



Interim Report
2008



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MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2008 HK\$'000	2007 HK\$'000
Group turnover	279,598	389,337
– from property investments & associated businesses	47,502	41,758
– from toy business	232,096	347,579
Gross profit	128,827	198,234
Revaluation surplus on investment properties	151,243	105,474
Operating profit	108,676	105,247
Profit before taxation	13,744	145,089
Profit attributable to shareholders	43,896	119,162
	HK\$	HK\$
Earnings per share		
– Basic	0.20	0.60
– Diluted	0.20	0.59
Interim dividend per share	0.10	0.20

Property Investments and Associated Businesses

The property market in Hong Kong continued to strengthen in the first half of 2008 enabling the Group to achieve growth in rental income and to record a further increase in capital value of its properties portfolio. Segment operating profit grew by 40.8% to HK\$176 million (including revaluation surplus of HK\$151 million), compared to HK\$125 million in operating profit (including revaluation surplus of HK\$105 million) for the same period last year.

(a) Leasing Business

The Toy House

Rental income generated by The Toy House before intra-group elimination was HK\$20 million, a growth of 5.3%, compared to the same period last year. The increment in rental income was mainly attributable to the overall higher rental rates achieved for both new leases and renewals. In the first half of 2008, The Toy House secured an up-market beauty spa salon and a luxury wine bar club as new retail tenants. Both tenants commenced business as scheduled in the third quarter of 2008 which will further enrich the tenant mix of The Toy House. A food and beverage tenancy was renewed with substantial rental growth. Looking ahead, the pace of growth in rental rate is slowing. However, with the prime location of The Toy House, we remain cautiously optimistic about the earning outlook of this core investment property in the foreseeable future.

Hillview Apartment Units

Mainly attributable to higher occupancy and rental rates boosted by strong and persistent demand for luxury residential accommodation, rental income generated by the residential apartment units at Hillview recorded a growth of 55.2% to HK\$7 million in the first half of the year.

Playmates Factory Building

Rental income generated by Playmates Factory Building was HK\$4 million, a growth of 9.4% as compared to the same period last year. The increment was primarily driven by renewals with rental increases.

The Group has adopted the fair value method for its property investments. As at the end of the period under review, the Group's investment properties were revalued by an independent professional surveyor. A valuation surplus of HK\$151 million was reported in the consolidated income statement of the Group for the period.

(b) Property Management Business

The Group is engaged in managing and providing a full range of building services to The Toy House, Playmates Factory Building and Hillview. Income from the property management business segment before intra-group elimination for the period grew by 17.2% to HK\$8 million as compared to the same period last year.

(c) Food & Beverage Business

With established good reputation for quality and value and favourable location in a leisure and recreational destination for up-market customers, the restaurants the Group invested in reported continued growth in performance. Income from food and beverage business segment for the period under review grew by 13.8% to HK\$13 million.

Toy Business

Playmates Toys worldwide sales during the first half of 2008 were HK\$232 million, a decrease of 33% over the same period last year. This decrease was primarily attributable to the slowdown in economic activities in major markets causing consumers to curtail spending on discretionary purchases, including toys, and unlike the first half of last year when there was a major entertainment event driving sales of the Group's licensed brands. According to trade statistics, year-to-date (June 2008) industry retail dollar sales in the U.S. decreased 4%, with a corresponding decrease in unit sales of 9%. U.S. industry retail sales were down in all categories except plush, building sets, and action figures and accessories, where growth was driven by new theatrical releases.

Gross profit ratio on toy sales was 38% (47% during the same period in 2007). Lower gross profit percentage for the period is attributed to lower unit sales in relation to the same level of development costs as last year and higher discounted sales due to accelerated adoption of new safety regulations by U.S. retailers.

Consistent with Playmates Toys' low overhead operating strategy, recurring operating expenses were managed to a level below last year primarily with reductions in co-op advertising and professional expenses. Playmates Toys reported a net loss after tax of HK\$42 million (compared to a net loss after tax of HK\$14 million for the same period in 2007) as a result of decreased sales, partially offset by lower selling, distribution and administrative expenses for the period.

In the second half of 2008, we expect a continuing challenging environment. The economic slowdown in the U.S. appears to be spreading to other developed markets around the world; consumer confidence hovers at record low levels under the continued pressures of inflation, tight credit and rising unemployment; retailers remain cautious on building inventory for the holiday season, and input costs inflation continues to put pressure on profit margin.

In spite of these challenges, Playmates Toys remains focused on its long term strategy of growing its core business and expanding its presence in targeted growth categories.

Treasury Investment

As at 30 June 2008, the market value of the Group's investment portfolio was HK\$581 million. The Group incurred a net loss (including realised and unrealised loss) of approximately HK\$96 million from investments in the first six months of 2008. With continuing volatility in the global capital and debt markets, the Group will remain vigilant in closely monitoring and adjusting the investment portfolio.

CONDENSED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	Note	Unaudited		
		2008	2008	2007
		US\$'000	HK\$'000	HK\$'000
		(Note 17)		
Turnover	2	35,846	279,598	389,337
Cost of sales		(19,330)	(150,771)	(191,103)
Gross profit		16,516	128,827	198,234
Marketing expenses		(9,678)	(75,492)	(79,525)
Selling, distribution and administration expenses		(12,295)	(95,902)	(118,936)
Revaluation surplus on investment properties		19,390	151,243	105,474
Operating profit		13,933	108,676	105,247
Non-operating income/(expenses)				
Interest expense and bank charges		(584)	(4,551)	(3,948)
Other revenues		971	7,577	6,528
Net (loss)/gain on investments		(12,285)	(95,826)	37,528
		2,035	15,876	145,355
Share of losses of an associated company		(273)	(2,132)	(266)
Profit before taxation	3	1,762	13,744	145,089
Taxation credit/(charge)	4	1,279	9,976	(25,927)
Profit for the period		3,041	23,720	119,162
Attributable to:				
Equity holders of the Company		5,628	43,896	119,162
Minority interest		(2,587)	(20,176)	–
		3,041	23,720	119,162
Dividend	5	2,868	22,372	44,501
		US\$	HK\$	HK\$
Earnings per share	6			
Basic		0.03	0.20	0.60
Diluted		0.03	0.20	0.59

Condensed Consolidated Balance Sheet
As at 30 June 2008 and 31 December 2007

		Unaudited	Unaudited	Audited
		30 June	30 June	31 December
		2008	2008	2007
	<i>Note</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 17)</i>		
Non-current assets				
Fixed assets				
– Investment properties	7	216,808	1,691,100	1,539,800
– Other property, plant and equipment	7	4,754	37,083	38,149
– Prepaid premium on leasehold land held for own use under an operating lease	7	6,155	48,011	48,597
		<u>227,717</u>	<u>1,776,194</u>	1,626,546
Goodwill		766	5,976	5,976
Interest in an associated company		2,943	22,958	25,090
Deferred tax assets		15,624	121,865	91,976
		<u>247,050</u>	<u>1,926,993</u>	1,749,588
Current assets				
Inventories		4,592	35,819	33,368
Trade receivables	8	8,655	67,509	179,792
Other receivables, deposits and prepayments		12,878	100,447	80,172
Taxation recoverable		295	2,303	3,177
Financial assets at fair value through profit or loss		74,545	581,451	567,943
Cash and bank balances		28,256	220,394	375,215
		<u>129,221</u>	<u>1,007,923</u>	1,239,667

		Unaudited 30 June 2008 US\$'000 (Note 17)	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
	Note			
Current liabilities				
Bank loans	9	31,204	243,389	160,275
Trade payables	10	6,548	51,072	76,027
Other payables and accrued charges		9,657	75,325	160,415
Provisions		2,311	18,028	35,798
Taxation payable		701	5,468	5,856
		<u>50,421</u>	<u>393,282</u>	<u>438,371</u>
Net current assets		<u>78,800</u>	<u>614,641</u>	<u>801,296</u>
Total assets less current liabilities		325,850	2,541,634	2,550,884
Non-current liabilities				
Deferred tax liabilities		<u>21,948</u>	<u>171,198</u>	<u>154,109</u>
Net assets		<u>303,902</u>	<u>2,370,436</u>	<u>2,396,775</u>
Capital and reserves				
Share capital	11	2,868	22,372	222,523
Reserves		283,966	2,214,934	1,987,780
Proposed dividend	5	2,868	22,372	184,502
Total equity attributable to equity holders of the Company		289,702	2,259,678	2,394,805
Minority interests		<u>14,200</u>	<u>110,758</u>	<u>1,970</u>
Total equity		<u>303,902</u>	<u>2,370,436</u>	<u>2,396,775</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Unaudited Equity Holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Reserve on consolidation HK\$'000	Share-based compensation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2007	187,108	742,966	1,116	21,082	26,082	889,756	1,868,110
Total recognised income and expense for the period:							
Profit for the period	-	-	-	-	-	119,162	119,162
Issue of shares	34,515	320,987	-	-	-	-	355,502
2006 final dividend paid	-	-	-	-	-	(65,743)	(65,743)
2006 special dividend paid	-	-	-	-	-	(43,829)	(43,829)
Share option scheme							
- value of services provided	-	-	-	-	2,812	-	2,812
- shares issued	881	5,255	-	-	(1,282)	-	4,854
- option lapsed	-	-	-	-	(321)	321	-
	<u>35,396</u>	<u>326,242</u>	<u>-</u>	<u>-</u>	<u>1,209</u>	<u>(109,251)</u>	<u>253,596</u>
At 30 June 2007	<u>222,504</u>	<u>1,069,208</u>	<u>1,116</u>	<u>21,082</u>	<u>27,291</u>	<u>899,667</u>	<u>2,240,868</u>

	Unaudited Equity Holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Reserve on consolidation HK\$'000	Share-based compensation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
At 1 January 2008	222,523	1,069,283	1,116	21,082	28,746	1,052,055	2,394,805	1,970	2,396,775
Total recognised income and expense for the period:									
Profit/(loss) for the period	-	-	-	-	-	43,896	43,896	(20,176)	23,720
Capital reorganisation	(201,353)	201,353	-	-	-	-	-	-	-
2007 final dividend paid	-	-	-	-	-	(55,931)	(55,931)	-	(55,931)
2007 special dividend paid	-	-	-	-	-	(128,571)	(128,571)	128,571	-
Share option scheme									
- value of services provided	-	-	-	-	1,515	-	1,515	393	1,908
- shares issued	1,202	3,021	-	-	(259)	-	3,964	-	3,964
- option lapsed	-	-	-	-	(241)	241	-	-	-
	<u>(200,151)</u>	<u>204,374</u>	<u>-</u>	<u>-</u>	<u>1,015</u>	<u>(184,261)</u>	<u>(179,023)</u>	<u>128,964</u>	<u>(50,059)</u>
At 30 June 2008	<u>22,372</u>	<u>1,273,657</u>	<u>1,116</u>	<u>21,082</u>	<u>29,761</u>	<u>911,690</u>	<u>2,259,678</u>	<u>110,758</u>	<u>2,370,436</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Unaudited		
	Six months ended 30 June		2007
	2008	2008	2007
	US\$'000	HK\$'000	HK\$'000
	(Note 17)		
Net cash (used in)/generated from operating activities	(10,474)	(81,700)	87,876
Net cash used in investing activities	(13,368)	(104,268)	(162,844)
Net cash generated from financing activities	<u>3,993</u>	<u>31,147</u>	<u>203,774</u>
Net (decrease)/increase in cash and cash equivalents	(19,849)	(154,821)	128,806
Cash and cash equivalents at 1 January	<u>48,105</u>	<u>375,215</u>	<u>170,015</u>
Cash and cash equivalents at 30 June	<u><u>28,256</u></u>	<u><u>220,394</u></u>	<u><u>298,821</u></u>
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	<u><u>28,256</u></u>	<u><u>220,394</u></u>	<u><u>298,821</u></u>

Notes to the Condensed Financial Information

1 Basis of preparation and accounting policies

This condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2007 annual financial statements.

The accounting policies and methods of computation 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 2007.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new standards and interpretations but is not yet in a position to state whether they would significantly impact on its results of operations and financial position.

2 Segment information

The Group is principally engaged in property investments and management, restaurant operation and the design, development, marketing and distribution of toys and family entertainment activity products.

Business segments

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30 June 2008			
	Property investments and associated businesses	Toy business	Elimination	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Turnover	47,502	232,096	–	279,598
Inter-segment revenue <i>(Note (iii))</i>	166	–	(166)	–
	<u>47,668</u>	<u>232,096</u>	<u>(166)</u>	<u>279,598</u>
Results				
Segment results	175,694	(68,229)	–	107,465
Inter-segment transactions	166	(166)	–	–
	<u>175,860</u>	<u>(68,395)</u>	<u>–</u>	<u>107,465</u>
Unallocated income and expenses, net				<u>1,211</u>
Operating profit				<u>108,676</u>

Six months ended 30 June 2007

	Property investments and associated businesses <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue				
Turnover	41,758	347,579	–	389,337
Inter-segment revenue <i>(Note (iii))</i>	<u>185</u>	<u>–</u>	<u>(185)</u>	<u>–</u>
	<u><u>41,943</u></u>	<u><u>347,579</u></u>	<u><u>(185)</u></u>	<u><u>389,337</u></u>
Results				
Segment results	125,225	(9,433)	–	115,792
Inter-segment transactions	<u>185</u>	<u>(185)</u>	<u>–</u>	<u>–</u>
	<u><u>125,410</u></u>	<u><u>(9,618)</u></u>	<u><u>–</u></u>	<u><u>115,792</u></u>
Unallocated income and expenses, net				<u>(10,545)</u>
Operating profit				<u><u>105,247</u></u>

Notes:

- (i) **Property investments and associated businesses** refers to the leasing of commercial, industrial and residential premises to generate rental income, the provision of property management services and the operation of restaurants.
- (ii) **Toy business** refers to the design, development, marketing and distribution of toys and family entertainment activity products.
- (iii) Inter-segment revenue eliminated on consolidation represents inter-company rental charges on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

The segment assets and liabilities as at 30 June 2008 are as follows:

	Property investments and associated businesses HK\$'000	Toy business HK\$'000	Elimination HK\$'000	Group HK\$'000
Assets				
Segment assets	1,793,207	253,251	(86)	2,046,372
Unallocated assets				<u>888,544</u>
Total assets				<u><u>2,934,916</u></u>
Liabilities				
Segment liabilities	32,659	110,212	(86)	142,785
Unallocated liabilities				<u>421,695</u>
Total liabilities				<u><u>564,480</u></u>

The segment assets and liabilities as at 31 December 2007 are as follows:

	Property investments and associated businesses HK\$'000	Toy business HK\$'000	Elimination HK\$'000	Group HK\$'000
Assets				
Segment assets	1,641,440	373,739	(217)	2,014,962
Unallocated assets				<u>974,293</u>
Total assets				<u><u>2,989,255</u></u>
Liabilities				
Segment liabilities	32,009	200,568	(217)	232,360
Unallocated liabilities				<u>360,120</u>
Total liabilities				<u><u>592,480</u></u>

Geographical segments

An analysis of the Group's turnover for the period by geographical segments is as follows:

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Asia Pacific	56,293	63,725
Americas		
– U.S.A.	151,951	224,418
– Others	8,677	29,906
Europe	58,512	70,680
Others	4,165	608
	<u>279,598</u>	<u>389,337</u>

Segment assets are allocated based on where the assets are located.

	30 June	31 December
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Asia Pacific	1,854,473	1,687,853
America		
– U.S.A.	191,899	327,109
	<u>2,046,372</u>	<u>2,014,962</u>

3 Profit before taxation

Profit before taxation is stated after charging and crediting the following:

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charging:		
Cost of inventories sold	125,257	163,086
Product development costs	4,628	7,173
Royalties paid	25,520	33,549
Allowance for customer concession	284	4,390
Staff costs	53,234	51,449
Depreciation of fixed assets	4,052	4,121
Loss on disposal of fixed assets	54	8
	<u>276,929</u>	<u>394,776</u>
Crediting:		
Bank interest income	3,366	5,280
Dividend income from investments	4,211	1,248
	<u>7,577</u>	<u>6,528</u>

4 Taxation credit/(charge)

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Overseas taxation is provided on the profits/losses of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate.

The taxation credit/(charge) in the condensed consolidated income statement comprises:

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	(2,506)	(2,035)
Overseas taxation	(318)	–
Over-provision in prior years	–	289
	<u>(2,824)</u>	<u>(1,746)</u>
Deferred taxation		
Decrease in tax rate	9,067	–
Origination and reversal of temporary differences	3,733	(24,181)
	<u>12,800</u>	<u>(24,181)</u>
	<u>9,976</u>	<u>(25,927)</u>

5 Dividend

At a meeting held on 10 March 2008 the directors proposed a final dividend of HK\$0.25 which was paid on 13 May 2008 and has been reflected as an appropriation of retained profits for the six months ended 30 June 2008.

At a meeting held on 21 August 2008 the directors declared an interim dividend of HK\$0.1 (2007: HK\$0.2, restated) per share to be paid on 24 September 2008 to shareholders on the Company's Register of Members on 17 September 2008. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2008.

6 Earnings per share

The calculations of basic and diluted earnings per share are based on the following data:

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Profit attributable to equity holder of the Company for the purpose of calculating basic and diluted earnings per share	<u>43,896</u>	<u>119,162</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	223,586,000	198,972,900
Number of potential ordinary shares issuable under share options	<u>134,000</u>	<u>2,784,800</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>223,720,000</u>	<u>201,757,700</u>

7 Fixed assets

	Investment properties	Other property, plant and equipment	Prepaid premium on leasehold land held for own use under an operating lease
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount as at 1 January 2008	1,539,800	38,149	48,597
Additions	57	3,414	–
Revaluation surplus	151,243	–	–
Depreciation/amortisation	–	(3,466)	(586)
Disposals	–	(1,014)	–
	<u> </u>	<u> </u>	<u> </u>
Closing net book amount as at 30 June 2008	<u>1,691,100</u>	<u>37,083</u>	<u>48,011</u>
Opening net book amount as at 1 January 2007	1,198,700	37,117	48,102
Additions	13,526	3,658	–
Reclassification	(21,900)	7,597	14,303
Revaluation surplus	105,474	–	–
Depreciation/amortisation	–	(3,471)	(650)
Disposals	–	(8)	–
	<u> </u>	<u> </u>	<u> </u>
Closing net book amount as at 30 June 2007	1,295,800	44,893	61,755
Additions	843	3,269	–
Reclassification	18,994	(6,451)	(12,543)
Revaluation surplus	224,163	–	–
Depreciation/amortisation	–	(3,460)	(615)
Disposals	–	(102)	–
	<u> </u>	<u> </u>	<u> </u>
Closing net book amount as at 31 December 2007	<u>1,539,800</u>	<u>38,149</u>	<u>48,597</u>

8 Trade receivables

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Trade receivables	70,489	186,014
Less: Allowance for customer concession	<u>(2,980)</u>	<u>(6,222)</u>
	<u>67,509</u>	<u>179,792</u>

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

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term of 60 days on average. 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 at the balance sheet date:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
0 – 30 days	65,971	178,256
31 – 60 days	658	261
Over 60 days	<u>880</u>	<u>1,275</u>
	<u>67,509</u>	<u>179,792</u>

9 Bank loans

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Secured bank loans payable within one year	<u>243,389</u>	<u>160,275</u>

All bank loans were denominated in HK dollar and bear floating interest rates ranging from 2.06% p.a. to 3.86% p.a. (2007: from 4.25% p.a. to 8.75% p.a.).

The carrying amounts of short term bank loans approximate their fair value.

The effective interest rate at the balance sheet date was 2.90% p.a. (31 December 2007: 4.59% p.a.).

As at 30 June 2008, the Group had banking facilities amounting to approximately HK\$905 million (31 December 2007: HK\$777 million), of which HK\$275 million (31 December 2007: HK\$160 million) were utilised.

The banking facilities of certain subsidiaries are secured by investment properties, other fixed assets and investments with aggregate net book value of HK\$1,420 million (31 December 2007: HK\$1,260 million) of the Group at 30 June 2008.

10 Trade payables

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

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
0 – 30 days	41,404	34,166
31 – 60 days	7,717	41,391
Over 60 days	<u>1,951</u>	<u>470</u>
	<u>51,072</u>	<u>76,027</u>

11 Share capital

	Authorised Ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 31 December 2007 and 30 June 2008	<u>3,000,000,000</u>	<u>300,000</u>
	Issued and fully paid Ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 1 January 2007	1,871,081,417	187,108
Exercise of warrants 2007	345,147,152	34,515
Exercise of share options	<u>9,004,000</u>	<u>900</u>
At 1 January 2008	2,225,232,569	222,523
Exercise of share options	12,017,000	1,202
Capital reorganisation (<i>Note</i>)	<u>(2,013,524,613)</u>	<u>(201,353)</u>
At 30 June 2008	<u>223,724,956</u>	<u>22,372</u>

Note:

Pursuant to the special resolution passed on 25 January 2008, the reorganisation of the share capital of the Company was effected which involved capital reduction (“Capital Reduction”) and share consolidation (“Share Consolidation”). Pursuant to the Capital Reduction, the nominal value of the issued share capital of the Company was reduced by HK\$0.09 per share by cancelling an equivalent amount of the paid up capital per share so that the nominal value of each share in issue was reduced from HK\$0.10 to HK\$0.01. Immediately following the Capital Reduction, the Share Consolidation was implemented whereby every ten issued shares of HK\$0.01 each resulting from the Capital Reduction was consolidated into one consolidated share of HK\$0.10.

12 Contingent liabilities

There was no material change in contingent liabilities compared to those disclosed in the most recently published annual report.

13 Commitments

Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to design, develop, market and distribute certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amounts of financial commitments contracted but not provided for at 30 June 2008 were payable as follows:

	30 June 2008	31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	48,564	23,335
In the second to fifth years inclusive	25,161	33,189
	<u>73,725</u>	<u>56,524</u>

14 Operating lease arrangements

The Group acts as lessee and lessor under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) As lessee

At 30 June 2008, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by the Group were as follows:

	30 June 2008	31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	10,825	6,049
In the second to fifth years inclusive	21,918	7,372
	<u>32,743</u>	<u>13,421</u>

(b) As lessor

At 30 June 2008, the future aggregate minimum lease payments under non-cancellable operating leases for office, industrial and residential premises receivable by the Group were as follows:

	30 June 2008	31 December 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	56,386	47,976
In the second to fifth years inclusive	53,824	36,868
	<u>110,210</u>	<u>84,844</u>

15 Related party transactions

The Group did not enter into any material related party transaction during the period except the following:

Key management compensation

	Six months ended 30 June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and other short-term employee benefits	5,278	5,278
Employer's contribution to provident fund	106	101
Share-based compensation	972	1,504
	<u>6,356</u>	<u>6,883</u>

16 Post balance sheet event

The Group entered into a conditional joint venture agreement dated 10 July 2008 for the setting up of a joint venture company which will be 45% owned by the Group. The Group's capital commitment under the joint venture agreement which can be ascertained at present is approximately HK\$7 million. The amount will be funded by internal resources. More details of the transaction can be referred to the circular dated 21 August 2008.

17 US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.8 to US\$1 ruling at 30 June 2008.

18 Comparative figures

In accordance with the change in the Group's internal financial reporting, the Group has determined the operation of restaurants to be included in the property investments and associated businesses segment. As a result, certain comparative figures of turnover and revenue, costs of sales and selling, distribution and administration expenses have been re-classified to conform to current period's presentation.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Liquidity and Financial Resources

The property investments and associated businesses generated a relatively steady income stream throughout the period. Approximately 88% of the total gross floor area of the Group's investment properties were leased out as at 30 June 2008. Accounts receivables were minimal as at the period end.

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 30 June 2008, trade receivables related to toy business were HK\$66,954,000 (31 December 2007: HK\$179,272,000) and inventories were HK\$35,666,000 (31 December 2007: HK\$33,274,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2008 was 8.3% compared to 5.4% at 31 December 2007. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.6 at 30 June 2008 compared to 2.8 at 31 December 2007.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. After considering the operating cash flow and liquidity requirements, a portion of cash on hand may be invested from time to time in various types of financial instruments including fixed income, equity, derivatives and managed funds with a view to enhance overall return. The selection and allocation of such yield enhancement investments are regularly reviewed to ensure that an acceptable risk-and-return profile is maintained and the liquidity requirements of the Group are served. As at 30 June 2008, the Group's cash and bank balances were HK\$220,394,000 (31 December 2007: HK\$375,215,000), and the amount invested in various securities was HK\$581,451,000 (31 December 2007: HK\$567,943,000).

Charges on Group Assets

Details of charges on group assets are set out in note 9 to the condensed financial information.

Employees

As at 30 June 2008, the Group had a total of 212 employees in Hong Kong, the Mainland China and the United States of America.

There was no material change in remuneration policies compared to those disclosed in the most recently published annual report.

Share Options

The following shows the particulars of the share options of the Company and of its subsidiary that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 41(2) of Appendix 16 of the Listing Rules.

Share options of the Company

Particulars of the share options of the Company granted to directors of the Company and employees of the Group pursuant to the Share Option Plan (“Plan”) and the Share Option Scheme (“Scheme”) adopted on 4 May 1998 and 28 June 2002 respectively were as follows:

Participant	Date of grant	Exercise price HK\$	Number of share options (Note (1))			
			Balance at 1 January 2008	Exercised during the period (Note (2))	Lapsed during the period	Balance at 30 June 2008
Plan						
<i>Continuous Contract</i>	15 May 1998	5.32	28,060	19,100	8,960	–
<i>Employees, excluding directors</i>	27 May 1999	5.06	24,700	–	–	24,700
	22 July 2000	6.26	79,600	–	–	79,600
	21 May 2001	2.97	53,740	9,300	–	44,440
	28 August 2001	2.94	816,300	816,300	–	–
Scheme						
CHENG Bing Kin, Alain	7 January 2004	13.60	59,000	–	–	59,000
<i>Director</i>	22 September 2005	12.06	62,500	–	–	62,500
	4 May 2006	9.10	37,500	–	–	37,500
CHOW Yu Chun, Alexander	4 May 2006	9.10	75,000	–	75,000	–
<i>Director (Note (3))</i>						
IP Shu Wing, Charles	22 September 2005	12.06	100,000	–	–	100,000
<i>Director</i>	4 May 2006	9.10	37,600	–	–	37,600
LEE Peng Fei, Allen	22 September 2005	12.06	100,000	–	–	100,000
<i>Director</i>	4 May 2006	9.10	75,000	–	–	75,000
LO Kai Yiu, Anthony	9 August 2002	1.99	25,000	–	–	25,000
<i>Director</i>	22 September 2005	12.06	100,000	–	–	100,000
	4 May 2006	9.10	75,000	–	–	75,000
TO Shu Sing, Sidney	7 January 2004	13.60	120,000	–	–	120,000
<i>Director</i>	22 September 2005	12.06	150,000	–	–	150,000
	4 May 2006	9.10	37,500	–	–	37,500

Participant	Date of grant	Exercise price HK\$	Number of share options (Note (1))			
			Balance at 1 January 2008	Exercised during the period (Note (2))	Lapsed during the period	Balance at 30 June 2008
TSIM Tak Lung <i>Director</i>	22 September 2005	12.06	100,000	–	–	100,000
	4 May 2006	9.10	75,000	–	–	75,000
YU Hon To, David <i>Director</i>	22 September 2005	12.06	100,000	–	–	100,000
	4 May 2006	9.10	75,000	–	–	75,000
<i>Continuous Contract Employees, excluding directors</i>	9 August 2002	1.99	285,100	150,600	–	134,500
	10 March 2003	5.50	418,370	206,400	–	211,970
	7 January 2004	13.60	936,610	–	–	936,610
	19 March 2004	12.40	1,100,000	–	–	1,100,000
	22 September 2005	12.06	1,842,920	–	44,400	1,798,520
	9 January 2006	10.30	50,000	–	–	50,000
	4 May 2006	9.10	1,284,700	–	48,200	1,236,500

Notes:

- (1) The exercise price and number of options shown herein have been adjusted to reflect the share consolidation as set out in note 11 to the condensed financial information.
- (2) The closing price of the ordinary shares of the Company immediately before the date on which the options were exercised by continuous contract employees, excluding directors, during the period was HK\$5.70.
- (3) Mr. Chow Yu Chun, Alexander has resigned as a director on 28 December 2007.

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

Share options of Playmates Toys Limited (“PTL”)

Particulars of the share options of PTL, a subsidiary of the Company, granted to directors of the Company, directors of PTL, employees of PTL group and other participants pursuant to its Share Option Scheme (“PTL Scheme”) adopted on 25 January 2008 were as follows:

Participant	Date of grant	Exercise price HK\$	Number of share options			
			Balance at 1 January 2008	Granted during the period (Note (1))	Lapsed during the period	Balance at 30 June 2008
CHENG Bing Kin, Alain <i>Director of the Company</i>	31 March 2008	0.35	–	500,000	–	500,000
TO Shu Sing, Sidney <i>Director of the Company & PTL (Note (2))</i>	31 March 2008	0.35	–	500,000	–	500,000
<i>Other directors of PTL (Note (3))</i>	31 March 2008	0.35	–	7,650,000	1,125,000	6,525,000
<i>Continuous Contract Employees of PTL group, excluding directors of PTL</i>	31 March 2008 23 June 2008	0.35 0.29	– –	6,222,000 1,000,000	– –	6,222,000 1,000,000
<i>Other Participants</i>	31 March 2008	0.35	–	450,000	–	450,000

Notes:

- (1) The closing prices of the ordinary shares of PTL on 28 March 2008 and 20 June 2008, being the trading days immediately before the dates on which the share options were granted during the period, were HK\$0.35 and HK\$0.29 respectively.
- (2) Mr. To Shu Sing, Sidney was appointed as a director of PTL on 21 May 2008.
- (3) These include the share options granted to Mr. Soong, Ronnie, a then director of PTL who passed away on 23 April 2008.

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

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company or any Associated Corporation

As at 30 June 2008, the interests of each director and chief executive of the Company in the shares and underlying shares of equity derivatives of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares held <i>(Note (a))</i>	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	2,892,000 ordinary shares	1.29%
	Corporate <i>(Note (b))</i>	87,708,000 ordinary shares	39.20%
CHENG Bing Kin, Alain	Personal	190,000 ordinary shares	0.08%
IP Shu Wing, Charles	Personal	2,245,400 ordinary shares	1.00%
LEE Peng Fei, Allen	Personal	60,000 ordinary shares	0.03%
LO Kai Yiu, Anthony	Personal	286,800 ordinary shares	0.13%
TO Shu Sing, Sidney	Personal	1,860,000 ordinary shares	0.83%
TSIM Tak Lung	Personal	163,680 ordinary shares	0.07%
YU Hon To, David	Personal	110,000 ordinary shares	0.05%
	Corporate <i>(Note (c))</i>	456,000 ordinary shares	0.20%

Long positions in underlying shares of the Company

Name of director	Nature of interest	Number of equity derivatives held (Note (a))	Number of underlying shares (ordinary shares) (Note (a))	Percentage interest held
CHENG Bing Kin, Alain	Personal	159,000 share options	159,000 shares	0.07%
IP Shu Wing, Charles	Personal	137,600 share options	137,600 shares	0.06%
LEE Peng Fei, Allen	Personal	175,000 share options	175,000 shares	0.08%
LO Kai Yiu, Anthony	Personal	200,000 share options	200,000 shares	0.09%
TO Shu Sing, Sidney	Personal	307,500 share options	307,500 shares	0.14%
TSIM Tak Lung	Personal	175,000 share options	175,000 shares	0.08%
YU Hon To, David	Personal	175,000 share options	175,000 shares	0.08%

Long positions in shares of PTL

Name of director	Nature of interest	Number of shares held (Note (a))	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	6,292,000 ordinary shares	1.27%
	Corporate (Note (d))	358,983,044 ordinary shares	72.52%
CHENG Bing Kin, Alain	Personal	474,000 ordinary shares	0.10%
IP Shu Wing, Charles	Personal	2,245,400 ordinary shares	0.45%
LEE Peng Fei, Allen	Personal	60,000 ordinary shares	0.01%
LO Kai Yiu, Anthony	Personal	286,800 ordinary shares	0.06%
TO Shu Sing, Sidney	Personal	1,730,000 ordinary shares	0.35%
TSIM Tak Lung	Personal	163,680 ordinary shares	0.03%
YU Hon To, David	Personal	110,000 ordinary shares	0.02%
	Corporate (Note (e))	456,000 ordinary shares	0.09%

Long positions in underlying shares of PTL

Name of director	Nature of interest	Number of equity derivatives held (Note (a))	Number of underlying shares (ordinary shares) (Note (a))	Percentage interest held
CHENG Bing Kin, Alain	Personal	500,000 share options	500,000 shares	0.10%
TO Shu Sing, Sidney	Personal	500,000 share options	500,000 shares	0.10%

Notes:

- (a) The number of shares and share options shown herein have been adjusted to reflect the share consolidation as set out in note 11 to the condensed financial information.
- (b) 87,708,000 ordinary shares of the Company were beneficially owned by Angers Investments Limited (“AIL”). All of the issued share capital of AIL is beneficially owned by a private company which is in turn wholly-owned by Mr. Chan Chun Hoo, Thomas.
- (c) 456,000 ordinary shares of the Company were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.
- (d) Mr. Chan Chun Hoo, Thomas is the beneficial owner of all of the issued share capital of AIL and is therefore deemed to be interested in the 87,708,000 shares of PTL in aggregate which AIL is interested in. Since AIL directly owns approximately 39.20% of the shareholding of the Company and is deemed to be interested in the 271,275,044 shares of PTL in aggregate which the Company is interested in, Mr. Chan is also deemed to be interested in the 271,275,044 shares of PTL in aggregate which the Company is interested in.
- (e) 456,000 ordinary shares of PTL were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.

Unless stated otherwise, all the aforesaid shares and equity derivatives were beneficially owned by the directors concerned. The percentage shown was the number of shares or underlying shares the relevant director was interested expressed as a percentage of the number of issued shares of the relevant companies as at 30 June 2008.

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

As at 30 June 2008, none of the directors and chief executive of the Company were interested or deemed to be interested in short positions in the shares and underlying shares of equity derivatives of the Company or any associated corporation.

Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company Required to be Recorded under Section 336 of the SFO

As at 30 June 2008, persons (other than the directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Nature of interest	Number of shares held <i>(Note (a))</i>	Percentage interest held
State Street Corporation	Custodian corporation/ Approved lending agent	11,261,136 ordinary shares <i>(Note (b))</i>	5.03%
The Goldman Sachs Group, Inc.	Interest of controlled companies	18,283,460 ordinary shares	8.17%

Notes:

- (a) The number of shares shown herein have been adjusted to reflect the share consolidation as set out in note 11 to the condensed financial information.
- (b) All the shares held by State Street Corporation are in the lending pool.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining and ensuring high standards of corporate governance. The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, except for the deviation from provision A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

The chairman and chief executive officer of the Company is Mr. Chan Chun Hoo, Thomas. This deviates from provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board comprises three executive directors (one of whom is the chairman) and five non-executive directors. Of the five non-executive directors, three are independent non-executive directors. Mr. Chan Chun Hoo, Thomas focuses on Group strategy and is responsible for chairing and managing the efficient operation of the Board and ensuring that all key issues are considered by the Board in a timely manner; whereas responsibilities for running of the business operation of the Group are delegated to different designated senior executives. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive directorship element on the Board and a clear division of responsibility in running the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

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 2008.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the period ended 30 June 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from 16 September 2008 to 17 September 2008, 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on 12 September 2008.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 21 August 2008

CORPORATE INFORMATION

Directors

CHAN Chun Hoo, Thomas
(Chairman and Executive Director)
CHENG Bing Kin, Alain
(Executive Director)
IP Shu Wing, Charles
(Non-executive Director)
LEE Peng Fei, Allen
(Independent Non-executive Director)
LO Kai Yiu, Anthony
(Independent Non-executive Director)
TO Shu Sing, Sidney
(Executive Director)
TSIM Tak Lung
*(Deputy Chairman and
Non-executive Director)*
YU Hon To, David
(Independent Non-executive Director)

Company Secretary

NG Ka Yan

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

21/F., The Toy House
100 Canton Road
Tsimshatsui
Kowloon, Hong Kong

Auditors

Grant Thornton
Certified Public Accountants

Legal Advisors

Conyers Dill & Pearman
Deacons

Principal Bankers

The Bank of East Asia, Limited
Citigroup
Credit Suisse
Hang Seng Bank Limited
UBS AG

Principal Share Registrars

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

Branch Share Registrars

Tricor Abacus Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Code

The shares of Playmates Holdings
Limited are listed for trading on
The Stock Exchange of
Hong Kong Limited
(Stock Code: 635)

Website

www.playmates.net

Playmates Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock code 635)
www.playmates.net