expansions to the line include further extensions to the classic *Dream to Be* baby doll assortment and the series of collectible *Wee Waterbabies*.

In addition to investing in line extensions and new product segments for our current brands, we are actively pursuing selective new opportunities that are good fits for our core competence.

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Note	Unaudited		
		Six months ended 30 June		
		2014	2014	2013
		US\$'000	HK\$'000	HK\$'000
		(Note 17)		
<b>Revenue</b>	3	<b>107,772</b>	<b>835,235</b>	596,185
Cost of sales		<b>(40,998)</b>	<b>(317,734)</b>	(222,747)
<b>Gross profit</b>		<b>66,774</b>	<b>517,501</b>	373,438
Marketing expenses		<b>(19,620)</b>	<b>(152,057)</b>	(104,962)
Selling and distribution expenses		<b>(4,984)</b>	<b>(38,623)</b>	(19,546)
Administration expenses		<b>(7,734)</b>	<b>(59,939)</b>	(48,894)
<b>Operating profit</b>		<b>34,436</b>	<b>266,882</b>	200,036
Other income		<b>269</b>	<b>2,081</b>	409
Finance costs		<b>(438)</b>	<b>(3,397)</b>	(3,073)
Share of loss of an associated company		<b>(213)</b>	<b>(1,652)</b>	(1,725)
<b>Profit before income tax</b>	4	<b>34,054</b>	<b>263,914</b>	195,647
<b>Income tax (expense)/credit</b>	5	<b>(11,408)</b>	<b>(88,410)</b>	15,364
<b>Profit for the period attributable to equity holders of the Company</b>		<b>22,646</b>	<b>175,504</b>	211,011
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>	7			
Basic		<b>1.93</b>	<b>14.93</b>	18.24
Diluted		<b>1.88</b>	<b>14.59</b>	18.02

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Unaudited		
	Six months ended 30 June		
	2014	2014	2013
	US\$'000	HK\$'000	HK\$'000
	(Note 17)		
<b>Profit for the period</b>	<b>22,646</b>	<b>175,504</b>	211,011
<b>Other comprehensive income:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	—	—	164
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>22,646</b>	<b>175,504</b>	211,175

## Condensed Consolidated Balance Sheet

As at 30 June 2014

		Unaudited 30 June 2014 US\$'000 (Note 17)	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	8	335	2,598	1,172
Interest in an associated company		1,180	9,143	10,795
Deferred tax assets		3,639	28,204	44,071
		<u>5,154</u>	<u>39,945</u>	<u>56,038</u>
<b>Current assets</b>				
Inventories		10,017	77,636	36,959
Trade receivables	9	40,750	315,809	411,831
Deposits paid, other receivables and prepayments		2,512	19,467	20,985
Taxation recoverable		4,333	33,579	–
Cash and bank balances		81,312	630,167	519,563
		<u>138,924</u>	<u>1,076,658</u>	<u>989,338</u>
<b>Current liabilities</b>				
Trade payables	10	14,933	115,730	58,963
Deposits received, other payables and accrued charges	11	19,976	154,810	197,142
Provisions		2,608	20,213	35,329
Taxation payable		6,237	48,340	2,199
		<u>43,754</u>	<u>339,093</u>	<u>293,633</u>
<b>Net current assets</b>		<u>95,170</u>	<u>737,565</u>	<u>695,705</u>
<b>Net assets</b>		<u>100,324</u>	<u>777,510</u>	<u>751,743</u>
<b>Equity</b>				
Share capital	12	1,548	11,998	11,798
Reserves		90,998	705,235	680,673
Declared dividends	6	7,778	60,277	59,272
<b>Total equity</b>		<u>100,324</u>	<u>777,510</u>	<u>751,743</u>



## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

	Unaudited		
	Six months ended 30 June		
	2014	2014	2013
	US\$'000	HK\$'000	HK\$'000
	(Note 17)		
Net cash generated from operating activities	35,832	277,701	191,741
Net cash generated from investing activities	37	285	16
Net cash (used in)/generated from financing activities	<u>(21,597)</u>	<u>(167,382)</u>	<u>8,781</u>
Net increase in cash and cash equivalents	14,272	110,604	200,538
Cash and cash equivalents at 1 January	<u>67,040</u>	<u>519,563</u>	<u>161,452</u>
Cash and cash equivalents at 30 June	<u><u>81,312</u></u>	<u><u>630,167</u></u>	<u><u>361,990</u></u>
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	<u><u>81,312</u></u>	<u><u>630,167</u></u>	<u><u>361,990</u></u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Unaudited Exchange reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	11,533	300,679	167,613	(181)	20,336	(308,622)	191,358
Profit for the period	-	-	-	-	-	211,011	211,011
Other comprehensive income:							
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	164	-	-	164
Total comprehensive income for the period	-	-	-	164	-	211,011	211,175
Share option scheme							
- value of services	-	-	-	-	6,579	-	6,579
- shares issued	157	15,714	-	-	(7,090)	-	8,781
Transactions with owners	157	15,714	-	-	(511)	-	15,360
At 30 June 2013	11,690	316,393	167,613	(17)	19,825	(97,611)	417,893

	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Capital reserve <i>HKS'000</i>	Unaudited		Retained profits <i>HKS'000</i>	Total <i>HKS'000</i>
				Exchange reserve <i>HKS'000</i>	Share-based compensation reserve <i>HKS'000</i>		
At 1 January 2014	11,798	328,510	167,613	(17)	19,067	224,772	751,743
Profit for the period	-	-	-	-	-	175,504	175,504
Other comprehensive income:							
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	175,504	175,504
Share option scheme							
– value of services	-	-	-	-	3,830	-	3,830
– shares issued	200	21,946	-	-	(9,580)	-	12,566
Share premium reduction (Note 13)	-	(350,096)	350,096	-	-	-	-
2013 interim dividend paid	-	-	(59,983)	-	-	-	(59,983)
2013 special dividend paid	-	-	(119,966)	-	-	-	(119,966)
Tax benefits arising from share option scheme in overseas tax jurisdiction	-	-	13,816	-	-	-	13,816
Transactions with owners	200	(328,150)	183,963	-	(5,750)	-	(149,737)
<b>At 30 June 2014</b>	<b>11,998</b>	<b>360</b>	<b>351,576</b>	<b>(17)</b>	<b>13,317</b>	<b>400,276</b>	<b>777,510</b>

## 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.

This condensed consolidated financial information should be read in conjunction with the 2013 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 2013, except for the accounting policy changes that are expected to be reflected in the 2014 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 the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new interpretation that are first effective for the current accounting period of the Group and the Company:

Amendments to HKFRS 10,

HKFRS 12 and HKAS 27 Investment entities

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets

Amendments to HKAS 39 Novation of derivatives and continuation of hedge accounting

HK(IFRIC) 21 Levies

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 or interpretation that is not yet effective for the current accounting period.

### 3. Segment information

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.

#### 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 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 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
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<u>1,441</u>	<u>646</u>	<u>10,763</u>	<u>11,332</u>
Americas				
– U.S.A.	561,944	369,181	978	635
– Others	65,006	40,337	–	–
Europe	151,341	133,180	–	–
Asia Pacific other than Hong Kong	51,678	50,237	–	–
Others	<u>3,825</u>	<u>2,604</u>	<u>–</u>	<u>–</u>
	<u>833,794</u>	<u>595,539</u>	<u>978</u>	<u>635</u>
	<u>835,235</u>	<u>596,185</u>	<u>11,741</u>	<u>11,967</u>

### 3.2 Major customers

The Group's customer base is diversified and includes three (2013: four) 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\$254.6 million, HK\$131.8 million and HK\$95.4 million (2013: HK\$156.1 million, HK\$102.5 million, HK\$73.1 million and HK\$70.9 million) respectively.

#### 4. Profit before income tax

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Cost of inventories sold	296,186	213,539
Product development costs	3,466	3,185
Royalties paid	113,961	75,396
Directors' and staff remunerations	34,038	29,981
Depreciation of property, plant and equipment	370	352
	<u>          </u>	<u>          </u>

#### 5. Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Overseas, mainly the U.S., 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	
	2014	2013
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	47,940	145
Overseas taxation	31,554	16,411
Under provision in prior years – overseas	2,585	–
	<u>          </u>	<u>          </u>
	82,079	16,556
Deferred taxation		
Origination and reversal of temporary differences	6,331	(31,920)
	<u>          </u>	<u>          </u>
Income tax expense/(credit)	<u>88,410</u>	<u>(15,364)</u>

## 6. Dividends

### 6.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.05 (2013: HK\$nil) per share	<u>60,277</u>	<u>–</u>

At a meeting held on 29 August 2014, the board of directors declared an interim dividend of HK\$0.05 per share to be paid on 7 October 2014 to shareholders on the Company's Register of Members on 24 September 2014. This interim dividend declared after the balance sheet date has not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2014.

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Dividends in respect of the previous financial year and paid during the interim period:		
Interim dividend of HK\$0.05 (2013: HK\$nil) per share	59,983	–
Special dividend of HK\$0.10 (2013: HK\$nil) per share ( <i>Note</i> )	<u>119,966</u>	<u>–</u>
	<u>179,949</u>	<u>–</u>

*Note:*

A special dividend of HK\$0.10 per share was approved at the Annual General Meeting on 19 May 2014 and was paid during the interim period.

## 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\$175,504,000 (2013: HK\$211,011,000) and the weighted average number of ordinary shares of 1,175,730,000 shares (2013: 1,157,022,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$175,504,000 (2013: HK\$211,011,000) and the weighted average number of ordinary shares of 1,202,942,000 shares (2013: 1,170,685,000 shares) in issue during the period, adjusted for the effects of 27,212,000 (2013: 13,663,000) dilutive potential shares on exercise of share options.

## 8. Property, plant and equipment

	<i>HK\$'000</i>
Opening net book amount as at 1 January 2014	<b>1,172</b>
Additions	<b>1,796</b>
Depreciation	<b>(370)</b>
	<hr/>
<b>Closing net book amount as at 30 June 2014</b>	<b>2,598</b>
	<hr/> <hr/>
Opening net book amount as at 1 January 2013	1,274
Additions	392
Depreciation	(352)
	<hr/>
Closing net book amount as at 30 June 2013	1,314
Additions	229
Depreciation	(371)
	<hr/>
Closing net book amount as at 31 December 2013	1,172
	<hr/> <hr/>



## 9. Trade receivables

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Trade receivables	<b>315,809</b>	411,831
Less: Allowance for customer concession	—	—
	<b><u>315,809</u></b>	<b><u>411,831</u></b>

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 at the balance sheet date:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
0 – 30 days	<b>306,587</b>	406,089
31 – 60 days	<b>2,318</b>	3,407
Over 60 days	<b>6,904</b>	2,335
	<b><u>315,809</u></b>	<b><u>411,831</u></b>

## 10. Trade payables

The following is an aging analysis of trade payables at the balance sheet date:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
0 – 30 days	<b>112,722</b>	55,998
31 – 60 days	<b>1,868</b>	2,682
Over 60 days	<b>1,140</b>	283
	<b><u>115,730</u></b>	<b><u>58,963</u></b>

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

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Deposits from customers and distributors	<b>56,096</b>	68,437
Accrued product development, sales, marketing and distribution expenses	<b>17,279</b>	22,839
Accrued royalties	<b>71,479</b>	73,892
Accrued directors' and staff remunerations	<b>3,663</b>	26,091
Accrued administrative expenses and professional fees	<b>6,293</b>	5,883
	<b>154,810</b>	197,142

## 12. 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 2013 and 30 June 2014</b>	<b>3,000,000,000</b>	<b>30,000</b>
	<b>Issued and fully paid Ordinary shares of HK\$0.01 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2013	1,153,268,000	11,533
Exercise of share options	26,483,500	265
<b>At 31 December 2013 and 1 January 2014</b>	<b>1,179,751,500</b>	<b>11,798</b>
Exercise of share options	<b>20,063,000</b>	<b>200</b>
<b>At 30 June 2014</b>	<b>1,199,814,500</b>	<b>11,998</b>

## 13. Share premium reduction

At the Annual General Meeting of the Company held on 19 May 2014, the shareholders of the Company approved that HK\$350,096,000 being the entire amount standing to the credit of the share premium account of the Company as at the date of the meeting be reduced to nil and the credit arising therefrom be transferred to the contributed surplus account of the Company.

## 14. Fair value measurement of financial instruments

### 14.1 Financial assets and liabilities measured at fair value

As at 30 June 2014 and during the six months ended 30 June 2014, the Group did not have any financial assets and liabilities measured at fair value.

### 14.2 Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

## 15. Commitments

### 15.1 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 2014 were payable as follows:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Within one year	<b>11,118</b>	22,743
In the second to fifth years	<b>40,687</b>	52,312
	<b>51,805</b>	75,055

### 15.2 Operating lease commitments

The Group acts as lessee under operating leases for its office and warehouse locations. At 30 June 2014, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by the Group were as follows:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Within one year	<b>7,713</b>	7,771
In the second to fifth years	<b>8,062</b>	11,881
	<b>15,775</b>	19,652

## 16. Related party transactions

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Rent and building management fee paid to fellow subsidiaries, Bagnols Limited and Belmont Limited	<b>3,130</b>	<b>954</b>

16.2 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).

## 17. 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 2014.

## **INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES**

### **Liquidity and Financial Resources**

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 2014, trade receivables were HK\$315,809,000 (31 December 2013: HK\$411,831,000) and inventories were HK\$77,636,000 (31 December 2013: HK\$36,959,000). The higher inventories at interim period end resulted from a continued strong pickup in customer orders during the period, including those related to the launch of the *TMNT* movie.

The associated company reported losses for the period. As at 30 June 2014, the interest in an associated company was HK\$9,143,000 (31 December 2013: HK\$10,795,000).

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 3.2 at 30 June 2014 compared to 3.4 at 31 December 2013.

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 2014, the Group's cash and bank balances were HK\$630,167,000 (31 December 2013: HK\$519,563,000), of which HK\$576,520,000 (31 December 2013: HK\$476,126,000) was denominated in United States dollar and the remaining balance was 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.

### **Employees**

As at 30 June 2014, the Group had a total of 61 employees in Hong Kong and the United States of America.

There was no material change in remuneration policies compared to those disclosed in the most recently published annual report.

## Share Options

The following shows the particulars of the share options of the Company granted to directors of the Company, employees of the Group and other participants, pursuant to the Share Option Scheme (“Scheme”) adopted on 25 January 2008, that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 41(2) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”):

Participant	Date of grant	Exercise price HK\$	Number of share options			
			Balance at 1 January 2014	Exercised during the period (Notes (1) & (2))	Lapsed during the period	Balance at 30 June 2014
CHENG Bing Kin,	20 January 2010	0.828	487,000	487,000	–	–
Alain	18 April 2011	0.315	250,000	250,000	–	–
<i>Director</i>	13 April 2012	0.415	500,000	250,000	–	250,000
	15 May 2013	0.930	1,800,000	900,000	–	900,000
CHOW Yu Chun,	13 April 2012	0.415	250,000	–	–	250,000
Alexander	15 May 2013	0.930	525,000	–	–	525,000
<i>Director</i>						
LEE Ching Kwok,	31 March 2008	0.316	443,000	443,000	–	–
Rin	20 January 2010	0.828	222,000	222,000	–	–
<i>Director</i>	13 April 2012	0.415	500,000	250,000	–	250,000
	15 May 2013	0.930	700,000	175,000	–	525,000
TO Shu Sing, Sidney	20 January 2010	0.828	1,671,000	1,671,000	–	–
<i>Director</i>	18 April 2011	0.315	300,000	300,000	–	–
	13 April 2012	0.415	600,000	300,000	–	300,000
	15 May 2013	0.930	1,800,000	229,000	–	1,571,000
YANG, Victor	31 March 2008	0.316	443,000	443,000	–	–
<i>Director</i>	20 January 2010	0.828	222,000	222,000	–	–
	13 April 2012	0.415	500,000	375,000	–	125,000
	15 May 2013	0.930	700,000	175,000	–	525,000
<i>Continuous Contract</i>	31 March 2008	0.316	859,000	832,000	–	27,000
<i>Employees,</i>	20 January 2010	0.828	3,896,000	2,257,000	–	1,639,000
<i>excluding</i>	18 April 2011	0.315	3,223,500	2,572,000	–	651,500
<i>Directors</i>	24 May 2011	0.428	100,000	100,000	–	–
	13 April 2012	0.415	6,235,000	2,631,500	–	3,603,500
	15 May 2013	0.930	11,900,000	3,000,500	–	8,899,500

Participant	Date of grant	Exercise price HK\$	Number of share options			
			Balance at 1 January 2014	Exercised during the period (Notes (1) & (2))	Lapsed during the period	Balance at 30 June 2014
<i>Other Participants</i>	20 January 2010	0.828	665,000	222,000	–	443,000
	30 March 2010	0.673	3,326,000	–	–	3,326,000
	18 April 2011	0.315	2,496,000	446,000	–	2,050,000
	13 April 2012	0.415	4,094,000	609,000	–	3,485,000
	15 May 2013	0.930	5,441,000	701,000	–	4,740,000

*Notes:*

- (1) The weighted average closing prices of the ordinary shares of the Company immediately before the dates on which the share options were exercised by continuous contract employees (excluding directors) and other participants during the period were HK\$4.00 and HK\$3.78 respectively.
- (2) The weighted average closing prices of the ordinary shares of the Company immediately before the dates on which the share options were exercised by the directors, namely Mr. Cheng Bing Kin, Alain, Mr. Lee Ching Kwok, Rin, Mr. To Shu Sing, Sidney and Mr. Yang, Victor during the period were HK\$3.37, HK\$3.59, HK\$2.90 and HK\$2.90 respectively.

The above share options are exercisable in stages in accordance with the terms of the Scheme within ten years after the date of grant. No options were cancelled during the period.

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

As at 30 June 2014, 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 the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules 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 Chun Hoo, Thomas	Corporate <i>(Note (a))</i>	596,000,000 ordinary shares	49.67%
CHOW Yu Chun, Alexander	Personal	2,038,000 ordinary shares	0.17%
CHENG Bing Kin, Alain	Personal	1,887,000 ordinary shares	0.16%
LEE Ching Kwok, Rin	Personal	1,090,000 ordinary shares	0.09%
TO Shu Sing, Sidney	Personal	8,000,000 ordinary shares	0.67%
YANG, Victor	Personal	1,215,000 ordinary shares	0.10%

***Long positions in underlying shares and debentures 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 <i>(ordinary shares)</i></b>	<b>Percentage interest held</b>
CHENG Bing Kin, Alain	Personal	1,150,000 share options	1,150,000 shares	0.10%
CHOW Yu Chun, Alexander	Personal	775,000 share options	775,000 shares	0.06%
LEE Ching Kwok, Rin	Personal	775,000 share options	775,000 shares	0.06%
TO Shu Sing, Sidney	Personal	1,871,000 share options	1,871,000 shares	0.16%
YANG, Victor	Personal	650,000 share options	650,000 shares	0.05%

***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 Chun Hoo, Thomas	Personal	12,000,000 ordinary shares	5.24%
	Corporate <i>(Note (b))</i>	92,000,000 ordinary shares	40.21%
	Associate <i>(Note (c))</i>	10,600,000 ordinary shares	4.63%
CHENG Bing Kin, Alain	Personal	228,000 ordinary shares	0.10%
TO Shu Sing, Sidney	Personal	2,000,000 ordinary shares	0.87%



### ***Long positions in underlying shares of PHL***

<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>
CHENG Bing Kin, Alain	Personal	100,000 share options	100,000 shares	0.04%
TO Shu Sing, Sidney	Personal	187,500 share options	187,500 shares	0.08%

#### *Notes:*

- (a) Mr. Chan Chun Hoo, Thomas (“Mr. Chan”) is the beneficial owner of all of the issued share capital of TGC Assets Limited (“TGC”), since TGC directly owns approximately 40.21% of the shareholding of PHL and is deemed to be interested in the 596,000,000 shares of the Company in aggregate which PHL is interested in, Mr. Chan is also deemed to be interested in the 596,000,000 shares of the Company in aggregate which PHL is interested in.
- (b) Mr. Chan is the beneficial owner of all of the issued share capital of TGC and is therefore deemed to be interested in the 92,000,000 shares of PHL in aggregate which TGC is interested in.
- (c) 10,600,000 shares of PHL were owned by Mr. Chan’s wife and Mr. Chan is therefore deemed to be interested in those shares.

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, underlying shares or debentures the relevant director was interested expressed as a percentage of the number of issued shares of the relevant companies as at 30 June 2014.

Details of the share options held by the directors of the Company are disclosed in the above section headed “Share Options”.

As at 30 June 2014, none of the directors of the Company were interested or deemed to be interested in short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation.

## Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company Required to be Recorded under Section 336 of the SFO

As at 30 June 2014, persons (other than the directors of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company, being 5% or more of the Company's issued share capital, as 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
TGC	Corporate (Note (i))	596,000,000 ordinary shares	49.67%
PHL	Corporate (Note (ii))	596,000,000 ordinary shares	49.67%
PIL Management Limited	Corporate (Note (ii))	596,000,000 ordinary shares	49.67%
PIL Investments Limited	Corporate (Note (ii))	596,000,000 ordinary shares	49.67%
PIL Toys Limited	Corporate	596,000,000 ordinary shares	49.67%
The Capital Group Companies, Inc.	Corporate (Note (iii))	83,988,000 ordinary shares	7.00%
Capital Research and Management Company	Corporate	83,988,000 ordinary shares	7.00%

### *Notes:*

- (i) TGC directly owns approximately 40.21% of the shareholding of PHL and is therefore deemed to be interested in the 596,000,000 shares of the Company in aggregate which PHL is interested in.
- (ii) 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 596,000,000 shares of the Company in aggregate which PIL Toys Limited is beneficially interested in.
- (iii) Capital Research and Management Company is a wholly-owned subsidiary of The Capital Group Companies, Inc. The Capital Group Companies, Inc. is therefore deemed to be interested in the 83,988,000 shares of the Company in aggregate which Capital Research and Management Company is interested in.

## **Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **Compliance with the Corporate Governance Code**

The Company has applied the principles and complied with all the applicable code provisions ("Code Provisions") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014, 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 2014.

## **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 2014.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from 23 September 2014 to 24 September 2014, 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 22 September 2014. The interim dividend will be paid on 7 October 2014 to the shareholders on the Register of Members of the Company on 24 September 2014.

On behalf of the Board  
**CHAN Chun Hoo, Thomas**  
*Chairman*

Hong Kong, 29 August 2014

## **CORPORATE INFORMATION**

### ***Directors***

CHAN Chun Hoo, Thomas

*(Chairman)*

CHENG Bing Kin, Alain

*(Executive Director)*

CHOW Yu Chun, Alexander

*(Independent Non-executive Director)*

LEE Ching Kwok, Rin

*(Independent Non-executive Director)*

TO Shu Sing, Sidney

*(Executive Director)*

YANG, Victor

*(Independent Non-executive Director)*

### ***Company Secretary***

NG Ka Yan

### ***Registered Office***

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### ***Principal Office***

23/F., The Toy House

100 Canton Road

Tsimshatsui

Kowloon, Hong Kong

### ***Auditors***

Grant Thornton Hong Kong Limited

*Certified Public Accountants*

### ***Legal Advisors***

Conyers Dill & Pearman

Deacons

### ***Principal Bankers***

The Bank of East Asia, Limited

Chong Hing Bank Limited

Hang Seng Bank Limited

### ***Principal Share Registrars***

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### ***Branch Share Registrars***

Tricor Abacus Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

### ***Stock Code***

The shares of Playmates Toys Limited

are listed for trading on The Stock

Exchange of Hong Kong Limited

(Stock Code: 869)

### ***Website***

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



Playmates Toys Limited  
(Incorporated in Bermuda with limited liability)  
(Stock code 869)  
[www.playmatestoys.com](http://www.playmatestoys.com)