

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2014 as follows:

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 US\$'000 (Note 10)	2014 HK\$'000	2013 HK\$'000
Revenue	3	309,358	2,397,522	1,880,818
Cost of sales		(109,137)	(845,815)	(637,585)
Gross profit		200,221	1,551,707	1,243,233
Marketing expenses		(51,449)	(398,729)	(288,976)
Selling and distribution expenses		(16,866)	(130,709)	(82,299)
Administration expenses		(29,769)	(230,706)	(200,753)
Net gain / (loss) on financial assets at fair value through profit or loss		434	3,367	(3,417)
Revaluation surplus on investment properties		56,383	436,965	766,838
Operating profit		158,954	1,231,895	1,434,626
Other net (loss) / income		(3,115)	(24,142)	17,695
Finance costs		(2,469)	(19,134)	(18,040)
Share of loss of an associated company		(733)	(5,681)	(906)
Profit before income tax	4	152,637	1,182,938	1,433,375
Income tax expense	5	(21,818)	(169,090)	(26,295)
Profit for the year		130,819	1,013,848	1,407,080

	2014 <i>US\$'000</i> <i>(Note 10)</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year attributable to:			
Equity holders of the Company	97,763	757,665	1,177,727
Non-controlling interests	33,056	256,183	229,353
	130,819	1,013,848	1,407,080
	<i>US\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings per share	7		
Basic	0.43	3.30	5.02
Diluted	0.43	3.30	5.02

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 <i>US\$'000</i> <i>(Note 10)</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year	130,819	1,013,848	1,407,080
Other comprehensive income, including reclassification adjustments:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	1,158	8,978	(2,551)
Reclassified to profit or loss on dissolution of foreign subsidiaries	(68)	(531)	-
Total comprehensive income for the year	131,909	1,022,295	1,404,529
Total comprehensive income attributable to:			
Equity holders of the Company	98,888	766,381	1,175,106
Non-controlling interests	33,021	255,914	229,423
	131,909	1,022,295	1,404,529

Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 US\$'000 (Note 10)	2014 HK\$'000	2013 HK\$'000
Non-current assets				
Fixed assets				
- Investment properties		687,688	5,329,580	4,889,650
- Other property, plant and equipment		27,222	210,969	192,668
		714,910	5,540,549	5,082,318
Goodwill		771	5,976	5,976
Interest in an associated company		660	5,114	10,795
Deferred tax assets		6,362	49,309	44,944
		722,703	5,600,948	5,144,033
Current assets				
Inventories		5,720	44,332	37,389
Trade receivables	8	68,455	530,530	412,063
Deposits paid, other receivables and prepayments		9,591	74,331	44,190
Taxation recoverable		77	593	360
Financial assets at fair value through profit or loss		7,441	57,670	29,434
Cash and bank balances		159,172	1,233,585	739,098
		250,456	1,941,041	1,262,534
Current liabilities				
Bank loans		46,942	363,800	363,800
Trade payables	9	10,399	80,596	61,550
Deposits received, other payables and accrued charges		31,679	245,519	239,468
Provisions		5,912	45,819	35,329
Taxation payable		11,362	88,052	16,863
		106,294	823,786	717,010
Net current assets		144,162	1,117,255	545,524
Total assets less current liabilities		866,865	6,718,203	5,689,557

	2014 <i>Note</i> US\$'000 (<i>Note 10</i>)	2014 HK\$'000	2013 HK\$'000
Non-current liabilities			
Bank loans	8,568	66,400	107,200
Deferred tax liabilities	2,960	22,939	23,014
	11,528	89,339	130,214
Net assets	855,337	6,628,864	5,559,343
Equity			
Share capital	2,945	22,822	23,200
Reserves	776,593	6,018,593	5,204,562
Declared dividends	6 8,091	62,706	11,550
Equity attributable to the equity holders of the Company	787,629	6,104,121	5,239,312
Non-controlling interests	67,708	524,743	320,031
Total equity	855,337	6,628,864	5,559,343

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013, except for the adoption of the new or amended Hong Kong Financial Reporting Standards which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2014. Details of these changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) 21	Levies

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and segment information

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

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of toys	2,160,206	1,658,527
Rental income from investment properties	183,696	168,928
Property management income	16,112	15,130
Restaurant income	35,466	36,614
Dividend income	1,058	735
Interest income	984	884
Total revenue	<u>2,397,522</u>	<u>1,880,818</u>

Segment results, assets and liabilities

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior executive management of the Group that are used to make strategic decision, the Group has presented the following three reportable segments.

Property investments and associated businesses: this segment invests and leases commercial, industrial and residential premises for rental income, to gain from the appreciation in properties' values in the long term and to provide property management services for property management fee income, and operates restaurants.

Investment business: this segment invests in financial instruments including listed equity and managed funds for interest income and dividend income and to gain from the appreciation in instruments' values.

Toy business: this segment engages in the design, development, marketing and distribution of toys and family entertainment activity products.

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment to assess segment performance and allocate resources between segments.

Inter-segment revenue represents inter-company rental and property management fee charged on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

The segment results for the year ended 31 December 2014 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross segment revenue	246,458	2,042	2,160,206	2,408,706
Inter-segment revenue	<u>(11,184)</u>	-	-	<u>(11,184)</u>
Revenue from external customers	<u>235,274</u>	<u>2,042</u>	<u>2,160,206</u>	<u>2,397,522</u>
Segment profit before depreciation	596,246	5,409	649,186	1,250,841
Depreciation	<u>(11,456)</u>	-	<u>(948)</u>	<u>(12,404)</u>
Segment operating profit	<u>584,790</u>	<u>5,409</u>	<u>648,238</u>	<u>1,238,437</u>
Other net (loss) / income	-	-	2,742	2,742
Finance costs	(9,554)	(56)	(9,387)	(18,997)
Share of loss of an associated company	-	-	(5,681)	(5,681)
	<u>(9,554)</u>	<u>(56)</u>	<u>(12,326)</u>	<u>(21,936)</u>
Segment profit before income tax	<u>575,236</u>	<u>5,353</u>	<u>635,912</u>	<u>1,216,501</u>
Unallocated corporate expenses				<u>(33,563)</u>
Profit before income tax				<u>1,182,938</u>
Bank interest income	-	984	2,742	
Revaluation surplus on investment properties	436,965	-	-	
Allowance for impairment of trade receivables	-	-	2,004	
Net unrealised gain on financial assets at fair value through profit or loss	-	3,367	-	

The segment results for the year ended 31 December 2013 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	228,213	1,619	1,658,527	1,888,359
<u>Inter-segment revenue</u>	<u>(7,541)</u>	<u>-</u>	<u>-</u>	<u>(7,541)</u>
Revenue from external customers	220,672	1,619	1,658,527	1,880,818
Segment profit / (loss) before depreciation	901,934	(1,798)	547,265	1,447,401
<u>Depreciation</u>	<u>(10,074)</u>	<u>-</u>	<u>(723)</u>	<u>(10,797)</u>
<u>Segment operating profit / (loss)</u>	<u>891,860</u>	<u>(1,798)</u>	<u>546,542</u>	<u>1,436,604</u>
Other net (loss) / income	6,256	-	1,555	7,811
Finance costs	(10,258)	(74)	(7,534)	(17,866)
<u>Share of loss of an associated company</u>	<u>-</u>	<u>-</u>	<u>(906)</u>	<u>(906)</u>
	<u>(4,002)</u>	<u>(74)</u>	<u>(6,885)</u>	<u>(10,961)</u>
<u>Segment profit / (loss) before income tax</u>	<u>887,858</u>	<u>(1,872)</u>	<u>539,657</u>	<u>1,425,643</u>
Unallocated corporate income				<u>7,732</u>
Profit before income tax				<u>1,433,375</u>
Bank interest income	1	884	1,555	
Revaluation surplus on investment properties	766,838	-	-	
Net unrealised loss on financial assets at fair value <u>through profit or loss</u>	<u>-</u>	<u>(3,417)</u>	<u>-</u>	

The segment assets and liabilities as at 31 December 2014 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets (including cash and bank balances)	5,613,181	489,835	1,383,582	7,486,598
Interest in an associated company	-	-	5,114	5,114
Total reportable segment assets	5,613,181	489,835	1,388,696	7,491,712
Inter-segment elimination	(2)	-	(1,570)	(1,572)
Deferred tax assets				49,309
Taxation recoverable				593
Unallocated assets				<u>1,947</u>
Total assets				<u>7,541,989</u>
Reportable segment liabilities	483,392	-	316,776	800,168
Inter-segment elimination	(1,570)	-	(2)	(1,572)
Deferred tax liabilities				22,939
Taxation payable				88,052
Unallocated liabilities				<u>3,538</u>
Total liabilities				<u>913,125</u>
Capital expenditure	44,377	-	4,115	

The segment assets and liabilities as at 31 December 2013 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)	5,126,830	233,580	990,510	6,350,920
Interest in an associated company	-	-	10,795	10,795
<u>Total reportable segment assets</u>	<u>5,126,830</u>	<u>233,580</u>	<u>1,001,305</u>	<u>6,361,715</u>
Inter-segment elimination	-	-	(2,490)	(2,490)
Deferred tax assets				44,944
Taxation recoverable				360
Unallocated assets				<u>2,038</u>
Total assets				<u>6,406,567</u>
<u>Reportable segment liabilities</u>	<u>515,102</u>	<u>-</u>	<u>291,434</u>	<u>806,536</u>
Inter-segment elimination	(2,490)	-	-	(2,490)
Deferred tax liabilities				23,014
Taxation payable				16,863
Unallocated liabilities				<u>3,301</u>
Total liabilities				<u>847,224</u>
<u>Capital expenditure</u>	<u>83,402</u>	<u>-</u>	<u>621</u>	

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, goodwill and interest in an associated company ("specified non-current assets"). The geographical location of revenue is based on the country in which the customer is located. The geographical location of the specified non-current assets is based on the physical location of the assets in case of fixed assets, the location of operation to which they are allocated in case of goodwill, and the location of operation in case of interest in an associated company.

	Revenue from external customers		Specified non-current assets	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	239,196	222,955	5,282,709	4,848,253
Americas				
- U.S.A.	1,563,541	1,114,966	2,645	635
- Others	126,627	84,505	-	-
Europe	366,586	356,293	266,285	250,201
Asia Pacific other than Hong Kong	91,124	96,264	-	-
Others	10,448	5,835	-	-
	2,158,326	1,657,863	268,930	250,836
	2,397,522	1,880,818	5,551,639	5,099,089

Major customers

The Group's customer base is diversified and includes three (2013: four) 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\$634.3 million, HK\$415.4 million and HK\$265.3 million (2013: HK\$466.0 million, HK\$295.7 million, HK\$216.1 million and HK\$215.8 million) respectively.

4. Profit before income tax

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of inventories sold	775,488	601,777
Write-down of inventories	720	21
Product development costs	7,062	8,005
Royalties paid	287,295	212,077
Direct operating expenses arising from investment properties that generate rental income	4,581	15,021
Direct operating expenses arising from investment properties that did not generate rental income	325	491
Provision for consumer returns, cooperative advertising and cancellation charges	90,737	56,656
Reversal of unutilised provision for consumer returns, cooperative advertising and cancellation charges	(296)	(451)
Depreciation of other property, plant and equipment	12,819	11,369
Directors' and staff remunerations	146,754	123,885
Allowance for impairment of trade receivables	2,004	-
Operating leases expense on office and warehouse facilities	2,121	2,101
(Gain) / Loss on disposal of other property, plant and equipment	(192)	182
Compensation received from a tenant	-	(6,255)
Net foreign exchange loss / (gain)	27,004	(11,793)
Interest on overdrafts and bank loans wholly repayable within five years	8,828	9,492
Bank interest income	(3,726)	(2,440)
Net unrealised (gain) / loss on financial assets at fair value through profit or loss	(3,367)	3,417

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Overseas taxation is provided on the estimated assessable profits of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	104,992	21,011
Overseas taxation	53,894	49,709
Under provision in prior years – overseas	2,592	-
Over provision in prior years – Hong Kong	(48)	(111)
	<u>161,430</u>	<u>70,609</u>
Deferred taxation		
Origination and reversal of temporary differences	7,660	(44,314)
Income tax expense	<u>169,090</u>	<u>26,295</u>

6. Dividends

(a) Dividends attributable to the year

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
First interim dividend of HK\$0.075 (2013: HK\$0.05) per share	17,160	11,679
Second interim dividend of HK\$0.075 (2013: HK\$0.05) per share	17,102	11,550
Special interim dividend of HK\$0.20 (2013: HK\$nil) per share	45,604	-
Special dividend of HK\$nil (2013: HK\$0.40) per share	-	92,400
	79,866	115,629

At a meeting held on 29 August 2014, the board of directors declared a first interim dividend of HK\$0.075 per share, which was paid on 7 October 2014.

At a meeting held on 20 March 2015, the board of directors declared a second interim dividend of HK\$0.075 per share and a special interim dividend of HK\$0.20 per share to be paid on 5 May 2015 to shareholders whose names appear on the Company's register of members on 20 April 2015. This second interim dividend and special interim dividend declared after the balance sheet date have not been recognised as liabilities in the financial statements for the year ended 31 December 2014.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the year:		
Second interim dividend of HK\$0.05 (2013: HK\$0.05) per share	11,440	11,803
Special dividend of HK\$0.40 (2013: HK\$nil) per share (<i>Note</i>)	91,520	-
	102,960	11,803

Note: A special dividend of HK\$0.40 per share was approved at the Annual General Meeting on 19 May 2014 and was paid during the year.

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\$757,665,000 (2013: HK\$1,177,727,000) and the weighted average number of ordinary shares of 229,288,000 shares (2013: 234,726,000 shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to equity holders of the Company of HK\$757,665,000 and the weighted average number of ordinary shares of 229,311,000 shares in issue during the year, adjusted for the effects of 23,000 dilutive potential shares on exercise of share options.

Diluted earnings per share for the year ended 31 December 2013 equals to the basic earnings per share as the potential ordinary shares on exercise of share options were not included in the calculation of diluted earnings per share because they are anti-dilutive.

8. Trade receivables

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 30 days	516,210	406,286
31 – 60 days	4,834	3,434
Over 60 days	9,486	2,343
	<hr/> 530,530	<hr/> 412,063

9. Trade payables

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 30 days	78,760	58,446
31 – 60 days	547	2,682
Over 60 days	1,289	422
	<hr/> 80,596	<hr/> 61,550

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 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Playmates Holdings group global revenue for the year ended 31 December 2014 was HK\$2,397.5 million (2013: HK\$1,880.8 million); reflected an increase of 27.5% compared to the prior year. The Group reported an operating profit of HK\$1,231.9 million (2013: HK\$1,434.6 million) and net profit attributable to shareholders was HK\$757.7 million (2013: HK\$1,177.7 million). Basic earnings per share was HK\$3.30 (2013: HK\$5.02).

Property Investments and Associated Businesses

In 2014 revenue from the property investments and property management businesses increased 8.6% to HK\$199.8 million (2013: HK\$184.1 million), while revenue from the food and beverage business decreased by 3.1% to HK\$35.5 million (2013: HK\$36.6 million). Aggregate turnover increased by 6.6% to HK\$235.3 million (2013: HK\$220.7 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.3 billion (2013: HK\$4.9 billion). A revaluation surplus of HK\$437.0 million (2013: HK\$766.8 million) was reported in the consolidated income statement of the Group. Segment operating profit was HK\$584.8 million including revaluation surplus, compared to HK\$891.9 million for 2013.

(a) Property Investments

The Group's major investment properties include (i) a commercial building, The Toy House, at 100 Canton Road; (ii) a number of residential units at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. Overall occupancy rate of the property investment portfolio in Hong Kong was about 96% as at 31 December 2014 and 31 December 2013. The Group's property portfolio also includes two investment properties in the United Kingdom.

(i) *The Toy House*

Rental income generated by The Toy House increased by 10.4% to about HK\$151.4 million (2013: HK\$137.2 million), driven by rental increases on existing leases and a higher occupancy rate. With a significant lease in place on the commercial podium floors of the building since 2013, and as Canton Road continues to develop as a high-end shopping, entertainment and dining destination, we are optimistic that the value and recurring rental income of The Toy House will remain strong over the long term.

(ii) *Hillview*

Rental income generated by the residential properties at Hillview was about HK\$14.9 million, a decrease of 3.1% from last year (2013: HK\$15.4 million). The demand for luxury residential units in Mid-Levels softened during 2014. Over the long term, we are optimistic that this investment will benefit from resilient demand for and limited supply of up-market residential properties in Mid-Levels.

(iii) Playmates Factory Building

Rental income generated by Playmates Factory Building was about HK\$16.7 million, an increase of 7.2% over last year (2013: HK\$15.6 million), driven by rental increases from lease renewals, and a high occupancy rate of close to 100%. We are optimistic that the investment will benefit from continual 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 was about HK\$16.1 million, an increase of 6.5% from last year (2013: HK\$15.1 million), driven by higher occupancy rate.

(c) Food & Beverage Business

Revenue generated from the food and beverage business for the year slightly decreased by 3.1% to HK\$35.5 million (2013: HK\$36.6 million). We will review the food and beverage business to improve profitability.

While management continues to hold 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 for the year ended 31 December 2014 was HK\$2,160 million (2013: HK\$1,659 million), an increase of 30.2% compared to the prior year. The significant increase in revenue was mainly attributed to strong sales of *Teenage Mutant Ninja Turtles*® (“*TMNT*”) products throughout the whole year, especially in the US market, driven by strong TV entertainment, a blockbuster movie from Paramount Pictures™ & ©, and introduction of new product segments. Sales of *TMNT* products contributed over 95% of our revenue in 2014.

The US continued to be our biggest market in 2014, contributing 72% of revenue (2013: 67%). Europe as a whole contributed 17% (2013: 22%), the rest of the Americas 6% (2013: 5%), 3% Australasia (2013: 4%) and 2% (2013: 1%) came from Asia. During the year, the US market exhibited clear signs of economic growth and strengthening employment, rising home prices and stock market gains boosted confidence of consumers. According to NPD, the leading provider of toys point-of-sale market research data, 2014 US retail dollar sales of toys were up by about 4% year-on-year, the biggest growth since 2001.¹ On the other hand, key markets in Europe were impacted by the political uncertainty in the Crimean Peninsula as well as the significant weakening in major European currencies against the US Dollar starting in the second half of 2014.

Gross profit ratio on toy sales was 61.9% (2013: 62.8%). The slight decrease in gross profit ratio was primarily attributable to additional development and tooling expenses related to new product introductions. Recurring operating expenses were 31.9% of sales (2013: 29.9%), reflecting incremental marketing and promotional expenses to launch new product segments.

Playmates Toys reported an operating profit for 2014 of HK\$648 million (2013: HK\$547 million), an increase of 18.6% compared to prior year. Playmates Toys group income tax expense for 2014 was HK\$145 million (2013: HK\$6 million), reflecting the impact of a normalized tax rate in 2014 as tax credits due to accumulated losses in prior years were substantially utilized during 2013.

In 2015, Playmates Toys expects strong competitive pressure with several major action adventure movies driving competitive brands during the year, whereas the next *TMNT* movie is planned for summer 2016. On the macro level, the US economic outlook is expected to remain positive but continued weakness of the European currencies will impact the European markets and may exacerbate the ongoing adverse business conditions in Europe.

Portfolio Investments

The Group engages in portfolio investments which involve investing in listed equity shares and managed funds. The investment policy provides for a set of prudent guidance and control framework to achieve the objective of managing a portfolio that is highly liquid and offers reasonable risk-adjusted returns through capital appreciation and dividend income.

As at 31 December 2014, fair market value of the Group's investment portfolio was HK\$57.7 million (2013: HK\$29.4 million). The Group reported a net gain from investments of approximately HK\$3.4 million in 2014. In comparison, a net loss from investments of approximately HK\$3.4 million was recorded in 2013. In 2014, dividend and interest income generated from portfolio investments were HK\$2.0 million (2013: HK\$1.6 million) and have been included in the revenue of the Group.

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

¹ Source: The NPD Group/Retail Tracking Services; Dollars, 52 weeks vs. YAG (1/5/2014-1/3/2015 vs. 1/6/2013-1/4/2014)

FINANCIAL ANALYSIS

The toy business is inherently seasonal in nature. In general, sales in the second half-year are much higher than those in the first half. As a result, a disproportionately high balance of trade receivables is generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling season. As at 31 December 2014, trade receivables related to toy operation were HK\$529,727,000 (2013: HK\$411,831,000) and inventories related to toy operation were at a seasonal low level of HK\$44,165,000 (2013: HK\$36,959,000) or 2.0% (2013: 2.2%) of turnover of toy operation.

The property investments and associated businesses generated a relatively steady income stream throughout the year. Approximately 96% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 31 December 2014. Accounts receivables were minimal as at the year end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2014 was 5.7% compared to 7.4% at 31 December 2013. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.4 at 31 December 2014 compared to 1.8 at 31 December 2013.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 31 December 2014, the Group's cash and bank balances were HK\$1,233,585,000 (2013: HK\$739,098,000), of which HK\$1,030,617,000 (2013: HK\$476,250,000) was denominated in United States dollar, HK\$4,549,000 (2013: HK\$23,187,000) in British pound and the remaining balance was mainly denominated in Hong Kong dollar. In addition, the amount invested in various securities was HK\$57,670,000 (2013: HK\$29,434,000).

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year, 3,491,450 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$7.36 to HK\$11.30 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 year ended 31 December 2014, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial information for the year ended 31 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17 April 2015 to 20 April 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 dividends, 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 16 April 2015. The interim dividend and special interim dividend will be paid on 5 May 2015 to the shareholders on the Register of Members of the Company on 20 April 2015.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 20 March 2015

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*)