



INTERIM REPORT 2016



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MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2016 HK\$'000	2015 HK\$'000
Revenue	594,651	687,679
Gross profit	369,391	434,279
Operating profit	138,705	215,080
Profit before income tax	135,076	210,545
Income tax expense	(39,879)	(54,206)
Profit attributable to owners of the Company	95,197	156,339
Earnings per share	HK cents	HK cents
– Basic	7.86	13.18
– Diluted	7.79	13.04
Interim dividend per share	5.00	5.00

Playmates Toys group worldwide turnover during the first half of 2016 was HK\$595 million (same period in 2015: HK\$688 million), a decrease of 13.5% compared to the prior year period. The decrease in turnover was driven mainly by very strong competition in the boys action categories.

Gross profit ratio on toy sales was 62.1% (same period in 2015: 63.2%). The decrease in gross profit ratio was attributable to a higher percentage of overall sales generated in International markets compared to the prior year period, as well as development expenses related to new product introductions. Recurring operating expenses increased by 5.2% compared to the prior year period, driven mainly by higher promotional expenses to support new movie related products tied to Paramount's *Teenage Mutant Ninja Turtles: Out of the Shadows* ("TMNT Movie Sequel").

The group reported an operating profit for the period of HK\$139 million (same period in 2015: HK\$215 million). Net profit attributable to shareholders during the first half of 2016 was HK\$95 million (same period in 2015: HK\$156 million).

According to The NPD Group, the leading provider of toys point-of-sale market research data, US retail sales of toys grew by about 7% year-on-year during the first half of 2016¹. Such growth was driven to a large extent by a number of major franchises including strong competing boys action brands, which negatively impacted our *Teenage Mutant Ninja Turtles* ("TMNT") business.

¹ Source: The NPD Group/Retail Tracking Services/U.S. Toys/26 weeks ending July 2, 2016.

In the second half of 2016, we expect increased economic uncertainties in international markets and strong competitive pressure to persist. In addition, shipments of products related to the *TMNT Movie Sequel* skewed the seasonality pattern in favour of the first half of the year. Nevertheless, we remain positive in our longer term outlook, due to the resilience of the *TMNT* franchise, and 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 highly popular, with the continuation of Season 4 and the planned launch of Season 5 next year.

The early summer release of the *TMNT Movie Sequel* provided a boost to the brand, but in a very competitive environment it did not have the same impact as the 2014 movie. As a result, while our *TMNT* toys continued to rank among the top boys action brands, our sales performance declined year-over-year.

We expect competitive pressures to continue in the second half of 2016, and intensify in 2017 with a full schedule of kid-friendly movies to be released throughout the year. Nonetheless, we are optimistic that *TMNT* will remain one of the major boys action brands.

New Brands

Voltron. With the launch of the new DreamWorks Animation animated series ***Voltron: Legendary Defender*** as a Netflix Original Series in June 2016, a new generation of kids are ready to follow five teenage pilots of mystical robot lions in a battle to protect the universe! Playmates Toys, as the global master toy licensee, will launch a brand new line of ***Voltron*** toys in Spring 2017.

Ben 10. Playmates Toys will serve as the global master toy partner for Cartoon Network's re-launch of **Ben 10**. The new series will introduce a new generation of fans to the story of Ben, a 10 year old kid who, with the help of a mysterious watch, can transform into 10 alien heroes, each with its own unique powers. The original **Ben 10** series premiered on Cartoon Network in 2006 to high ratings and the success of the original series spawned three additional animated series, one animated movie and two live-action movies. This powerful global franchise is a proven ratings and merchandise success in major markets 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 action TV series targeting the girls audience developed by Nelvana Studio, in partnership with Nickelodeon and The Topps Company.

We remain committed to the proven strategy of focusing our resources and efforts to manage our established brands for long term profitability, while actively pursue selective new opportunities that are good fits for our core competence.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Unaudited		
		Six months ended 30 June		
		2016	2016	2015
		US\$'000	HK\$'000	HK\$'000
		(Note 16)		
Revenue	3	76,729	594,651	687,679
Cost of sales		(29,066)	(225,260)	(253,400)
Gross profit		47,663	369,391	434,279
Marketing expenses		(16,657)	(129,088)	(132,161)
Selling and distribution expenses		(5,483)	(42,491)	(29,416)
Administration expenses		(7,626)	(59,107)	(57,622)
Operating profit		17,897	138,705	215,080
Other net loss		(106)	(822)	(2,806)
Finance costs		(362)	(2,807)	(2,857)
Share of profit of an associated company		–	–	1,128
Profit before income tax	4	17,429	135,076	210,545
Income tax expense	5	(5,146)	(39,879)	(54,206)
Profit for the period and total comprehensive income for the period attributable to owners of the Company		12,283	95,197	156,339
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7			
Basic		1.01	7.86	13.18
Diluted		1.01	7.79	13.04

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

		Unaudited 30 June 2016 US\$'000 (Note 16)	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Non-current assets				
Property, plant and equipment	8	744	5,767	6,241
Interest in an associated company		781	6,053	6,053
Deferred tax assets		5,156	39,960	34,105
		<u>6,681</u>	<u>51,780</u>	<u>46,399</u>
Current assets				
Inventories		4,895	37,934	28,242
Trade receivables	9	26,165	202,777	311,020
Deposits paid, other receivables and prepayments		5,079	39,364	37,711
Taxation recoverable		6,047	46,862	53,449
Financial assets at fair value through profit or loss		3,519	27,272	31,078
Cash and bank balances		135,461	1,049,820	877,487
		<u>181,166</u>	<u>1,404,029</u>	<u>1,338,987</u>
Current liabilities				
Trade payables	10	11,188	86,704	48,737
Deposits received, other payables and accrued charges	11	19,003	147,272	148,263
Loan from an associated company		752	5,831	5,831
Provisions		5,645	43,747	48,930
		<u>36,588</u>	<u>283,554</u>	<u>251,761</u>
Net current assets		<u>144,578</u>	<u>1,120,475</u>	<u>1,087,226</u>
Net assets		<u>151,259</u>	<u>1,172,255</u>	<u>1,133,625</u>
Equity				
Share capital	12	1,566	12,138	12,100
Reserves		149,693	1,160,117	1,121,525
Total equity		<u>151,259</u>	<u>1,172,255</u>	<u>1,133,625</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016

	Unaudited		
	Six months ended 30 June		
	2016	2016	2015
	US\$'000	HK\$'000	HK\$'000
	(Note 16)		
Operating activities			
Cash generated from operations	34,023	263,678	388,993
Overseas tax paid	(5,000)	(38,750)	(35,518)
Net cash generated from operating activities	29,023	224,928	353,475
Investing activities			
Purchases of financial assets at fair value through profit or loss	(1)	(7)	(52,039)
Proceeds from disposal of financial assets at fair value through profit or loss	492	3,810	17,366
Other cash flows arising from investing activities	139	1,073	(293)
Net cash generated from/(used in) investing activities	630	4,876	(34,966)
Financing activities			
Dividends paid	(7,807)	(60,505)	(120,842)
Issue of shares	391	3,034	4,092
Net cash used in financing activities	(7,416)	(57,471)	(116,750)
Net increase in cash and cash equivalents	22,237	172,333	201,759
Cash and cash equivalents at 1 January	113,224	877,487	785,784
Cash and cash equivalents at 30 June	135,461	1,049,820	987,543
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	135,461	1,049,820	987,543

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Share capital <i>HK\$ '000</i>	Share premium <i>HK\$ '000</i>	Capital reserve <i>HK\$ '000</i>	Unaudited Exchange reserve <i>HK\$ '000</i>	Share-based compensation reserve <i>HK\$ '000</i>	Retained profits <i>HK\$ '000</i>	Total <i>HK\$ '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 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><u>12,122</u></u>	<u><u>14,781</u></u>	<u><u>169,054</u></u>	<u><u>(548)</u></u>	<u><u>10,650</u></u>	<u><u>871,821</u></u>	<u><u>1,077,880</u></u>

	Unaudited							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share-based compensation reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2016	<u>12,100</u>	<u>10,841</u>	<u>33</u>	<u>108,699</u>	<u>(548)</u>	<u>10,726</u>	<u>991,774</u>	<u>1,133,625</u>
Profit and total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,197</u>	<u>95,197</u>
Share option scheme								
– value of services	-	-	-	-	-	508	-	508
– shares issued	38	5,116	-	-	-	(2,120)	-	3,034
2015 second interim dividend paid	-	-	-	(60,505)	-	-	-	(60,505)
Tax benefits arising from share option scheme in overseas tax jurisdiction	<u>-</u>	<u>-</u>	<u>-</u>	<u>396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396</u>
Transactions with owners	<u>38</u>	<u>5,116</u>	<u>-</u>	<u>(60,109)</u>	<u>-</u>	<u>(1,612)</u>	<u>-</u>	<u>(56,567)</u>
At 30 June 2016	<u><u>12,138</u></u>	<u><u>15,957</u></u>	<u><u>33</u></u>	<u><u>48,590</u></u>	<u><u>(548)</u></u>	<u><u>9,114</u></u>	<u><u>1,086,971</u></u>	<u><u>1,172,255</u></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 (the “Stock Exchange”).

This condensed consolidated financial information should be read in conjunction with the 2015 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 2015, except for the accounting policy changes that are expected to be reflected in the 2016 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. None of these amendments 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 2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	30 June 2016 <i>HK\$'000</i>	31 December 2015 <i>HK\$'000</i>
Hong Kong (place of domicile)	304	162	7,867	8,136
Americas				
– U.S.A.	431,169	533,996	3,953	4,158
– Others	35,759	29,224	–	–
Europe	77,531	78,384	–	–
Asia Pacific other than Hong Kong	44,454	41,418	–	–
Others	5,434	4,495	–	–
	594,347	687,517	3,953	4,158
	594,651	687,679	11,820	12,294

3.2 Major customers

The Group's customer base is diversified and includes three (2015: 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\$214,708,000, HK\$92,016,000 and HK\$70,284,000 (2015: HK\$236,697,000, HK\$142,665,000 and HK\$87,256,000) respectively.

4. Profit before income tax

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Cost of inventories sold	210,036	233,586
Product development costs	7,086	4,694
Royalties paid	78,690	89,140
Directors' and staff remunerations	32,950	32,748
Depreciation of property, plant and equipment	1,146	852

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	14,155	27,353
Overseas taxation	31,579	28,986
Under provision in prior years – overseas	–	6,455
	45,734	62,794
Deferred taxation		
Origination and reversal of temporary differences	(5,855)	(8,588)
Income tax expense	39,879	54,206

6. Dividends

6.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared after the interim period of HK\$0.05 (2015: HK\$0.05) per share	60,704	60,615

At a meeting held on 26 August 2016, the board of directors declared an interim dividend of HK\$0.05 per share to be paid on 30 September 2016 to shareholders whose names appear on the Company's Register of Members on 14 September 2016. 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 2016.

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

	Six months ended 30 June	
	2016	2015
	<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 (2015: HK\$0.05) per share	60,505	60,421
Special interim dividend of HK\$nil (2015: HK\$0.05) per share	–	60,421
	60,505	120,842

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$95,197,000 (2015: HK\$156,339,000) and the weighted average number of ordinary shares of 1,210,777,000 shares (2015: 1,185,963,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of HK\$95,197,000 (2015: HK\$156,339,000) and the weighted average number of ordinary shares of 1,221,966,000 shares (2015: 1,198,898,000 shares) in issue during the period, adjusted for the effects of 11,189,000 (2015: 12,935,000) 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 2016	6,241
Additions	672
Depreciation	(1,146)
	<hr/>
Closing net book amount as at 30 June 2016	5,767
	<hr/> <hr/>
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
Additions	2,481
Depreciation	(962)
	<hr/>
Closing net book amount as at 31 December 2015	6,241
	<hr/> <hr/>

9. Trade receivables

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade receivables	206,887	315,385
Less: Allowance for impairment	(2,004)	(2,004)
Less: Allowance for customer concession	(2,106)	(2,361)
	<u>202,777</u>	<u>311,020</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 2016 HK\$'000	31 December 2015 HK\$'000
0 – 30 days	193,624	302,481
31 – 60 days	2,346	4,563
Over 60 days	6,807	3,976
	<u>202,777</u>	<u>311,020</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 2016 HK\$'000	31 December 2015 HK\$'000
0 – 30 days	71,592	41,206
31 – 60 days	1,604	2,082
Over 60 days	13,508	5,449
	<u>86,704</u>	<u>48,737</u>

11. Deposits received, other payables and accrued charges

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Deposits from customers and distributors	50,721	26,680
Accrued product development, sales, marketing and distribution expenses	14,660	15,401
Accrued royalties	49,206	49,465
Accrued directors' and staff remunerations	4,775	29,000
Withholding tax payable	23,765	22,783
Accrued administrative expenses and professional fees	4,145	4,934
	<u>147,272</u>	<u>148,263</u>

12. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2015 and 30 June 2016	<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 2015	1,206,249,500	12,062
Exercise of share options	7,099,000	71
Cancellation of repurchased shares	(3,348,500)	(33)
	<u>1,210,000,000</u>	<u>12,100</u>
At 31 December 2015 and 1 January 2016	1,210,000,000	12,100
Exercise of share options	3,761,000	38
	<u>1,213,761,000</u>	<u>12,138</u>
At 30 June 2016	<u>1,213,761,000</u>	<u>12,138</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 2016

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment outside Hong Kong	<u>27,272</u>	<u>–</u>	<u>–</u>	<u>27,272</u>

At 31 December 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	31,078	–	–	31,078
	<u>31,078</u>	<u>–</u>	<u>–</u>	<u>31,078</u>

During the six months ended 30 June 2016 and 2015, 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, other payables and accrued charges and loan from an associated company carried at amortised cost) approximate their fair values as at 30 June 2016 and 31 December 2015.

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 2016 were payable as follows:

	30 June 2016 <i>HK\$'000</i>	31 December 2015 <i>HK\$'000</i>
Within one year	23,905	22,743
In the second to fifth years	133,300	116,715
After five years	–	3,875
	<hr/> 157,205 <hr/>	<hr/> 143,333 <hr/>

14.2 Operating lease commitments

The Group acts as lessee under operating leases for its office and warehouse locations. At 30 June 2016, 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 2016 <i>HK\$'000</i>	31 December 2015 <i>HK\$'000</i>
Within one year	5,410	8,095
In the second to fifth years	9,951	11,147
	<hr/> 15,361 <hr/>	<hr/> 19,242 <hr/>

14.3 Capital commitments

Capital commitments outstanding at 30 June 2016 not provided for in the condensed consolidated financial information were as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Contracted for	3,134	–

15. Related party transactions

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Rent and building management fee paid to fellow subsidiaries, Bagnols Limited and Belmont Limited	3,189	3,146

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 2016.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Liquidity and Financial Resources

The toy business is inherently seasonal in nature. As a result, a disproportionately high balance of trade receivables is typically 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 2016, trade receivables were HK\$202,777,000 (31 December 2015: HK\$311,020,000) and inventories were HK\$37,934,000 (31 December 2015: HK\$28,242,000). The higher inventories at interim period end reflected the seasonal build-up of inventories to fulfil existing and expected customer orders.

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 5.0 at 30 June 2016 compared to 5.3 at 31 December 2015.

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 2016, the Group's cash and bank balances were HK\$1,049,820,000 (31 December 2015: HK\$877,487,000), of which HK\$721,666,000 (31 December 2015: HK\$660,036,000) 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 2016, the Group's treasury investment in listed equities amounted to HK\$27,272,000 (31 December 2015: HK\$31,078,000).

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 2016, the Group had a total of 71 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 2016	Exercised during the period (Note)	Balance at 30 June 2016
CHENG Bing Kin, Alain <i>Director</i>	15 May 2013	0.930	450,000	–	450,000
CHOW Yu Chun, Alexander <i>Director</i>	13 April 2012 15 May 2013	0.415 0.930	250,000 525,000	– –	250,000 525,000
LEE Ching Kwok, Rin <i>Director</i>	13 April 2012 15 May 2013	0.415 0.930	250,000 525,000	– –	250,000 525,000
TO Shu Sing, Sidney <i>Director</i>	15 May 2013	0.930	491,000	–	491,000
YANG, Victor <i>Director</i>	13 April 2012 15 May 2013	0.415 0.930	125,000 525,000	– –	125,000 525,000
<i>Continuous Contract</i>	31 March 2008	0.316	27,000	–	27,000
<i>Employees, excluding</i>	20 January 2010	0.828	1,047,000	3,000	1,044,000
<i>Directors</i>	18 April 2011	0.315	560,000	32,000	528,000
	13 April 2012	0.415	1,521,500	224,000	1,297,500
	15 May 2013	0.930	6,213,500	1,957,000	4,256,500
<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	750,000	176,000	574,000
	13 April 2012	0.415	2,149,000	427,000	1,722,000
	15 May 2013	0.930	3,404,500	942,000	2,462,500

Note:

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\$1.82 and HK\$1.86 respectively.

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

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

As at 30 June 2016, 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>)	600,000,000 ordinary shares	49.43%
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 (ordinary shares)	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	5.56%
	Corporate (Note (b))	92,000,000 ordinary shares	42.59%
	Associate (Note (c))	11,000,000 ordinary shares	5.09%
CHENG Bing Kin, Alain	Personal	228,000 ordinary shares	0.11%
TO Shu Sing, Sidney	Personal	2,000,000 ordinary shares	0.93%

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 42.59% of the shareholding of PHL and is deemed to be interested in the 600,000,000 shares of the Company in aggregate which PHL is interested in, Mr. Chan is also deemed to be interested in the 600,000,000 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 2016.

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

Save as disclosed above, as at 30 June 2016, 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 2016, 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, which were 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 <i>(Note (i))</i>	600,000,000 ordinary shares	49.43%
PHL	Corporate <i>(Note (ii))</i>	600,000,000 ordinary shares	49.43%
PIL Management Limited	Corporate <i>(Note (ii))</i>	600,000,000 ordinary shares	49.43%
PIL Investments Limited	Corporate <i>(Note (ii))</i>	600,000,000 ordinary shares	49.43%
PIL Toys Limited	Corporate	600,000,000 ordinary shares	49.43%
The Capital Group Companies, Inc.	Corporate <i>(Note (iii))</i>	84,432,000 ordinary shares	6.96%
Capital Research and Management Company	Corporate	84,432,000 ordinary shares	6.96%
FIL Limited	Corporate	60,764,000 ordinary shares	5.01%

Notes:

- (i) TGC directly owns approximately 42.59% of the shareholding of PHL and is therefore deemed to be interested in the 600,000,000 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 600,000,000 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 2016, 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 2016.

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 2016.

Closure of Register of Members

The Register of Members of the Company will be closed from 13 September 2016 to 14 September 2016, 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 12 September 2016. The interim dividend will be paid on 30 September 2016 to the shareholders on the Register of Members of the Company on 14 September 2016.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 26 August 2016

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
DBS Bank (Hong Kong) 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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Hopewell Centre
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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