



2015

INTERIM REPORT!



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MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2015 HK\$'000	2014 HK\$'000
Revenue	687,679	835,235
Gross profit	434,279	517,501
Operating profit	215,080	266,882
Profit before income tax	210,545	263,914
Income tax expense	(54,206)	(88,410)
Profit attributable to equity holders of the Company	156,339	175,504
Earnings per share	HK cents	HK cents
– Basic	13.18	14.93
– Diluted	13.04	14.59
Interim dividend per share	5.00	5.00

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

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

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

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

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

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

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 be popular among the core boys' audience. Rollout of Season 3 will continue through the end of September in the US, with Season 4 premiering in October 2015 with an exciting new theme. Nickelodeon will also launch an hour-long *Half-Shell Heroes* TV special this November, developed specifically for younger *TMNT* fans.

Following up on the box office hit last summer, Paramount Pictures will release the next *TMNT* movie in summer 2016. Lead actors Megan Fox and Will Arnett will return as April O'Neil and Vern Fenwick, respectively, joined by a number of exciting legacy characters in the *TMNT* universe, including Bebop, Rocksteady and Casey Jones!

Driven by the sustained popularity of the TV show, as well as the introduction of significant new product segments such as *Half-Shell Heroes* and *Mutations*, Playmates' *TMNT* toys continued to perform well at retail in the US, despite competition from several major action adventure movies released during spring and summer. According to NPD and trade reports, *TMNT* continued to rank among the top selling boy's action toy brands in the US and key international markets during the first half of 2015.

New Brands

Ben 10. Playmates Toys will serve as the global master toy partner for Cartoon Network's re-launch of ***Ben 10***, a powerful franchise with proven ratings and merchandise success around the world. The new ***Ben 10*** animated TV series will premiere in selected markets in fall 2016 and across North America in 2017, followed by the launch of our ***Ben 10*** toy line in fall 2017.

Mysticons. Playmates Toys will be the global master toy partner for ***Mysticons***, a brand new animated Girls Action TV series developed by Nelvana Studio, in partnership with Nickelodeon and The Topps Company. ***Mysticons*** will debut globally in 2017.

We remain committed to the proven strategy of focusing our resources and efforts to manage our established brands for long term profitability, while actively but selectively identifying and acquiring new investment opportunities.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Note	Unaudited		
		Six months ended 30 June		
		2015	2015	2014
		US\$'000	HK\$'000	HK\$'000
		(Note 16)		
Revenue	3	88,733	687,679	835,235
Cost of sales		(32,697)	(253,400)	(317,734)
Gross profit		56,036	434,279	517,501
Marketing expenses		(17,053)	(132,161)	(152,057)
Selling and distribution expenses		(3,796)	(29,416)	(38,623)
Administration expenses		(7,435)	(57,622)	(59,939)
Operating profit		27,752	215,080	266,882
Other net (loss)/income		(362)	(2,806)	2,081
Finance costs		(369)	(2,857)	(3,397)
Share of profit/(loss) of an associated company		146	1,128	(1,652)
Profit before income tax	4	27,167	210,545	263,914
Income tax expense	5	(6,994)	(54,206)	(88,410)
Profit for the period and total comprehensive income for the period attributable to equity holders of the Company		20,173	156,339	175,504
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7			
Basic		1.70	13.18	14.93
Diluted		1.68	13.04	14.59

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

		Unaudited 30 June 2015 US\$'000 (Note 16)	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Non-current assets				
Property, plant and equipment	8	609	4,722	4,339
Interest in an associated company		805	6,242	5,114
Deferred tax assets		7,412	57,440	48,502
		<u>8,826</u>	<u>68,404</u>	<u>57,955</u>
Current assets				
Inventories		8,719	67,569	44,165
Trade receivables	9	31,317	242,703	529,727
Deposits paid, other receivables and prepayments		2,457	19,047	19,567
Financial assets at fair value through profit or loss		3,990	30,926	–
Cash and bank balances		127,425	987,543	785,784
		<u>173,908</u>	<u>1,347,788</u>	<u>1,379,243</u>
Current liabilities				
Trade payables	10	11,480	88,972	77,734
Deposits received, other payables and accrued charges	11	14,394	111,554	193,223
Provisions		3,413	26,448	45,819
Taxation payable		14,366	111,338	84,061
		<u>43,653</u>	<u>338,312</u>	<u>400,837</u>
Net current assets		<u>130,255</u>	<u>1,009,476</u>	<u>978,406</u>
Net assets		<u>139,081</u>	<u>1,077,880</u>	<u>1,036,361</u>
Equity				
Share capital	12	1,564	12,122	12,062
Reserves		129,696	1,005,143	903,675
Declared dividends	6	7,821	60,615	120,624
Total equity		<u>139,081</u>	<u>1,077,880</u>	<u>1,036,361</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015

	Unaudited		
	Six months ended 30 June		
	2015	2015	2014
	US\$'000	HK\$'000	HK\$'000
	(Note 16)		
Operating activities			
Cash generated from operations	50,193	388,993	323,866
Overseas tax paid	(4,583)	(35,518)	(46,165)
Net cash generated from operating activities	45,610	353,475	277,701
Investing activities			
Purchases of financial assets at fair value through profit or loss	(6,715)	(52,039)	–
Proceeds from disposal of financial assets at fair value through profit or loss	2,241	17,366	–
Other cash flows arising from investing activities	(38)	(293)	285
Net cash (used in)/generated from investing activities	(4,512)	(34,966)	285
Financing activities			
Dividends paid	(15,592)	(120,842)	(179,949)
Issue of shares	528	4,092	12,567
Net cash used in financing activities	(15,064)	(116,750)	(167,382)
Net increase in cash and cash equivalents	26,034	201,759	110,604
Cash and cash equivalents at 1 January	101,391	785,784	519,563
Cash and cash equivalents at 30 June	127,425	987,543	630,167
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	127,425	987,543	630,167

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Unaudited						
	Share capital	Share premium	Capital reserve	Exchange reserve	Share-based compensation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	11,798	328,510	167,613	(17)	19,067	224,772	751,743
Profit for the period and 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	-	(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)
At 30 June 2014	11,998	360	351,576	(17)	13,317	400,276	777,510

	Unaudited						
	Share capital	Share premium	Capital reserve	Exchange reserve	Share-based compensation reserve	Retained profits	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2015	<u>12,062</u>	<u>7,851</u>	<u>289,547</u>	<u>(548)</u>	<u>12,005</u>	<u>715,444</u>	<u>1,036,361</u>
Profit for the period and total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,339</u>	<u>156,339</u>
Share option scheme							
– value of services	-	-	-	-	1,581	-	1,581
– shares issued	60	6,930	-	-	(2,898)	-	4,092
– share options lapsed	-	-	-	-	(38)	38	-
2014 second interim dividend paid	-	-	(60,421)	-	-	-	(60,421)
2014 special interim dividend paid	-	-	(60,421)	-	-	-	(60,421)
Tax benefits arising from share option scheme in overseas tax jurisdiction	<u>-</u>	<u>-</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349</u>
Transactions with owners	<u>60</u>	<u>6,930</u>	<u>(120,493)</u>	<u>-</u>	<u>(1,355)</u>	<u>38</u>	<u>(114,820)</u>
At 30 June 2015	<u>12,122</u>	<u>14,781</u>	<u>169,054</u>	<u>(548)</u>	<u>10,650</u>	<u>871,821</u>	<u>1,077,880</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 (“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 2014 annual financial statements.

The accounting policies used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2014, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group’s results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment information

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 2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	30 June 2015 <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>
Hong Kong (place of domicile)	<u>162</u>	<u>1,441</u>	<u>7,743</u>	<u>6,808</u>
Americas				
– U.S.A.	533,996	561,944	3,221	2,645
– Others	29,224	65,006	–	–
Europe	78,384	151,341	–	–
Asia Pacific other than Hong Kong	41,418	51,678	–	–
Others	<u>4,495</u>	<u>3,825</u>	<u>–</u>	<u>–</u>
	<u>687,517</u>	<u>833,794</u>	<u>3,221</u>	<u>2,645</u>
	<u>687,679</u>	<u>835,235</u>	<u>10,964</u>	<u>9,453</u>

3.2 Major customers

The Group's customer base is diversified and includes three (2014: three) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK\$236.7 million, HK\$142.7 million and HK\$87.3 million (2014: HK\$254.6 million, HK\$131.8 million and HK\$95.4 million) respectively.

4. Profit before income tax

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Cost of inventories sold	233,586	296,186
Product development costs	4,694	3,466
Royalties paid	89,140	113,961
Directors' and staff remunerations	32,748	34,038
Depreciation of property, plant and equipment	852	370
	<u>361,620</u>	<u>788,001</u>

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Overseas, 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	
	2015	2014
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	27,353	47,940
Overseas taxation	28,986	31,554
Under provision in prior years – overseas	6,455	2,585
	<u>62,794</u>	<u>82,079</u>
Deferred taxation		
Origination and reversal of temporary differences	(8,588)	6,331
	<u>(8,588)</u>	<u>6,331</u>
Income tax expense	<u>54,206</u>	<u>88,410</u>

6. Dividends

6.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared after the interim period of HK\$0.05 (2014: HK\$0.05) per share	<u>60,615</u>	<u>60,277</u>

At a meeting held on 21 August 2015, the board of directors declared an interim dividend of HK\$0.05 per share to be paid on 30 September 2015 to shareholders on the Company's Register of Members on 16 September 2015. This interim dividend declared after the end of the reporting period has not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2015.

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK\$0.05 (2014: HK\$nil) per share	60,421	–
Special interim dividend of HK\$0.05 (2014: HK\$nil) per share	60,421	–
Interim dividend of HK\$nil (2014: HK\$0.05) per share	–	59,983
Special dividend of HK\$nil (2014: HK\$0.10) per share	–	119,966
	<u>120,842</u>	<u>179,949</u>

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\$156,339,000 (2014: HK\$175,504,000) and the weighted average number of ordinary shares of 1,185,963,000 shares (2014: 1,175,730,000 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\$156,339,000 (2014: HK\$175,504,000) and the weighted average number of ordinary shares of 1,198,898,000 shares (2014: 1,202,942,000 shares) in issue during the period, adjusted for the effects of 12,935,000 (2014: 27,212,000) 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 2015	4,339
Additions	1,235
Depreciation	(852)
	<hr/>
Closing net book amount as at 30 June 2015	4,722
	<hr/> <hr/>
Opening net book amount as at 1 January 2014	1,172
Additions	1,796
Depreciation	(370)
	<hr/>
Closing net book amount as at 30 June 2014	2,598
Additions	2,319
Depreciation	(578)
	<hr/>
Closing net book amount as at 31 December 2014	4,339
	<hr/> <hr/>

9. Trade receivables

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Trade receivables	245,482	531,731
Less: Allowance for customer concession	(775)	–
Less: Allowance for impairment	(2,004)	(2,004)
	<u>242,703</u>	<u>529,727</u>

The Group grants credits to retail customers to facilitate the sale of slow moving merchandise held by such customers. Such allowance for customer concession is arrived at by using available contemporary and historical information to evaluate the exposure.

The normal trade terms with customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
0 – 30 days	233,176	515,580
31 – 60 days	2,181	4,713
Over 60 days	7,346	9,434
	<u>242,703</u>	<u>529,727</u>

10. Trade payables

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
0 – 30 days	84,208	76,067
31 – 60 days	4,544	517
Over 60 days	220	1,150
	<u>88,972</u>	<u>77,734</u>

11. Deposits received, other payables and accrued charges

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Deposits from customers and distributors	25,987	27,319
Accrued product development, sales, marketing and distribution expenses	13,515	19,148
Accrued royalties	49,364	90,326
Accrued directors' and staff remunerations	4,926	39,591
Withholding tax payable	15,293	11,525
Accrued administrative expenses and professional fees	2,469	5,314
	<u>111,554</u>	<u>193,223</u>

12. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2014 and 30 June 2015	<u>3,000,000,000</u>	<u>30,000</u>
	Issued and fully paid Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2014	1,179,751,500	11,798
Exercise of share options	26,498,000	264
At 31 December 2014 and 1 January 2015	<u>1,206,249,500</u>	<u>12,062</u>
Exercise of share options	5,938,500	60
At 30 June 2015	<u>1,212,188,000</u>	<u>12,122</u>

13. Fair value measurement of financial instruments

13.1 Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 30 June 2015

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment outside Hong Kong	<u>30,926</u>	<u>–</u>	<u>–</u>	<u>30,926</u>

As at 31 December 2014, the Group did not have any financial assets and liabilities measured at fair value.

During the six months ended 30 June 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

13.2 Financial assets and liabilities not reported at fair value

The carrying amounts of the Group's financial assets and liabilities (comprising trade receivables, deposits paid and other receivables, trade payables, and other payables and accrued charges carried at amortised cost) approximate their fair values as at 30 June 2015 and 31 December 2014.

14. Commitments

14.1 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 2015 were payable as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within one year	26,153	21,968
In the second to fifth years	114,777	29,062
After five years	11,625	–
	152,555	51,030

14.2 Operating lease commitments

The Group acts as lessee under operating leases for its office and warehouse locations. At 30 June 2015, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by the Group were as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within one year	6,828	6,859
In the second to fifth years	13,602	5,239
After five years	1,473	–
	21,903	12,098

15. Related party transactions

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rent and building management fee paid to fellow subsidiaries, Bagnols Limited and Belmont Limited	3,146	3,130

15.2 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).

16. US dollar equivalents

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

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 2015, trade receivables were HK\$242,703,000 (31 December 2014: HK\$529,727,000) and inventories were HK\$67,569,000 (31 December 2014: HK\$44,165,000). The higher inventories at interim period end reflected the seasonal build-up of inventories to fulfil existing and expected customer orders.

The associated company reported profits for the period. As at 30 June 2015, the interest in an associated company was HK\$6,242,000 (31 December 2014: HK\$5,114,000).

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 4.0 at 30 June 2015 compared to 3.4 at 31 December 2014.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 30 June 2015, the Group's cash and bank balances were HK\$987,543,000 (31 December 2014: HK\$785,784,000), of which HK\$956,239,000 (31 December 2014: HK\$735,687,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar. During the period, certain surplus cash was held in listed equities as treasury investments. As at 30 June 2015, the Group's treasury investment in listed equities amounted to HK\$30,926,000 (31 December 2014: HK\$nil).

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 2015, the Group had a total of 69 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 2015	Exercised during the period (Notes (1) & (2))	Lapsed during the period	Balance at 30 June 2015
CHENG Bing Kin,	13 April 2012	0.415	250,000	250,000	–	–
Alain	15 May 2013	0.930	900,000	450,000	–	450,000
<i>Director</i>						
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,	13 April 2012	0.415	250,000	–	–	250,000
Rin	15 May 2013	0.930	525,000	–	–	525,000
<i>Director</i>						
TO Shu Sing, Sidney	13 April 2012	0.415	300,000	300,000	–	–
<i>Director</i>	15 May 2013	0.930	971,000	480,000	–	491,000
YANG, Victor	13 April 2012	0.415	125,000	–	–	125,000
<i>Director</i>	15 May 2013	0.930	525,000	–	–	525,000
<i>Continuous Contract</i>	31 March 2008	0.316	27,000	–	–	27,000
<i>Employees,</i>	20 January 2010	0.828	1,098,000	51,000	–	1,047,000
<i>excluding</i>	18 April 2011	0.315	582,000	6,000	–	576,000
<i>Directors</i>	13 April 2012	0.415	3,538,000	1,384,500	–	2,153,500
	15 May 2013	0.930	8,552,500	1,764,000	–	6,788,500

Participant	Date of grant	Exercise Price HK\$	Number of share options			
			Balance at 1 January 2015	Exercised during the period <i>(Notes (1) & (2))</i>	Lapsed during the period	Balance at 30 June 2015
<i>Other Participants</i>	20 January 2010	0.828	443,000	–	–	443,000
	30 March 2010	0.673	1,110,000	–	–	1,110,000
	18 April 2011	0.315	950,000	200,000	–	750,000
	13 April 2012	0.415	2,737,000	588,000	–	2,149,000
	15 May 2013	0.930	3,992,000	465,000	60,000	3,467,000

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\$1.89 and HK\$1.92 respectively.
- (2) The weighted average closing price 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 and Mr. To Shu Sing, Sidney during the period was HK\$1.90.

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 2015, 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

Name of Director	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Corporate <i>(Note (a))</i>	596,000,000 ordinary shares	49.17%
CHENG Bing Kin, Alain	Personal	1,207,000 ordinary shares	0.10%
CHOW Yu Chun, Alexander	Personal	2,038,000 ordinary shares	0.17%
LEE Ching Kwok, Rin	Personal	1,090,000 ordinary shares	0.09%
TO Shu Sing, Sidney	Personal	9,380,000 ordinary shares	0.77%
YANG, Victor	Personal	1,215,000 ordinary shares	0.10%

Long positions in underlying shares and debentures of the Company

Name of Director	Nature of interest	Number of equity derivatives held	Number of underlying shares <i>(ordinary shares)</i>	Percentage interest held
CHENG Bing Kin, Alain	Personal	450,000 share options	450,000 shares	0.04%
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	491,000 share options	491,000 shares	0.04%
YANG, Victor	Personal	650,000 share options	650,000 shares	0.05%

Long positions in shares of Playmates Holdings Limited (“PHL”)

Name of Director	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	12,000,000 ordinary shares	5.28%
	Corporate <i>(Note (b))</i>	92,000,000 ordinary shares	40.46%
	Associate <i>(Note (c))</i>	11,000,000 ordinary shares	4.84%
CHENG Bing Kin, Alain	Personal	228,000 ordinary shares	0.10%
TO Shu Sing, Sidney	Personal	2,000,000 ordinary shares	0.88%

Long positions in underlying shares of PHL

Name of Director	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interest held
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 40.46% 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) 11,000,000 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 2015.

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 2015, 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 2015, 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	49.17%
PHL	Corporate (Note (ii))	596,000,000 ordinary shares	49.17%
PIL Management Limited	Corporate (Note (ii))	596,000,000 ordinary shares	49.17%
PIL Investments Limited	Corporate (Note (ii))	596,000,000 ordinary shares	49.17%
PIL Toys Limited	Corporate	596,000,000 ordinary shares	49.17%
The Capital Group Companies, Inc.	Corporate (Note (iii))	84,432,000 ordinary shares	6.97%
Capital Research and Management Company	Corporate	84,432,000 ordinary shares	6.97%

Notes:

- (i) TGC directly owns approximately 40.46% 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 84,432,000 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 2015, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

In respect of the segregation of the roles of the chairman and chief executive officer, the Group's practice is that the Chairman also acts as chief executive officer. This allows him to focus on Group strategy and at the same time ensure that all key issues are considered by the board in a timely manner. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is suitable and effective in facilitating the operations and business development of the Company and maintaining the checks and balances between the board and the management of the business of the Group. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2015.

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 2015.

Closure of Register of Members

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

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 21 August 2015

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

UBS AG

Principal Share Registrars

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Branch Share Registrars

Tricor Abacus Limited

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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



Playmates Toys Limited
(Incorporated in Bermuda with limited liability)
(Stock code 869)

www.playmatestoys.com