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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

RESULTS

The directors of Playmates Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 as follows:

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 US\$'000 (Note 9)	2012 HK\$'000	2011 HK\$'000
Revenue	2	63,277	490,399	163,077
Cost of sales		(21,678)	(168,002)	(51,968)
Gross profit		41,599	322,397	111,109
Marketing expenses		(9,794)	(75,902)	(25,040)
Selling and distribution expenses		(2,505)	(19,420)	(2,034)
Administration expenses		(14,996)	(116,216)	(119,634)
Net gain/(loss) on financial assets at fair value through profit or loss		4,559	35,330	(44,117)
Revaluation surplus on investment properties		137,710	1,067,250	785,105
Operating profit		156,573	1,213,439	705,389
Other income		202	1,568	1,503
Finance costs		(1,778)	(13,780)	(8,490)
Share of loss of an associated company		(709)	(5,497)	(3,231)

	<i>Note</i>	2012 <i>US\$'000</i> <i>(Note 9)</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before income tax	3	154,288	1,195,730	695,171
Income tax expense	4	(819)	(6,345)	(7,240)
Profit for the year		153,469	1,189,385	687,931
Profit for the year attributable to:				
Equity holders of the Company		150,985	1,170,133	732,525
Non-controlling interests		2,484	19,252	(44,594)
		153,469	1,189,385	687,931
		<i>US\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings per share	6			
Basic		0.63	4.85	2.91
Diluted		0.63	4.85	2.91

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	2012 <i>US\$'000</i> <i>(Note 9)</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit for the year	153,469	1,189,385	687,931
Other comprehensive income:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(283)	(2,193)	(368)
Total comprehensive income for the year	153,186	1,187,192	687,563
Total comprehensive income attributable to:			
Equity holders of the Company	150,665	1,167,651	732,321
Non-controlling interests	2,521	19,541	(44,758)
	153,186	1,187,192	687,563

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 US\$'000 (Note 9)	2012 HK\$'000	2011 HK\$'000
Non-current assets				
Fixed assets				
- Investment properties		528,903	4,098,998	2,972,369
- Other property, plant and equipment		18,067	140,024	144,710
		546,970	4,239,022	3,117,079
Goodwill		771	5,976	5,976
Interest in an associated company		1,510	11,701	17,198
Deferred tax assets		118	912	1,053
		549,369	4,257,611	3,141,306
Current assets				
Inventories		2,873	22,267	2,717
Trade receivables	7	23,085	178,911	8,319
Deposits paid, other receivables and prepayments		1,625	12,594	11,818
Taxation recoverable		208	1,614	400
Financial assets at fair value through profit or loss		4,254	32,968	156,261
Cash and bank balances		60,100	465,772	466,521
		92,145	714,126	646,036
Current liabilities				
Bank loans		46,942	363,800	345,571
Trade payables	8	6,180	47,898	8,599
Deposits received, other payables and accrued charges		20,614	159,758	97,030
Provisions		1,720	13,330	5,147
Taxation payable		476	3,689	1,193
		75,932	588,475	457,540
Net current assets		16,213	125,651	188,496
Total assets less current liabilities		565,582	4,383,262	3,329,802

	<i>Note</i>	2012 <i>US\$'000</i> <i>(Note 9)</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current liabilities				
Bank loans		21,032	163,000	219,000
Deferred tax liabilities		3,006	23,296	26,256
		24,038	186,296	245,256
Net assets				
		541,544	4,196,966	3,084,546
Equity				
Share capital		3,058	23,699	24,730
Reserves		526,743	4,082,255	3,000,699
Declared dividends	5	1,525	11,821	12,335
Equity attributable to the equity holders of the Company				
		531,326	4,117,775	3,037,764
Non-controlling interests				
		10,218	79,191	46,782
Total equity				
		541,544	4,196,966	3,084,546

Notes:

1. Basis of preparation

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

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

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011, except the Group has applied for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 7 Financial instruments: Disclosures – Transfers of financial assets

The adoption of the new HKFRSs had no impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Revenue and segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, property investments, property management, restaurant operation and investment holding. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of toys	371,615	44,947
Rental income from investment properties	68,211	67,843
Property management income	11,928	12,392
Restaurant income	35,248	32,903
Dividend income	1,857	4,283
<u>Interest income</u>	<u>1,540</u>	<u>709</u>
Total revenue	<u>490,399</u>	<u>163,077</u>

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 year ended 31 December 2012 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	122,690	3,397	371,615	497,702
Inter-segment revenue	(7,303)	-	-	(7,303)
Revenue from external customers	115,387	3,397	371,615	490,399
Segment profit before depreciation	1,121,124	38,727	53,184	1,213,035
Depreciation	(7,580)	-	(668)	(8,248)
Segment operating profit	1,113,544	38,727	52,516	1,204,787
Other income	-	-	1,568	1,568
Finance costs	(10,593)	(86)	(2,746)	(13,425)
Share of loss of an associated company	-	-	(5,497)	(5,497)
	(10,593)	(86)	(6,675)	(17,354)
Segment profit before income tax	1,102,951	38,641	45,841	1,187,433
Unallocated corporate income				8,297
Profit before income tax				1,195,730
Bank interest income	-	1,540	1,568	
Revaluation surplus on investment properties	1,067,250	-	-	
Net realised gain on financial assets at fair value through profit or loss	-	28,440	-	
Net unrealised gain on financial assets at fair value through profit or loss	-	6,890	-	

The segment results for the year ended 31 December 2011 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	120,475	4,992	44,947	170,414
<u>Inter-segment revenue</u>	<u>(7,337)</u>	<u>-</u>	<u>-</u>	<u>(7,337)</u>
<u>Revenue from external customers</u>	<u>113,138</u>	<u>4,992</u>	<u>44,947</u>	<u>163,077</u>
Segment profit/(loss) before depreciation	842,453	(39,125)	(84,850)	718,478
<u>Depreciation</u>	<u>(7,905)</u>	<u>-</u>	<u>(1,484)</u>	<u>(9,389)</u>
<u>Segment operating profit/(loss)</u>	<u>834,548</u>	<u>(39,125)</u>	<u>(86,334)</u>	<u>709,089</u>
Other income	-	-	1,503	1,503
Finance costs	(7,027)	(224)	(1,084)	(8,335)
Share of loss of an <u>associated company</u>	<u>-</u>	<u>-</u>	<u>(3,231)</u>	<u>(3,231)</u>
	<u>(7,027)</u>	<u>(224)</u>	<u>(2,812)</u>	<u>(10,063)</u>
<u>Segment profit/(loss) before income tax</u>	<u>827,521</u>	<u>(39,349)</u>	<u>(89,146)</u>	<u>699,026</u>
Unallocated corporate expenses				<u>(3,855)</u>
Profit before income tax				<u>695,171</u>
Bank interest income	-	709	1,503	
Revaluation surplus on investment properties	785,105	-	-	
Net realised gain on financial assets at fair value through profit or loss	-	1,715	-	
Net unrealised loss on financial assets at fair value <u>through profit or loss</u>	<u>-</u>	<u>(45,832)</u>	<u>-</u>	

The segment assets and liabilities as at 31 December 2012 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)	4,259,711	326,137	368,414	4,954,262
Interest in an associated company	-	-	11,701	11,701
Total reportable segment assets	4,259,711	326,137	380,115	4,965,963
Inter-segment elimination	-	-	(475)	(475)
Deferred tax assets				912
Taxation recoverable				1,614
Unallocated assets				<u>3,723</u>
Total assets				<u>4,971,737</u>
Reportable segment liabilities	556,730	-	188,676	745,406
Inter-segment elimination	(475)	-	-	(475)
Deferred tax liabilities				23,296
Taxation payable				3,689
Unallocated liabilities				<u>2,855</u>
Total liabilities				<u>774,771</u>
Capital expenditure	56,092	-	183	

The segment assets and liabilities as at 31 December 2011 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)	3,137,330	398,725	226,869	3,762,924
<u>Interest in an associated company</u>	-	-	17,198	17,198
<u>Total reportable segment assets</u>	<u>3,137,330</u>	<u>398,725</u>	<u>244,067</u>	<u>3,780,122</u>
Inter-segment elimination	-	-	(489)	(489)
Deferred tax assets				1,053
Taxation recoverable				400
Unallocated assets				<u>6,256</u>
Total assets				<u>3,787,342</u>
<u>Reportable segment liabilities</u>	<u>598,649</u>	<u>2,112</u>	<u>72,240</u>	<u>673,001</u>
Inter-segment elimination	(489)	-	-	(489)
Deferred tax liabilities				26,256
Taxation payable				1,193
Unallocated liabilities				<u>2,835</u>
Total liabilities				<u>702,796</u>
<u>Capital expenditure</u>	<u>72,813</u>	-	398	

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 fixed assets, 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 fixed assets, 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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Hong Kong (place of domicile)	118,435	116,905	4,032,673	2,940,846
Americas				
- U.S.A.	302,576	36,986	808	1,129
- Others	19,945	127	-	-
Europe	36,381	7,274	223,218	198,278
Asia Pacific other than Hong Kong	13,040	894	-	-
Others	22	891	-	-
	371,964	46,172	224,026	199,407
	490,399	163,077	4,256,699	3,140,253

Major customers

The Group's customer base is diversified and includes three (2011: nil) 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\$108.2 million, HK\$83.3 million and HK\$74.0 million respectively.

3. Profit before income tax

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

	2012	2011
	HK\$'000	HK\$'000
Cost of inventories sold	137,957	30,800
Write-down / (Reversal of write-down) of inventories	130	(31)
Product development costs	4,377	7,843
Royalties paid	45,997	11,517
Direct operating expenses arising from investment properties that generate rental income	3,176	3,540
Direct operating expenses arising from investment properties that did not generate rental income	2,012	1,180
Provision for customer concession	1,319	390
Reversal of unutilised provision for customer concession	-	(185)
Provision for customer returns, cooperative advertising and cancellation charges	13,671	1,776
Reversal of unutilised provision for customer returns, cooperative advertising and cancellation charges	(1,854)	(3,867)
Depreciation of other property, plant and equipment	8,973	10,114
Employee benefit expense, including directors' remuneration	69,053	66,748
Operating leases expense on office and warehouse facilities	2,094	2,924
Loss on disposal of other property, plant and equipment	-	66
Net foreign exchange gain	(10,222)	(52)
Interest on overdrafts and bank loans wholly repayable within five years	7,018	4,441
Interest on bank loans wholly repayable after five years	2,844	1,869
Bank interest income	(3,108)	(2,212)
Net realised gain on financial assets at fair value through profit or loss	(28,440)	(1,715)
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	(6,890)	45,832

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year. 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.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	6,298	7,419
Overseas taxation	390	-
<u>Under provision in prior years – Hong Kong</u>	<u>2,476</u>	<u>112</u>
	<u>9,164</u>	<u>7,531</u>
Deferred taxation		
<u>Origination and reversal of temporary differences</u>	<u>(2,819)</u>	<u>(291)</u>
<u>Income tax expense</u>	<u>6,345</u>	<u>7,240</u>

5. Dividends

(a) Dividends attributable to the year

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
First interim dividend of HK\$0.05 (2011: HK\$0.05) per share	11,849	12,365
Second interim dividend of HK\$0.05 (2011: HK\$0.05) per share	11,821	12,335
	<u>23,670</u>	<u>24,700</u>

At a meeting held on 31 August 2012, the board of directors declared a first interim dividend of HK\$0.05 per share, which was paid on 3 October 2012.

At a meeting held on 28 March 2013, the board of directors declared a second interim dividend of HK\$0.05 per share on the basis of 236,414,000 shares in issue as at the date of the meeting. This declared dividend declared after the balance sheet date has not been recognised as liabilities in the financial statements, but reflected as an appropriation of retained profits for the year ended 31 December 2012.

(b) Dividends attributable to previous year and paid during the year

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Second interim dividend of HK\$0.05 (2011: HK\$0.08) per share	12,293	20,600

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$1,170,133,000 (2011: HK\$732,525,000) and the weighted average number of ordinary shares of 241,446,000 (2011: 251,533,000) in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$1,170,133,000 (2011: HK\$732,525,000) and the weighted average number of ordinary shares of 241,453,000 (2011: 251,546,000) in issue during the year, adjusted for the effects of 7,000 (2011: 13,000) dilutive potential shares on exercise of share options.

7. Trade receivables

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term of 60 days on average. 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 at the balance sheet date:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 30 days	176,971	7,819
31 – 60 days	1,631	293
Over 60 days	309	207
	<hr/> 178,911	<hr/> 8,319

8. Trade payables

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 30 days	38,758	6,869
31 – 60 days	7,527	1,202
Over 60 days	1,613	528
	<hr/> 47,898	<hr/> 8,599

9. 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 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Playmates Holdings group worldwide turnover for the year ended 31 December 2012 was HK\$490 million (2011: HK\$163 million); reflected an increase of 200.7% compared to the prior year. The Group reported an operating profit of HK\$1,213 million (2011: HK\$705 million) and net profit attributable to shareholders was HK\$1,170 million (2011: HK\$733 million). Basic earnings per share was HK\$4.85 (2011: HK\$2.91).

Property Investments and Associated Businesses

Turnover from the property investments and property management businesses remained around HK\$80 million for both 2011 and 2012, while revenue from the food and beverage business increased by 7.1% to about HK\$35.2 million (2011: HK\$32.9 million). Aggregate turnover increased by approximately 2.0% to about HK\$115.4 million (2011: HK\$113.1 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of about HK\$4.1 billion (2011: about HK\$3.0 billion). A revaluation surplus of HK\$1,067.3 million was reported in the consolidated income statement of the Group. Segment operating profit was HK\$1,113.5 million including revaluation surplus, compared to HK\$834.5 million (including revaluation surplus of HK\$785.1 million) for 2011.

(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 property investment portfolio in Hong Kong was about 90% as at 31 December 2012 (2011: 94%). The Group's property portfolio also includes two investment properties in the United Kingdom.

(i) *The Toy House*

Rental income generated by The Toy House was about HK\$42.0 million, a decrease of 1.6% from last year (2011: HK\$42.7 million) due to a planned partial vacancy during the second half of 2012. Certain portions of the building remained temporarily vacant to accommodate the start of a long term lease spanning multiple floors. A leading global brand will convert the commercial podium floors of the building into a flagship retail store during 2013. With this significant lease in place, and as Canton Road continues to develop as a luxury shopping, entertainment and dining destination, we are optimistic that the value and recurring rental income of The Toy House will improve over the long term.

(ii) *Hillview*

Rental income generated by the residential properties at Hillview was about HK\$12.9 million, a decrease of 14.8% from last year (2011: HK\$15.2 million). Ongoing construction works on two adjoining sites had a negative impact on leasing activity and occupancy rate of this property during 2012. We expect the impact will be temporary and, over the long term, this investment will benefit from growing demand for and limited supply of up-market residential properties in Mid-Levels.

(iii) *Playmates Factory Building*

Rental income generated by Playmates Factory Building was about HK\$12.5 million, an increase of 27.0% over last year (2011: HK\$9.9 million). Rental increases from lease renewals during 2012 reflect the strong demand for industrial space in Tuen Mun. The occupancy rate of the premises is close to 100%, and we expect recurring rental income will further improve from renewing leases.

(b) *Property Management*

The Group engaged Savills Property Management Limited to manage The Toy House and Playmates Factory Building in 2010. 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 was about HK\$11.9 million, a decrease of 3.7% from last year (2011: HK\$12.4 million). The decrease was mainly due to the planned partial vacancy of The Toy House during 2012.

(c) *Food & Beverage Business*

Turnover generated from the food and beverage business for the year increased by 7.1% to HK\$35.2 million (2011: HK\$32.9 million). Each Group restaurant recorded improved turnover during the year, which can be attributable to an increase in consumer spending and a growing customer base. For the second consecutive year, Fandango was listed in the “Michelin Guide Hong Kong and Macau” with positive reviews on its quality and Spanish authenticity. During the year, Wa-En and Zenpachi were both successful in further strengthening their specialty Japanese cuisine positioning in Tsimshatsui.

Despite an uncertain external economic environment, management maintains a favorable long term view of the real estate market and retail sector in Hong Kong, and a positive outlook for our property investments and associated businesses. We will maintain our strategic objective of seeking investment returns through capital appreciation and growth in recurring income.

Playmates Toys

Playmates Toys group worldwide turnover for the year ended 31 December 2012 was HK\$372 million (2011: HK\$45 million), an increase of 727% compared to the prior year. The majority of our new products launched in the second half of 2012, notably the *Teenage Mutant Ninja Turtles*® line of toys, performed well at retail and achieved intended sales results. Playmates Toys reported an operating profit of HK\$52 million (2011: operating loss HK\$86 million).

Gross profit ratio on toy sales was 60.3% (2011: 28.6%). The improvement in gross profit ratio was attributable to a significant increase in sales volume of products with higher margin and more efficient utilization of investments in product design, development and tooling. Recurring operating expenses were higher than last year, reflecting increases in marketing, selling and distribution expenses to support the significantly higher sales volume, yet administration expenses were managed to similar level as in 2011.

Based on the sustained positive market response to its program in the beginning months of this year, management is optimistic that Playmates Toys can achieve further improvement in its operating results in 2013.

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 income.

Faced with an uncertain global economic outlook, management substantially reduced the Group's exposure to equities during 2012. As at 31 December 2012, fair market value of the Group's investment portfolio was HK\$33.0 million (2011: HK\$156.3 million). The Group reported a net gain from investments of approximately HK\$35.3 million. In comparison, a net loss from investments of approximately HK\$44.1 million was recorded in 2011. In 2012, dividend and interest income generated from portfolio investments were around HK\$3.4 million (2011: HK\$5.0 million) and has been included in the revenue of the Group.

In light of continued uncertainties in the global capital markets, the Group will remain vigilant in monitoring and adjusting the investment portfolio.

FINANCIAL ANALYSIS

The toy business is inherently seasonal in nature. In general, sales in the second half-year are much 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 31 December 2012, trade receivables related to toy operation were HK\$177,304,000 (2011: HK\$7,144,000) and inventories related to toy operation were at a seasonal low level of HK\$21,783,000 (2011: HK\$2,127,000) or 5.9% (2011: 4.7%) of turnover of toy operation.

The property investments and associated businesses generated a relatively steady income stream throughout the year. Approximately 90% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 31 December 2012. Accounts receivables were minimal as at the year end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2012 was 10.6% compared to 14.9% at 31 December 2011. The current ratio, calculated as the ratio of current assets to current liabilities, was 1.2 at 31 December 2012 compared to 1.4 at 31 December 2011.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 31 December 2012, the Group's cash and bank balances were HK\$465,772,000 (2011: HK\$466,521,000), and the amount invested in various securities was HK\$32,968,000 (2011: HK\$156,261,000).

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year, 9,966,000 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$2.66 to HK\$4.05 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 former Code on Corporate Governance Practices (effective until 31 March 2012) and the new Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2012, 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 consolidated financial information for the year ended 31 December 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18 April 2013 to 19 April 2013, 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 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong no later than 4:30 p.m. on 17 April 2013.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 28 March 2013

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*)