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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 2016

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Highlights

<b>For the six months ended 30 June</b>	<b>2016 HK\$'000</b>	<b>2015 HK\$'000</b>
Group revenue	<b>726,063</b>	806,384
- from toy business	<b>594,651</b>	687,679
- from property investments and associated businesses	<b>121,485</b>	117,096
- from investment business	<b>9,927</b>	1,609
Gross profit	<b>491,037</b>	542,857
Revaluation (deficit)/surplus on investment properties	<b>(212,299)</b>	156,218
Operating profit	<b>13,790</b>	456,456
(Loss)/Profit before income tax	<b>(9,502)</b>	452,458
(Loss)/Profit attributable to owners of the Company	<b>(114,905)</b>	302,675
(Loss)/Earnings per share	<b>HK\$</b>	<b>HK\$</b>
- Basic	<b>(0.53)</b>	1.33
- Diluted	<b>(0.53)</b>	1.33
Interim dividend per share	<b>0.075</b>	0.075

##### Property Investments and Associated Businesses

The property investments and associated businesses recorded a 3.8% growth in revenue to HK\$121.5 million (same period in 2015: HK\$117.1 million) during the first half of 2016 compared to the same period last year. Revenue from the property investments and property management businesses increased by 4.5% to HK\$109.0 million (same period in 2015: HK\$104.3 million), while revenue from the food and beverage business decreased by 2.6% to HK\$12.5 million (same period in 2015: HK\$12.8 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.5 billion. A revaluation deficit of HK\$212.3 million was reported in the consolidated income statement of the Group, compared to a surplus of HK\$156.2 million for the same period last year. Segment operating loss was HK\$120.4 million, compared to segment operating profit of HK\$240.5 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. The Group's property portfolio also includes a number of overseas investment properties in the United Kingdom, the United States of America and Japan, which in aggregate accounted for 8.2% of the fair value of the Group's overall investment property portfolio (31 December 2015: 7.9%).

Aggregate rental income generated from the investment properties of the Group was HK\$100.4 million, an increase of 4.5% from prior period (same period in 2015: HK\$96.1 million), with an overall occupancy rate of 89% (31 December 2015: 89%).

**(i) Commercial**

The Group's investments in commercial properties consist of the building, The Toy House, on Canton Road in Tsimshatsui, Kowloon, Hong Kong. With the opening of the Apple flagship store on the podium floors of the building in July 2015, The Toy House reaffirmed its position as a landmark on the premier shopping destination that is Canton Road.

**(ii) Residential**

The Group's principal investments in residential properties include a number of units in Hillview on Macdonnell Road, Mid-Levels, Hong Kong. The demand for luxury residential units in Hong Kong Mid-Levels continued to be subdued during the first half of 2016. Over the longer term, we remain optimistic that Hillview will benefit from resilient demand for and limited supply of up-market residential properties in Mid-Levels.

We continue to explore leasing opportunities for overseas residential properties.

**(iii) Industrial**

The Group's investments in industrial properties consist of Playmates Factory Building in Tuen Mun, New Territories, Hong Kong. We are optimistic that this investment will benefit from further developments in Tuen Mun.

**(b) Property Management**

The Group engaged Savills Property Management Limited ("Savills") to manage The Toy House and Playmates Factory Building. 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 increased by 4.9% to HK\$8.6 million as compared to HK\$8.2 million of the same period last year.

(c) **Food & Beverage Business**

Revenue generated from the food and beverage business during the first half of 2016 was around HK\$12.5 million, a decrease of 2.6% as compared to HK\$12.8 million during the same period last year.

While we maintain a favorable long term view of our property investments and associated businesses, we will continue to adjust the balance of our property portfolio to achieve our strategic objective of seeking investment returns through capital appreciation and growth in recurring income.

**Playmates Toys**

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*").

Playmates Toys 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 2016<sup>1</sup>. Such growth was driven to a large extent by a number of major franchises including strong competing boys action brands, which negatively impacted the *Teenage Mutant Ninja Turtles* ("*TMNT*") business.

In the second half of 2016, Playmates Toys expects 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, Playmates Toys remains positive in its longer term outlook, due to the resilience of the *TMNT* franchise, and the launch of major new brands beginning in 2017.

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

## **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 and interest income.

As at 30 June 2016, fair market value of the Group's investment portfolio was HK\$101.8 million (31 December 2015: HK\$112.1 million). The Group reported a net loss from investments of HK\$10.5 million during the first half of 2016, compared to a net gain of HK\$2.2 million during the same period last year. During the first half of 2016, dividend and interest income generated from portfolio investments were HK\$9.9 million (HK\$1.6 million in the first half of 2015) and have been included in the revenue of the Group.

In light of continued uncertainties in the major global economies and securities markets, the Group will remain vigilant in monitoring and balancing the investment portfolio.

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

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 10)		
<b>Revenue</b>	3	<b>93,686</b>	<b>726,063</b>	806,384
Cost of sales		<b>(30,326)</b>	<b>(235,026)</b>	(263,527)
<b>Gross profit</b>		<b>63,360</b>	<b>491,037</b>	542,857
Marketing expenses		<b>(16,657)</b>	<b>(129,088)</b>	(132,161)
Selling and distribution expenses		<b>(5,483)</b>	<b>(42,491)</b>	(29,416)
Administration expenses		<b>(10,694)</b>	<b>(82,868)</b>	(83,244)
Net (loss)/gain on financial assets at fair value through profit or loss		<b>(1,355)</b>	<b>(10,501)</b>	2,202
Revaluation (deficit)/surplus on investment properties		<b>(27,393)</b>	<b>(212,299)</b>	156,218
<b>Operating profit</b>		<b>1,778</b>	<b>13,790</b>	456,456
Other net (loss)/income		<b>(1,917)</b>	<b>(14,857)</b>	2,877
Finance costs		<b>(1,088)</b>	<b>(8,435)</b>	(8,003)
Share of profit of an associated company		-	-	1,128
<b>(Loss)/Profit before income tax</b>	4	<b>(1,227)</b>	<b>(9,502)</b>	452,458
<b>Income tax expense</b>	5	<b>(7,187)</b>	<b>(55,699)</b>	(68,100)
<b>(Loss)/Profit for the period</b>		<b>(8,414)</b>	<b>(65,201)</b>	384,358
<b>(Loss)/Profit for the period attributable to:</b>				
Owners of the Company		<b>(14,827)</b>	<b>(114,905)</b>	302,675
Non-controlling interests		<b>6,413</b>	<b>49,704</b>	81,683
		<b>(8,414)</b>	<b>(65,201)</b>	384,358
		US\$	HK\$	HK\$
<b>(Loss)/Earnings per share</b>	7			
Basic		<b>(0.07)</b>	<b>(0.53)</b>	1.33
Diluted		<b>(0.07)</b>	<b>(0.53)</b>	1.33

**Condensed Consolidated Statement of Comprehensive Income**  
*For the six months ended 30 June 2016*

	<b>Unaudited</b>		
	<b>Six months ended 30 June</b>		
	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 10)</i>		
<b>(Loss)/Profit for the period</b>	<b>(8,414)</b>	<b>(65,201)</b>	384,358
<b>Other comprehensive income:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries	<b>(1,205)</b>	<b>(9,338)</b>	(1,718)
<b>Total comprehensive income for the period</b>	<b>(9,619)</b>	<b>(74,539)</b>	382,640
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	<b>(16,032)</b>	<b>(124,243)</b>	300,957
Non-controlling interests	<b>6,413</b>	<b>49,704</b>	81,683
	<b>(9,619)</b>	<b>(74,539)</b>	382,640

## Condensed Consolidated Statement of Financial Position

As at 30 June 2016

		Unaudited 30 June 2016 US\$'000 (Note 10)	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
<b>Non-current assets</b>				
Fixed assets				
- Investment properties		710,814	5,508,809	5,754,525
- Other property, plant and equipment		29,487	228,525	207,324
		<b>740,301</b>	<b>5,737,334</b>	5,961,849
Goodwill		771	5,976	5,976
Interest in an associated company		781	6,053	6,053
Deferred tax assets		5,300	41,077	35,143
		<b>747,153</b>	<b>5,790,440</b>	6,009,021
<b>Current assets</b>				
Inventories		4,919	38,120	28,443
Trade receivables	8	26,219	203,201	311,857
Deposits paid, other receivables and prepayments		11,080	85,869	85,843
Taxation recoverable		6,075	47,080	53,881
Financial assets at fair value through profit or loss		16,657	129,095	143,145
Cash and bank balances		177,983	1,379,366	1,160,738
		<b>242,933</b>	<b>1,882,731</b>	1,783,907
<b>Current liabilities</b>				
Bank loans		65,681	509,025	494,680
Trade payables	9	11,370	88,121	50,318
Deposits received, other payables and accrued charges		26,863	208,182	196,986
Loan from an associated company		752	5,831	5,831
Provisions		5,645	43,747	48,930
Taxation payable		2,436	18,882	3,570
		<b>112,747</b>	<b>873,788</b>	800,315
<b>Net current assets</b>		<b>130,186</b>	<b>1,008,943</b>	983,592
<b>Total assets less current liabilities</b>		<b>877,339</b>	<b>6,799,383</b>	6,992,613

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <i>Note</i> <i>US\$'000</i> <i>(Note 10)</i>	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <i>HK\$'000</i>	Audited 31 December 2015 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank loans	2,606	20,200	34,600
Deferred tax liabilities	3,990	30,922	30,427
	<b>6,596</b>	<b>51,122</b>	65,027
<b>Net assets</b>	<b>870,743</b>	<b>6,748,261</b>	6,927,586
<b>Equity</b>			
Share capital	2,787	21,600	22,000
Reserves	791,457	6,133,794	6,333,910
<b>Equity attributable to owners of the Company</b>	<b>794,244</b>	<b>6,155,394</b>	6,355,910
<b>Non-controlling interests</b>	<b>76,499</b>	<b>592,867</b>	571,676
<b>Total equity</b>	<b>870,743</b>	<b>6,748,261</b>	6,927,586



## 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

#### 3.1 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 2016 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	127,535	9,927	594,651	732,113
Inter-segment revenue	(6,050)	-	-	(6,050)
<b>Revenue from external customers</b>	<b>121,485</b>	<b>9,927</b>	<b>594,651</b>	<b>726,063</b>
Segment (loss)/profit before depreciation	(115,407)	(956)	139,851	23,488
Depreciation	(5,013)	-	(1,146)	(6,159)
<b>Segment operating (loss)/profit</b>	<b>(120,420)</b>	<b>(956)</b>	<b>138,705</b>	<b>17,329</b>
Other net loss	(14,035)	-	(822)	(14,857)
Finance costs	(5,500)	(16)	(2,807)	(8,323)
	(19,535)	(16)	(3,629)	(23,180)
Segment (loss)/profit before income tax	(139,955)	(972)	135,076	(5,851)
Unallocated corporate expenses				(3,651)
Loss before income tax				(9,502)

The segment results for the six months ended 30 June 2015 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	123,059	1,609	687,679	812,347
<u>Inter-segment revenue</u>	<u>(5,963)</u>	<u>-</u>	<u>-</u>	<u>(5,963)</u>
Revenue from external customers	117,096	1,609	687,679	806,384
Segment profit before depreciation	246,643	3,459	215,932	466,034
<u>Depreciation</u>	<u>(6,143)</u>	<u>-</u>	<u>(852)</u>	<u>(6,995)</u>
<u>Segment operating profit</u>	<u>240,500</u>	<u>3,459</u>	<u>215,080</u>	<u>459,039</u>
Other net income/(loss)	1,800	-	(2,806)	(1,006)
Finance costs	(5,067)	(37)	(2,857)	(7,961)
Share of profit of an associated company	-	-	1,128	1,128
	<u>(3,267)</u>	<u>(37)</u>	<u>(4,535)</u>	<u>(7,839)</u>
<u>Segment profit before income tax</u>	<u>237,233</u>	<u>3,422</u>	<u>210,545</u>	<u>451,200</u>
Unallocated corporate income				<u>1,258</u>
Profit before income tax				<u>452,458</u>

The segment assets and liabilities as at 30 June 2016 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 (including cash and bank balances)	5,817,882	376,573	1,362,934	7,557,389
Interest in an associated company	-	-	6,053	6,053
<b>Total reportable segment assets</b>	<b>5,817,882</b>	<b>376,573</b>	<b>1,368,987</b>	<b>7,563,442</b>
Inter-segment elimination	(5)	-	(1,591)	(1,596)
Deferred tax assets				41,077
Taxation recoverable				47,080
Unallocated assets				<u>23,168</u>
<b>Total assets</b>				<b><u>7,673,171</u></b>
<b>Reportable segment liabilities</b>	<b>572,586</b>	<b>-</b>	<b>283,554</b>	<b>856,140</b>
Inter-segment elimination	(1,591)	-	(5)	(1,596)
Deferred tax liabilities				30,922
Taxation payable				18,882
Unallocated liabilities				<u>20,562</u>
<b>Total liabilities</b>				<b><u>924,910</u></b>

The segment assets and liabilities as at 31 December 2015 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	6,048,475	357,907	1,291,779	7,698,161
Interest in an associated company	-	-	6,053	6,053
<u>Total reportable segment assets</u>	<u>6,048,475</u>	<u>357,907</u>	<u>1,297,832</u>	<u>7,704,214</u>
Inter-segment elimination	(53)	-	(1,578)	(1,631)
Deferred tax assets				35,143
Taxation recoverable				53,881
Unallocated assets				<u>1,321</u>
Total assets				<u>7,792,928</u>
<u>Reportable segment liabilities</u>	<u>579,567</u>	<u>-</u>	<u>251,761</u>	<u>831,328</u>
Inter-segment elimination	(1,578)	-	(53)	(1,631)
Deferred tax liabilities				30,427
Taxation payable				3,570
Unallocated liabilities				<u>1,648</u>
Total liabilities				<u>865,342</u>

### 3.2 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 investment properties, other property, plant and equipment, 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 investment properties and other property, plant and equipment, 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		Specified	
	external customers		non-current assets	
	Six months ended 30 June		30 June	31 December
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<b>122,758</b>	118,232	<b>5,223,273</b>	5,441,354
Americas				
- U.S.A.	<b>431,570</b>	534,378	<b>199,147</b>	199,233
- Others	<b>35,759</b>	29,224	-	-
Europe	<b>80,055</b>	78,445	<b>227,560</b>	252,469
Asia Pacific other than				
Hong Kong	<b>50,487</b>	41,610	<b>99,383</b>	80,822
Others	<b>5,434</b>	4,495	-	-
	<b>603,305</b>	688,152	<b>526,090</b>	532,524
	<b>726,063</b>	806,384	<b>5,749,363</b>	5,973,878

### 3.3 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\$74,537,000 (2015: HK\$236,697,000, HK\$142,665,000 and HK\$87,256,000) respectively.

#### 4. (Loss)/Profit before income tax

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>213,916</b>	237,703
Product development costs	<b>7,086</b>	4,694
Royalties paid	<b>78,690</b>	89,140
Directors' and staff remunerations	<b>42,025</b>	42,139
Depreciation of other property, plant and equipment	<b>6,565</b>	7,195
Interest on borrowings	<b>5,242</b>	4,769
Net foreign exchange loss/(gain)	<b>14,850</b>	(5,463)

#### 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.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current taxation		
Hong Kong profits tax	<b>29,680</b>	41,224
Overseas taxation	<b>31,579</b>	28,986
Under provision in prior years – overseas	-	6,455
	<b>61,259</b>	76,665
Deferred taxation		
Origination and reversal of temporary differences	<b>(5,560)</b>	(8,565)
<b>Income tax expense</b>	<b>55,699</b>	68,100

## 6. Dividends

### 6.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.075 (2015: HK\$0.075) per share	<b>16,200</b>	16,920

At a meeting held on 26 August 2016, the board of directors declared an interim dividend of HK\$0.075 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
	HK\$'000	HK\$'000
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK\$0.075 (2015: HK\$0.075) per share	<b>16,200</b>	17,102
Special interim dividend of HK\$0.13 (2015: HK\$0.20) per share	<b>28,080</b>	45,604
	<b>44,280</b>	62,706

## 7. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK\$114,905,000 (2015: profit of HK\$302,675,000) and the weighted average number of ordinary shares of 216,365,000 shares (2015: 227,672,000 shares) in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30 June 2016 and 2015 equals to the basic (loss)/earnings per share as the potential ordinary shares on exercise of share options are anti-dilutive and therefore were not included in the calculation of diluted (loss)/earnings per share.

The dilutive effect of the share options issued by the Group's listed subsidiary, Playmates Toys Limited was insignificant for the six months ended 30 June 2016 and 2015.



## 8. Trade receivables

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Trade receivables	<b>207,311</b>	316,222
Less: Allowance for impairment	<b>(2,004)</b>	(2,004)
<u>Less: Allowance for customer concession</u>	<u><b>(2,106)</b></u>	<u>(2,361)</u>
	<b>203,201</b>	311,857

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 in the range of 60 to 90 days. 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 based on the invoice date at the end of the reporting period:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
0 – 30 days	<b>194,005</b>	303,296
31 – 60 days	<b>2,388</b>	4,585
<u>Over 60 days</u>	<u><b>6,808</b></u>	<u>3,976</u>
	<b>203,201</b>	311,857

## 9. Trade payables

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

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
0 – 30 days	<b>72,855</b>	42,648
31 – 60 days	<b>1,604</b>	2,082
<u>Over 60 days</u>	<u><b>13,662</b></u>	<u>5,588</u>
	<b>88,121</b>	50,318

## 10. 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.

## **FINANCIAL ANALYSIS**

The property investments and associated businesses generated a relatively steady income stream throughout the period. Approximately 97% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 30 June 2016 (31 December 2015: 96%). Accounts receivables were minimal as at the period end.

Financial assets at fair value through profit or loss include listed equity and managed funds. As at 30 June 2016, the Group's financial assets at fair value through profit or loss amounted to HK\$129,095,000 (31 December 2015: HK\$143,145,000) of which HK\$27,272,000 was held by Playmates Toys for treasury investments (31 December 2015: HK\$31,078,000).

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 related to toy business 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 gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2016 was 6.9% compared to 6.8% at 31 December 2015. The current ratio, calculated as the ratio of current assets to current liabilities, maintained at 2.2 at both 30 June 2016 and 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\$1,379,366,000 (31 December 2015: HK\$1,160,738,000), of which HK\$911,094,000 (31 December 2015: HK\$848,782,000) was denominated in United States dollar, HK\$23,929,000 (31 December 2015: HK\$4,152,000) in British pound and the remaining balance was mainly denominated in Hong Kong dollar.

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

During the period, 4,030,600 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$8.49 to HK\$10.50 per share through the Stock Exchange.

## **CORPORATE GOVERNANCE**

The Company has applied the principles and complied with all the applicable code provisions (“Code Provisions”) of the 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.

## **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

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*)