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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2015 as follows:

Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 US\$'000 (Note 10)	2015 HK\$'000	2014 HK\$'000
Revenue	3	231,123	1,791,204	2,397,522
Cost of sales		(79,558)	(616,571)	(845,815)
Gross profit		151,565	1,174,633	1,551,707
Marketing expenses		(41,855)	(324,374)	(398,729)
Selling and distribution expenses		(11,754)	(91,095)	(130,709)
Administration expenses		(25,563)	(198,117)	(230,706)
Net (loss) / gain on financial assets at fair value through profit or loss		(1,882)	(14,588)	3,367
Revaluation surplus on investment properties		22,252	172,455	436,965
Operating profit		92,763	718,914	1,231,895
Other net income / (loss)		57	438	(24,142)
Finance costs		(2,343)	(18,156)	(19,134)
Share of profit / (loss) of an associated company		121	939	(5,681)
Profit before income tax	4	90,598	702,135	1,182,938
Income tax expense	5	(19,076)	(147,840)	(169,090)
Profit for the year		71,522	554,295	1,013,848

	<i>Note</i>	2015 <i>US\$'000</i> <i>(Note 10)</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year attributable to:				
Owners of the Company		53,383	413,718	757,665
Non-controlling interests		18,139	140,577	256,183
		71,522	554,295	1,013,848
		<i>US\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings per share	7			
Basic		0.24	1.84	3.30
Diluted		0.24	1.84	3.30

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	2015 <i>US\$'000</i> <i>(Note 10)</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	71,522	554,295	1,013,848
Other comprehensive income, including reclassification adjustments:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign subsidiaries	(1,772)	(13,728)	8,978
Reclassified to profit or loss on dissolution of foreign subsidiaries	-	-	(531)
Total comprehensive income for the year	69,750	540,567	1,022,295
Total comprehensive income attributable to:			
Owners of the Company	51,611	399,990	766,381
Non-controlling interests	18,139	140,577	255,914
	69,750	540,567	1,022,295

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 US\$'000 (Note 10)	2015 HK\$'000	2014 HK\$'000
Non-current assets				
Fixed assets				
- Investment properties		742,519	5,754,525	5,329,580
- Other property, plant and equipment		26,752	207,324	210,969
		769,271	5,961,849	5,540,549
Goodwill		771	5,976	5,976
Interest in an associated company		781	6,053	5,114
Deferred tax assets		4,535	35,143	49,309
		775,358	6,009,021	5,600,948
Current assets				
Inventories		3,670	28,443	44,332
Trade receivables	8	40,240	311,857	530,530
Deposits paid, other receivables and prepayments		11,077	85,843	74,331
Taxation recoverable		6,952	53,881	593
Financial assets at fair value through profit or loss		18,470	143,145	57,670
Cash and bank balances		149,773	1,160,738	1,233,585
		230,182	1,783,907	1,941,041
Current liabilities				
Bank loans		63,830	494,680	363,800
Trade payables	9	6,493	50,318	80,596
Deposits received, other payables and accrued charges		25,417	196,986	245,519
Loan from an associated company		752	5,831	-
Provisions		6,314	48,930	45,819
Taxation payable		461	3,570	88,052
		103,267	800,315	823,786
Net current assets		126,915	983,592	1,117,255
Total assets less current liabilities		902,273	6,992,613	6,718,203

	2015 <i>US\$'000</i> <i>(Note 10)</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current liabilities			
Bank loans	4,465	34,600	66,400
Deferred tax liabilities	3,926	30,427	22,939
	8,391	65,027	89,339
Net assets	893,882	6,927,586	6,628,864
Equity			
Share capital	2,839	22,000	22,822
Reserves	817,278	6,333,910	6,081,299
Equity attributable to the owners of the Company	820,117	6,355,910	6,104,121
Non-controlling interests	73,765	571,676	524,743
Total equity	893,882	6,927,586	6,628,864

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”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies 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 “Listing Rules”).

The amendments to the Listing Rules relating to financial information with reference to Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance came into effect for the first time during the current financial year and the main impact is on the presentation and disclosure of certain information in the financial statements.

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 financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014, 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 2015. Details of these changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs 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:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

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:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of toys	1,551,464	2,160,206
Rental income from investment properties	193,713	183,696
Property management income	16,530	16,112
Restaurant income	25,011	35,466
Dividend income	3,889	1,058
Interest income	597	984
Total revenue	1,791,204	<u>2,397,522</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 2015 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	247,180	4,486	1,551,464	1,803,130
<u>Inter-segment revenue</u>	<u>(11,926)</u>	<u>-</u>	<u>-</u>	<u>(11,926)</u>
Revenue from external customers	235,254	4,486	1,551,464	1,791,204
Segment profit / (loss) before depreciation	350,895	(11,194)	397,868	737,569
<u>Depreciation</u>	<u>(11,623)</u>	<u>-</u>	<u>(1,814)</u>	<u>(13,437)</u>
<u>Segment operating profit / (loss)</u>	<u>339,272</u>	<u>(11,194)</u>	<u>396,054</u>	<u>724,132</u>
Other net income / (loss)	679	-	(241)	438
Finance costs	(10,684)	(68)	(7,157)	(17,909)
Share of profit of an associated company	-	-	939	939
	<u>(10,005)</u>	<u>(68)</u>	<u>(6,459)</u>	<u>(16,532)</u>
Segment profit / (loss) before <u>income tax</u>	<u>329,267</u>	<u>(11,262)</u>	<u>389,595</u>	<u>707,600</u>
Unallocated corporate expenses				<u>(5,465)</u>
Profit before income tax				<u>702,135</u>
Interest income	-	597	1,982	
Revaluation surplus on investment properties	172,455	-	-	
Net loss on financial assets at fair value through profit or loss	-	(14,588)	(5,079)	

The segment results for the year ended 31 December 2014 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	246,458	2,042	2,160,206	2,408,706
<u>Inter-segment revenue</u>	<u>(11,184)</u>	<u>-</u>	<u>-</u>	<u>(11,184)</u>
Revenue from external customers	235,274	2,042	2,160,206	2,397,522
Segment profit before depreciation	596,246	5,409	649,186	1,250,841
<u>Depreciation</u>	<u>(11,456)</u>	<u>-</u>	<u>(948)</u>	<u>(12,404)</u>
<u>Segment operating profit</u>	<u>584,790</u>	<u>5,409</u>	<u>648,238</u>	<u>1,238,437</u>
Other net 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>
<u>Segment profit before income tax</u>	<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>
Interest income	-	984	2,742	
Revaluation surplus on investment properties	436,965	-	-	
Allowance for impairment of trade receivables	-	-	(2,004)	
Net gain on financial assets at fair value through profit or loss	-	3,367	-	

The segment assets and liabilities as at 31 December 2015 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)	6,048,475	357,907	1,291,779	7,698,161
Interest in an associated company	-	-	6,053	6,053
Total reportable segment assets	6,048,475	357,907	1,297,832	7,704,214
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>
Reportable segment liabilities	579,567	-	251,761	831,328
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>
Capital expenditure	271,608	-	3,716	

The segment assets and liabilities as at 31 December 2014 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)	5,613,181	489,835	1,383,582	7,486,598
Interest in an associated company	-	-	5,114	5,114
<u>Total reportable segment assets</u>	<u>5,613,181</u>	<u>489,835</u>	<u>1,388,696</u>	<u>7,491,712</u>
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>
<u>Reportable segment liabilities</u>	<u>483,392</u>	<u>-</u>	<u>316,776</u>	<u>800,168</u>
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>
<u>Capital expenditure</u>	<u>44,377</u>	<u>-</u>	<u>4,115</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	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	237,703	239,196	5,441,354	5,282,709
Americas				
- U.S.A.	1,179,366	1,563,541	199,233	2,645
- Others	78,081	126,627	-	-
Europe	221,984	366,586	252,469	266,285
Asia Pacific other than Hong Kong	62,583	91,124	80,822	-
Others	11,487	10,448	-	-
	1,553,501	2,158,326	532,524	268,930
	1,791,204	2,397,522	5,973,878	5,551,639

Major customers

The Group's customer base is diversified and includes three (2014: three) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK\$513,229,000, HK\$280,128,000 and HK\$225,976,000 (2014: HK\$634,302,000, HK\$415,404,000 and HK\$265,346,000) respectively.

4. Profit before income tax

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of inventories sold	548,962	775,488
Write-down of inventories	355	720
Product development costs	10,758	7,062
Royalties paid	207,909	287,295
Direct operating expenses arising from investment properties that generate rental income	4,791	4,581
Direct operating expenses arising from investment properties that did not generate rental income	828	325
Provision for consumer returns, cooperative advertising and cancellation charges	61,478	90,737
Reversal of unutilised provision for consumer returns, cooperative advertising and cancellation charges	(1,344)	(296)
Depreciation of other property, plant and equipment	13,844	12,819
Directors' and staff remunerations	120,459	146,754
Allowance for impairment of trade receivables	-	2,004
Allowance for customer concession	2,361	-
Operating leases expense on office and warehouse facilities	2,383	2,121
Loss / (Gain) on disposal of other property, plant and equipment	2	(192)
Net foreign exchange (gain) / loss	(679)	26,884
Interest on bank loans wholly repayable within five years	10,120	8,828
<u>Interest income</u>	<u>(2,579)</u>	<u>(3,726)</u>

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	58,916	104,992
Overseas taxation	61,748	53,894
Under provision in prior years – overseas	4,879	2,592
Under / (Over) provision in prior years – Hong Kong	34	(48)
	<u>125,577</u>	<u>161,430</u>
Deferred taxation		
<u>Origination and reversal of temporary differences</u>	<u>22,263</u>	<u>7,660</u>
<u>Income tax expense</u>	<u>147,840</u>	<u>169,090</u>

6. Dividends

(a) Dividends attributable to the year

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
First interim dividend of HK\$0.075 (2014: HK\$0.075) per share	16,769	17,160
Second interim dividend of HK\$0.075 (2014: HK\$0.075) per share	16,200	17,102
Special interim dividend of HK\$0.13 (2014: HK\$0.20) per share	28,080	45,604
	61,049	79,866

At a meeting held on 21 August 2015, the board of directors declared a first interim dividend of HK\$0.075 per share, which was paid on 30 September 2015.

At a meeting held on 24 March 2016, the board of directors declared a second interim dividend of HK\$0.075 per share and a special interim dividend of HK\$0.13 per share to be paid on 28 April 2016 to shareholders whose names appear on the Company's register of members on 14 April 2016. This second interim dividend and special interim dividend declared after the end of the reporting period have not been recognised as liabilities in the financial statements for the year ended 31 December 2015.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividends in respect of the previous financial year and paid during the year:		
Second interim dividend of HK\$0.075 (2014: HK\$0.05) per share	17,102	11,440
Special interim dividend of HK\$0.20 (2014: HK\$nil) per share	45,604	-
Special dividend of HK\$nil (2014: HK\$0.40) per share	-	91,520
	62,706	102,960

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$413,718,000 (2014: HK\$757,665,000) and the weighted average number of ordinary shares of 225,418,000 shares (2014: 229,288,000 shares) in issue during the year.

Diluted earnings per share for the year ended 31 December 2015 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.

The calculation of diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to owners 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.

The dilutive effect of the share options issued by the Group's listed subsidiary, Playmates Toys Limited was insignificant for the years ended 31 December 2015 and 2014.

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 end of the reporting period:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	303,296	516,210
31 – 60 days	4,585	4,834
Over 60 days	3,976	9,486
	311,857	530,530

9. Trade payables

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	42,648	78,760
31 – 60 days	2,082	547
Over 60 days	5,588	1,289
	50,318	80,596

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 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Playmates Holdings group global revenue for the year ended 31 December 2015 was HK\$1,791.2 million (2014: HK\$2,397.5 million); reflected a decrease of 25.3% compared to the prior year. The Group reported an operating profit of HK\$718.9 million (2014: HK\$1,231.9 million) and net profit attributable to shareholders was HK\$413.7 million (2014: HK\$757.7 million). Basic earnings per share was HK\$1.84 (2014: HK\$3.30).

Property Investments and Associated Businesses

Aggregate turnover of the property investments and associated businesses during 2015 was HK\$235.3 million (2014: HK\$235.3 million). Revenue from the property investments and property management businesses increased 5.2% to HK\$210.2 million (2014: HK\$199.8 million), while revenue from the food and beverage business decreased by 29.6% to HK\$25.0 million (2014: HK\$35.5 million), mainly due to the closure of Fandango Spanish Restaurant during the year. The Group's investment properties were revalued by independent professional surveyors at the fair value of HK\$5.8 billion (2014: HK\$5.3 billion). A revaluation surplus of HK\$172.5 million (2014: HK\$437.0 million) was reported in the consolidated income statement of the Group. Segment operating profit was HK\$339.3 million including revaluation surplus, compared to HK\$584.8 million for 2014.

(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 accounted for 7.9% of the fair value of the Group's overall investment property portfolio (2014: 4.1%).

Aggregate rental income generated from the investment properties of the Group was HK\$193.7 million, an increase of 5.4% from prior year (2014: HK\$183.7 million), with an overall occupancy rate of 89% (2014: 90%).

(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 challenged during 2015. 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 are also exploring leasing opportunities for our 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 was HK\$16.5 million, an increase of 2.5% from prior year (2014: HK\$16.1 million).

(c) **Food & Beverage Business**

Revenue generated from the food and beverage business in 2015 decreased by 29.6% to HK\$25.0 million (2014: HK\$35.5 million). The decrease was mainly due to the closure of Fandango Spanish Restaurant during the year. The Group continued to operate two restaurants in The Toy House. We will continue to improve the quality and variety of the menus of these restaurants.

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 for the year ended 31 December 2015 was HK\$1,551 million (2014: HK\$2,160 million), a decrease of 28% compared to the prior year. The decrease in turnover was driven by stronger competitions, weaker sales particularly in markets outside the US, as well as the disparate comparison against the prior year period, which benefited from the blockbuster *Teenage Mutant Ninja Turtles*® ("TMNT") movie from Paramount Pictures®.

The US continued to be Playmates Toys' biggest market in 2015, contributing 76% of its revenue. Europe as a whole contributed 14%, the rest of the Americas 5% and 4% came from Asia Pacific. During the year, the US market continued its recovery. According to The NPD Group, the leading provider of toys point-of-sale market research data, in 2015 US retail dollar sales of toys were up by about 6.7% year-on-year, marking one of the strongest performances the industry has seen in a number of years.¹ A number of major action adventure movies prompted strong competitions among boy's action toys. On the other hand, Playmates Toys' key international markets, in particular those in Europe, were impacted by the continued weaknesses of most currencies against the US Dollar, as well as economic and political uncertainties in certain territories.

Gross profit ratio on toy sales was 61.6% (2014: 61.9%). The slight decrease in gross profit ratio was attributable to higher level of development and tooling expenses related to new product introductions, partially offset by a higher percentage of overall sales generated in the US market. Recurring operating expenses decreased by 19% from the prior year period, reflecting lower selling, royalty and overhead expenses, but increased promotional expenses.

Playmates Toys group reported an operating profit for 2015 of HK\$396 million, a decrease of 38.9% compared to prior year (2014: HK\$648 million).

In 2016, Playmates Toys group expects challenges and uncertainties in its business environment to persist. Nevertheless, Playmates Toys is encouraged that its *TMNT* business will again benefit from the twin drivers of the popular Nickelodeon[®] TV show and the blockbuster movie sequel from Paramount[®], *Teenage Mutant Ninja Turtles[®]: Out of the Shadows*.

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 31 December 2015, fair market value of the Group's investment portfolio was HK\$112.1 million (2014: HK\$57.7 million). The Group reported a net loss from investments of HK\$14.6 million in 2015, compared to a net gain of HK\$3.4 million in 2014. In 2015, dividend and interest income generated from portfolio investments were HK\$4.5 million (2014: HK\$2.0 million) 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.

¹ Source: The NPD Group/Retail Tracking Services; Dollars, January-December 2015.

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 2015, trade receivables related to toy operation were HK\$311,020,000 (2014: HK\$529,727,000) and inventories related to toy operation were at a seasonal low level of HK\$28,242,000 (2014: HK\$44,165,000) or 1.8% (2014: 2.0%) 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 2015. Accounts receivables were minimal as at the year end.

Financial assets at fair value through profit or loss include listed equity and managed funds. As at 31 December 2015, the Group's financial assets at fair value through profit or loss amounted to HK\$143,145,000 (31 December 2014: HK\$57,670,000) of which HK\$31,078,000 was held by Playmates Toys for treasury investments (31 December 2014: HK\$nil).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2015 was 6.8% compared to 5.7% at 31 December 2014. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.2 at 31 December 2015 compared to 2.4 at 31 December 2014.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 31 December 2015, the Group's cash and bank balances were HK\$1,160,738,000 (2014: HK\$1,233,585,000), of which HK\$848,782,000 (2014: HK\$1,030,617,000) was denominated in United States dollar, HK\$4,152,000 (2014: HK\$4,549,000) in British pound and the remaining balance was mainly denominated in Hong Kong dollar.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year, 8,102,000 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$7.76 to HK\$9.70 per share through The Stock Exchange of Hong Kong Limited.

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 2015, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial information for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 April 2016 to 14 April 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 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 12 April 2016. The second interim dividend and special interim dividend will be paid on 28 April 2016 to the shareholders on the Register of Members of the Company on 14 April 2016.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 24 March 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*)