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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 2012

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Highlights

<b>For the six months ended 30 June</b>	<b>2012 HK\$'000</b>	<b>2011 HK\$'000</b>
Group revenue	<b>84,926</b>	75,552
- from property investments and associated businesses	<b>58,428</b>	55,109
- from investment business	<b>2,037</b>	2,725
- from toy business	<b>24,461</b>	17,718
Gross profit	<b>58,498</b>	53,502
Revaluation surplus on investment properties	<b>474,673</b>	363,208
Operating profit	<b>499,014</b>	349,438
Profit before income tax	<b>491,117</b>	342,353
Profit attributable to equity holders of the Company	<b>504,262</b>	365,053
	<b>HK\$</b>	<b>HK\$</b>
Earnings per share		
- Basic	<b>2.05</b>	1.43
- Diluted	<b>2.05</b>	1.43
Interim dividend per share	<b>0.05</b>	0.05

##### Property Investments and Associated Businesses

The property investments and associated businesses recorded a 6.0% growth in revenue to about HK\$58.4 million (2011: HK\$55.1 million) in 2012 compared to the same period last year. Revenue from the property investments and property management businesses increased by 2.5% to approximately HK\$40.8 million (2011: HK\$39.8 million), while revenue from the food and beverage business increased by 15.3% to about HK\$17.6 million (2011: HK\$15.3 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of about HK\$3.5 billion (fair value as at 31 December 2011: about HK\$3.0 billion). A revaluation surplus of HK\$474.7 million was reported in the consolidated income statement of the Group. Segment operating profit was HK\$500.3 million including revaluation surplus, compared to HK\$395.2 million (including revaluation surplus of HK\$363.2 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 about 92% as of 30 June 2012 as compared to 94% as of 31 December 2011. 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 remained around HK\$21.3 million. With the implementation of the longer term development plans in the West Kowloon waterfront area, Canton Road has been firmly established as a luxury shopping, entertainment and dining destination. More and more prominent global brands have opened flagship stores in the area which have continued to attract affluent shoppers. We have entered into a long term lease agreement with a leading global brand to operate a flagship retail store in the building starting from 2013. We are optimistic that the value and recurring rental income of The Toy House will benefit from these developments over the next few years.

**(ii) *Hillview***

Rental income generated by the residential properties at Hillview was about HK\$7.0 million, a decrease of 7.3%, as compared to HK\$7.6 million of the same period last year. Ongoing construction works on two adjoining sites had a negative impact on leasing activity and occupancy rate of this property during the first half of 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 increased by 25.1% to about HK\$5.9 million as compared to HK\$4.7 million of the same period last year. Rental increases from lease renewals during 2012 reflect the strong demand for industrial space in Tuen Mun. The occupancy rate of the property 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 since 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 remained slightly above HK\$6.2 million.

(c) **Food & Beverage Business**

Revenue generated from the food and beverage business for the first half of 2012 increased by 15.3% to about HK\$17.6 million (same period in 2011: HK\$15.3 million). During the period under review, each of the three restaurants recorded a similar percentage increase in turnover, reflecting an increase in local consumer spending and a growing customer base.

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 worldwide sales during the first half of 2012 were HK\$24.5 million (same period in 2011: HK\$17.7 million). Sales comparison versus prior year reflected the combined result of continuing brand performing better than same period last year and initial shipments of new brands planned for launch in the second half of the year.

Gross profit ratio on toy sales was 32.5% (same period in 2011: 26.9%). The higher gross profit ratio was mainly the result of relatively lower level of expenses incurred on development of new products, offset by higher level of tooling expenses recognised for new products commencing shipment during the period, compared to same period last year.

Consistent with Playmates Toys' stated operating priority to control and reduce costs, operating expenses were lower by 15.1% when compared to the same period last year. Playmates Toys reported a net loss after tax for the period of HK\$40.6 million (same period in 2011: net loss after tax of HK\$53.0 million) as a combined result of higher sales, higher gross profit ratio and lower operating expenses.

In the first half of 2012, Playmates Toys' key markets in North America and Europe continued to struggle in a fragile and uncertain recovery from the 2008 recession. The lack of a resolution for the Euro zone debt crisis remained a serious threat to the global economy. In the US, consumer confidence languished at historically low levels as unemployment rate stayed high and manufacturing activities slowed. In China, where Playmates Toys sourced its finished products, manufacturing costs were kept high despite slower growth as a result of tight labor supply and the impact of increasingly stringent consumer safety standards on design and material requirement. Market reports indicated that retail sales in the US for the toy industry in the first half of 2012 were down in dollar terms by about 7% compared to the same period last year. The difficult macro operating environment is expected to persist in the second half of 2012.

While significant uncertainties and challenges remain in its operating environment, Playmates Toys maintain the cautiously optimistic outlook that new product launches in the second half of the year, notably *Teenage Mutant Ninja Turtles*<sup>®</sup>, are expected to begin to make noticeable and positive contributions to the performance of the group. Playmates Toys will continue to prudently invest in and manage the portfolio of new and continuing brands.

## **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 the first half of 2012. As at 30 June 2012, fair market value of the Group's investment portfolio was HK\$25.9 million (HK\$156.3 million as at 31 December 2011). The Group reported a net gain from investments of approximately HK\$28.0 million. In comparison, a net loss from investments of approximately HK\$8.3 million was recorded for the same period in 2011. In the first half of 2012, dividend and interest income generated from portfolio investments were HK\$2.0 million (HK\$2.7 million in the first half of 2011) 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.

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Note	Unaudited Six months ended 30 June		
		2012 US\$'000 (Note 9)	2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>	2	<b>10,888</b>	<b>84,926</b>	75,552
Cost of sales		(3,388)	(26,428)	(22,050)
<b>Gross profit</b>		<b>7,500</b>	<b>58,498</b>	53,502
Marketing expenses		(504)	(3,935)	(9,858)
Selling and distribution expenses		(165)	(1,290)	(697)
Administration expenses		(7,301)	(56,945)	(48,441)
Net gain/(loss) on financial assets at fair value through profit or loss		3,591	28,013	(8,276)
Revaluation surplus on investment properties		60,855	474,673	363,208
<b>Operating profit</b>		<b>63,976</b>	<b>499,014</b>	349,438
Other income		129	1,009	348
Finance costs		(684)	(5,342)	(4,051)
Share of loss of an associated company		(457)	(3,564)	(3,382)
<b>Profit before income tax</b>	3	<b>62,964</b>	<b>491,117</b>	342,353
<b>Income tax expense</b>	4	<b>(523)</b>	<b>(4,080)</b>	(3,562)
<b>Profit for the period</b>		<b>62,441</b>	<b>487,037</b>	338,791
<b>Profit for the period attributable to:</b>				
Equity holders of the Company		64,649	504,262	365,053
Non-controlling interests		(2,208)	(17,225)	(26,262)
		<b>62,441</b>	<b>487,037</b>	338,791
		US\$	HK\$	HK\$
<b>Earnings per share</b>	6			
Basic		<b>0.26</b>	<b>2.05</b>	1.43
Diluted		<b>0.26</b>	<b>2.05</b>	1.43

**Condensed Consolidated Statement of Comprehensive Income**  
*For the six months ended 30 June 2012*

	<b>Unaudited</b>		
	<b>Six months ended 30 June</b>		
	<b>2012</b>	<b>2012</b>	2011
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 9)</i>		
<b>Profit for the period</b>	<b>62,441</b>	<b>487,037</b>	338,791
<b>Other comprehensive income:</b>			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	<u>(99)</u>	<u>(772)</u>	(961)
<b>Total comprehensive income for the period</b>	<b><u>62,342</u></b>	<b><u>486,265</u></b>	<u>337,830</u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	<b>64,550</b>	<b>503,490</b>	364,092
Non-controlling interests	<u>(2,208)</u>	<u>(17,225)</u>	(26,262)
	<b><u>62,342</u></b>	<b><u>486,265</u></b>	<u>337,830</u>

## Condensed Consolidated Balance Sheet

As at 30 June 2012

		Unaudited 30 June 2012 US\$'000 (Note 9)	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
<b>Non-current assets</b>				
Fixed assets				
- Investment properties		446,035	3,479,069	2,972,369
- Other property, plant and equipment		18,121	141,344	144,710
		464,156	3,620,413	3,117,079
Goodwill		766	5,976	5,976
Interest in an associated company		1,748	13,634	17,198
Deferred tax assets		146	1,140	1,053
		466,816	3,641,163	3,141,306
<b>Current assets</b>				
Inventories		2,093	16,328	2,717
Trade receivables	7	2,582	20,138	8,319
Deposits paid, other receivables and prepayments		2,142	16,710	11,818
Taxation recoverable		20	155	400
Financial assets at fair value through profit or loss		3,314	25,851	156,261
Cash and bank balances		67,953	530,031	466,521
		78,104	609,213	646,036
<b>Current liabilities</b>				
Bank loans		46,641	363,800	345,571
Trade payables	8	2,598	20,263	8,599
Deposits received, other payables and accrued charges		16,020	124,953	97,030
Provisions		448	3,498	5,147
Taxation payable		519	4,048	1,193
		66,226	516,562	457,540
<b>Net current assets</b>		<b>11,878</b>	<b>92,651</b>	188,496
<b>Total assets less current liabilities</b>		<b>478,694</b>	<b>3,733,814</b>	3,329,802

	<b>Unaudited</b> <b>30 June</b> <b>2012</b> <i>US\$'000</i> <i>(Note 9)</i>	<b>Unaudited</b> <b>30 June</b> <b>2012</b> <i>HK\$'000</i>	Audited 31 December 2011 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank loans	24,474	190,900	219,000
Deferred tax liabilities	3,503	27,323	26,256
	<u>27,977</u>	<u>218,223</u>	<u>245,256</u>
<b>Net assets</b>	<u>450,717</u>	<u>3,515,591</u>	<u>3,084,546</u>
<b>Equity</b>			
Share capital	3,109	24,250	24,730
Reserves	441,195	3,441,322	3,000,699
Declared dividends	1,526	11,901	12,335
<b>Equity attributable to the equity holders of the Company</b>	<u>445,830</u>	<u>3,477,473</u>	<u>3,037,764</u>
<b>Non-controlling interests</b>	<u>4,887</u>	<u>38,118</u>	<u>46,782</u>
<b>Total equity</b>	<u>450,717</u>	<u>3,515,591</u>	<u>3,084,546</u>



## 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 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 2011 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 2011, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2012.

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

### 2. Segment information

#### 2.1 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 2012 are as follows:

	<b>Property investments and associated businesses HK\$'000</b>	<b>Investment business HK\$'000</b>	<b>Toy business HK\$'000</b>	<b>Total HK\$'000</b>
Gross segment revenue	62,080	2,037	24,461	88,578
Inter-segment revenue	(3,652)	-	-	(3,652)
<b>Revenue from external customers</b>	<b>58,428</b>	<b>2,037</b>	<b>24,461</b>	<b>84,926</b>
Segment profit/(loss) before depreciation	504,221	30,050	(32,740)	501,531
Depreciation	(3,925)	-	(417)	(4,342)
<b>Segment operating profit/(loss)</b>	<b>500,296</b>	<b>30,050</b>	<b>(33,157)</b>	<b>497,189</b>
Other income	-	-	1,009	1,009
Finance costs	(4,906)	(56)	(215)	(5,177)
Share of loss of an associated company	-	-	(3,564)	(3,564)
	(4,906)	(56)	(2,770)	(7,732)
<b>Segment profit/(loss) before income tax</b>	<b>495,390</b>	<b>29,994</b>	<b>(35,927)</b>	<b>489,457</b>
Unallocated corporate expenses				<b>1,660</b>
<b>Profit before income tax</b>				<b>491,117</b>

The segment results for the six months ended 30 June 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	58,766	2,725	17,718	79,209
<u>Inter-segment revenue</u>	<u>(3,657)</u>	<u>-</u>	<u>-</u>	<u>(3,657)</u>
Revenue from external customers	55,109	2,725	17,718	75,552
Segment profit/(loss) before depreciation	399,123	(1,649)	(42,766)	354,708
<u>Depreciation</u>	<u>(3,927)</u>	<u>-</u>	<u>(932)</u>	<u>(4,859)</u>
<u>Segment operating profit/(loss)</u>	<u>395,196</u>	<u>(1,649)</u>	<u>(43,698)</u>	<u>349,849</u>
Other income	-	-	348	348
Finance costs	(3,006)	(108)	(807)	(3,921)
Share of loss of an associated company	-	-	(3,382)	(3,382)
	<u>(3,006)</u>	<u>(108)</u>	<u>(3,841)</u>	<u>(6,955)</u>
Segment profit/(loss) before <u>income tax</u>	<u>392,190</u>	<u>(1,757)</u>	<u>(47,539)</u>	<u>342,894</u>
Unallocated corporate expenses				<u>(541)</u>
Profit before income tax				<u>342,353</u>

The segment assets and liabilities as at 30 June 2012 are as follows:

	<b>Property investments and associated businesses</b>	<b>Investment business</b>	<b>Toy business</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	3,636,858	360,335	235,195	4,232,388
<u>Interest in an associated company</u>	-	-	13,634	<u>13,634</u>
<b>Total reportable segment assets</b>	<b>3,636,858</b>	<b>360,335</b>	<b>248,829</b>	<b>4,246,022</b>
Inter-segment elimination	-	-	(475)	(475)
Deferred tax assets				1,140
Taxation recoverable				155
Unallocated assets				<u>3,534</u>
<b>Total assets</b>				<b><u>4,250,376</u></b>
<b>Reportable segment liabilities</b>	<b>583,947</b>	<b>-</b>	<b>118,538</b>	<b>702,485</b>
Inter-segment elimination	(475)	-	-	(475)
Deferred tax liabilities				27,323
Taxation payable				4,048
Unallocated liabilities				<u>1,404</u>
<b>Total liabilities</b>				<b><u>734,785</u></b>

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	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>

## 2.2 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 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	
	Six months ended 30 June 2012 HK\$'000	2011 HK\$'000	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Hong Kong (place of domicile)	<b>60,300</b>	57,109	<b>3,426,772</b>	2,940,846
Americas				
- U.S.A.	<b>20,494</b>	10,618	<b>955</b>	1,129
- Others	<b>3,562</b>	56	-	-
Europe	<b>206</b>	6,114	<b>212,296</b>	198,278
Asia Pacific other than Hong Kong	<b>354</b>	752	-	-
Others	<b>10</b>	903	-	-
	<b>24,626</b>	18,443	<b>213,251</b>	199,407
	<b>84,926</b>	75,552	<b>3,640,023</b>	3,140,253

## 2.3 Major customers

The Group's customer base is diversified. For the period ended 30 June 2012, there was one customer of the toy business with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to this customer amounted to approximately HK\$14 million. For the period ended 30 June 2011, there was no customer with whom transactions have exceeded 10% of the Group's total revenue.

### 3. Profit before income tax

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Cost of inventories sold	14,481	12,495
Product development costs	2,122	4,179
Royalties paid	1,544	5,647
Employee benefit expenses	32,578	32,333
Depreciation of other property, plant and equipment	4,705	5,222
Loss on disposal of other property, plant and equipment	-	50

### 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 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	
	2012	2011
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	3,100	3,400
Under provision in prior years – Hong Kong	-	10
	<u>3,100</u>	<u>3,410</u>
Deferred taxation		
Origination and reversal of temporary differences	980	152
Income tax expense	<u>4,080</u>	<u>3,562</u>

## 5. Dividends

At a meeting held on 23 March 2012, the directors declared a second interim dividend of HK\$0.05 per share, which was paid on 27 April 2012.

At a meeting held on 31 August 2012, the directors declared an interim dividend of HK\$0.05 (2011: HK\$0.05) per share to be paid on 3 October 2012 to shareholders on the Company's Register of Members on 21 September 2012. This declared dividend declared after balance sheet date has not been recognised as liabilities in this condensed consolidated financial information, but reflected as an appropriation of retained profits for the six months ended 30 June 2012.

## 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\$504,262,000 (2011: HK\$365,053,000) and the weighted average number of ordinary shares of 245,560,000 (2011: 255,792,000) 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\$504,262,000 (2011: HK\$365,053,000) and the weighted average number of ordinary shares of 245,578,000 (2011: 255,808,000) in issue during the period, adjusted for the effects of 18,000 (2011: 16,000) dilutive potential shares on exercise of share options.

## 7. Trade receivables

	<b>30 June</b> <b>2012</b> <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>
Trade receivables	<b>20,191</b>	8,379
Less: Allowance for customer concession	<b>(53)</b>	(60)
	<hr/> <b>20,138</b>	<hr/> 8,319

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 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:

	<b>30 June</b> <b>2012</b> <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>
0 – 30 days	<b>19,490</b>	7,819
31 – 60 days	<b>286</b>	293
Over 60 days	<b>362</b>	207
	<hr/> <b>20,138</b>	<hr/> 8,319

#### **8. Trade payables**

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

	<b>30 June</b> <b>2012</b> <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>
0 – 30 days	<b>19,795</b>	6,869
31 – 60 days	<b>70</b>	1,202
Over 60 days	<b>398</b>	528
	<hr/> <b>20,263</b>	<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\$7.8 to US\$1 ruling at 30 June 2012.

## **FINANCIAL ANALYSIS**

The property investments and associated businesses generated a relatively steady income stream throughout the period. Approximately 92% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 30 June 2012. Accounts receivables were minimal as at the period end.

The investment portfolio includes listed equity and managed funds. As at 30 June 2012, the Group's investment portfolio amounts to HK\$25,851,000 (31 December 2011: HK\$156,261,000) of which approximately 61% (31 December 2011: 94%) are listed equity.

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 30 June 2012, trade receivables related to toy business were HK\$19,168,000 (31 December 2011: HK\$7,144,000) and inventories were HK\$15,800,000 (31 December 2011: HK\$2,127,000). The higher trade receivables and inventories at interim period end resulted from a pickup in customer orders and shipments starting in the second quarter of 2012.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2012 was 13.1% 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 30 June 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 30 June 2012, the Group's cash and bank balances were HK\$530,031,000 (31 December 2011: HK\$466,521,000).

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the period, 8,630,000 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$2.66 to HK\$3.60 per share through the Stock Exchange.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and 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 of Hong Kong Limited throughout the six months ended 30 June 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 roles of the chairman and chief executive officer should be separate, the Chairman focuses on Group strategy and is responsible for ensuring all key issues are considered by the board in a timely manner; whereas the executive directors supported by the senior executives are responsible for running the business operations of the Group. The board considers that this structure is 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 2012.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 20 September 2012 to 21 September 2012, 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 19 September 2012.

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

Hong Kong, 31 August 2012

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*)