



■ ■ ■ 2010 Interim Report



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MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	73,464	335,638
Gross profit	28,523	169,775
Operating (loss)/profit	(36,438)	12,800
(Loss)/profit before income tax	(41,125)	4,428
(Loss)/profit attributable to equity holders of the Company	(41,125)	1,613
	<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share – basic	(6.12)	0.33

Playmates Toys worldwide sales during the first half of 2010 were HK\$73.5 million (same period in 2009: HK\$335.6 million). U.S. sales decreased by 81.7% and international sales were down 71.5% over the same period last year. Sales comparison versus prior year was impacted by the strong initial retail support in the first half of 2009 for *Star Trek* and *Terminator* products due to the release of the two major movies.

Gross profit ratio on toy sales was 38.8% (same period in 2009: 50.6%). The lower gross profit ratio for the period was the result of a higher percentage of sales going to the lower priced international markets, and a higher ratio of new product development expenses to sales.

Consistent with our stated operating priority to continue with the efforts to control and reduce costs, operating expenses were lower by 58.6% when compared to the same period last year. Playmates Toys reported a net loss after tax for the period of HK\$41.1 million (same period in 2009: net profit after tax of HK\$1.6 million) as a combined result of lower sales and lower gross margin, offset to some extent by lower operating expenses.

Early trade estimates suggested that U.S. retail toy sales for the industry as a whole showed no growth in the first half of 2010. Consumer confidence remained weak as the economic recovery reported to be underway had yet to gain sustainable momentum and unemployment remained high. Retailers continued to tightly control inventory levels and limit product selections.

We expect the challenging operating environment to persist in the second half of 2010 as our key markets in the developed economies keep on steering a slow and yet uncertain course to recovery. While our business in the second half of the year may benefit from the introduction of new brands, we do not currently expect the market to support a level of sales comparable to last year. Cognizant of the persistent challenges in the near term, Playmates Toys will maintain prudent management of the portfolio of continuing brands. At the same time, investments are made in new opportunities we believe can have significant upside potential in order to position ourselves for longer term growth as the global economy makes the transition to full recovery.

Brand Overview

Despite good performance of the movie at the box office, *Shrek Forever After* related merchandises, including toys, attracted lower than expected retail and consumer support. *Dinosaur King* continued to be distributed in selective international markets but performed at lower levels than last year. Retail support for the new girl's brands *Rainbow Brite* and *My Pixies* was below expectations.

iCarly continued to be supported by all major U.S. retailers although their limiting product selection strategy had restricted sales of the brand. New *iCarly* line extensions include fashion dolls and electronic gadgets to be introduced in the second half of 2010 and more new products are under development for 2011.

New brands to be launched in the second half of the year include:

Hero 108, a line of collectable figures with game cards and playsets based on the animated TV show which has debuted as scheduled on Cartoon Network. The rating of the show is good and production of the second season is underway. The related MMO game is up and running and initial reviews in the gaming publications are positive.

Michael Jackson, King of Pop, a line of highly detailed collectable figures depicting Michael in his iconic concert and video poses, is expected to hit retail shelves in the last quarter of the year.

Lucha Libre, acrobatic character based wrestling that has been popular in Mexico and South America for decades, has come to the U.S. with TV broadcast and live events narrated in both English and Spanish. We will introduce a line of figures and role play toys based on the most popular characters known for their extravagant costumes and high-flying moves in late 2010.

Hearts For Hearts Girls is a line of beautiful, multicultural dolls each with her own individual story to inspire children to make a change in disadvantaged communities around the world.

In addition we will continue to pursue our focused strategy to selectively invest in quality new opportunities in categories of our core competence. We have laid the foundations for a number of major initiatives and a strong product pipeline in 2011 and beyond.

In partnership with the Viacom group, the new owner of the *Teenage Mutant Ninja Turtles*, we have commenced the preparation for a major re-launch of the franchise planned for 2012, supported by an all new CG-animated television series on Nickelodeon, and a new movie to be produced and distributed by Paramount Pictures. We consider that the acquisition of the *Teenage Mutant Ninja Turtles* and the plans announced by the Viacom group represent significant new opportunities for Playmates Toys. We believe the broadening of the scope of creative inspiration will benefit our long-standing commitment of making innovative, fun toys based on the legendary and new adventures of the *Teenage Mutant Ninja Turtles*.

We are also investing into the development of proprietary brands of products, including products that can reach consumers through multiple channels of distribution, and provide entertaining, interactive and engaging play in a virtual environment.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Note	Unaudited		
		Six months ended 30 June		
		2010	2010	2009
		US\$'000	HK\$'000	HK\$'000
		(Note 15)		
Revenue	2	9,479	73,464	335,638
Cost of sales		<u>(5,799)</u>	<u>(44,941)</u>	<u>(165,863)</u>
Gross profit		3,680	28,523	169,775
Marketing expenses		(2,334)	(18,090)	(81,971)
Selling and distribution expenses		(435)	(3,369)	(29,877)
Administration expenses		<u>(5,613)</u>	<u>(43,502)</u>	<u>(45,127)</u>
Operating (loss)/profit		(4,702)	(36,438)	12,800
Other income		11	89	89
Finance costs		(120)	(929)	(3,175)
Share of loss of an associated company		(496)	(3,847)	(1,927)
Share of loss of a jointly controlled entity		<u>-</u>	<u>-</u>	<u>(3,359)</u>
(Loss)/profit before income tax	3	(5,307)	(41,125)	4,428
Income tax expense	4	<u>-</u>	<u>-</u>	<u>(2,815)</u>
(Loss)/profit for the period attributable to equity holders of the Company		<u>(5,307)</u>	<u>(41,125)</u>	<u>1,613</u>
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share	6			
Basic		<u>(0.79)</u>	<u>(6.12)</u>	<u>0.33</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Unaudited		
	Six months ended 30 June		
	2010	2010	2009
	US\$'000	HK\$'000	HK\$'000
	(Note 15)		
(Loss)/profit for the period	<u>(5,307)</u>	<u>(41,125)</u>	<u>1,613</u>
Other comprehensive income:			
Exchange difference arising on translation of the financial statements of foreign subsidiaries	<u>-</u>	<u>-</u>	<u>(533)</u>
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	<u><u>(5,307)</u></u>	<u><u>(41,125)</u></u>	<u><u>1,080</u></u>

Condensed Consolidated Balance Sheet
As at 30 June 2010

		Unaudited	Unaudited	Audited
		30 June	30 June	31 December
		2010	2010	2009
	<i>Note</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 15)</i>		
Non-current assets				
Property, plant and equipment	7	547	4,242	4,829
Interest in an associated company		2,823	21,882	25,729
Deferred tax assets		43	332	332
		<u>3,413</u>	<u>26,456</u>	<u>30,890</u>
Current assets				
Inventories		692	5,363	10,181
Trade receivables	8	2,069	16,035	76,562
Other receivables, deposits and prepayments		3,114	24,132	24,929
Taxation recoverable		221	1,711	5,828
Interest in a jointly controlled entity		–	–	3,162
Cash and bank balances		13,039	101,054	113,194
		<u>19,135</u>	<u>148,295</u>	<u>233,856</u>
Current liabilities				
Trade payables	9	1,020	7,906	19,683
Other payables and accrued charges		3,580	27,746	59,186
Amount due to a fellow subsidiary		–	–	231
Derivative financial instrument	10	–	–	63,597
Provisions		1,575	12,206	24,904
Taxation payables		26	198	198
		<u>6,201</u>	<u>48,056</u>	<u>167,799</u>
Net current assets		<u>12,934</u>	<u>100,239</u>	<u>66,057</u>
Total assets less current liabilities		<u>16,347</u>	<u>126,695</u>	<u>96,947</u>
Non-current liabilities				
Borrowings	10	–	–	91,581
Net assets		<u>16,347</u>	<u>126,695</u>	<u>5,366</u>
Equity				
Share capital	11	897	6,955	4,955
Reserves		15,450	119,740	411
Total equity		<u>16,347</u>	<u>126,695</u>	<u>5,366</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	Unaudited		
	Six months ended 30 June		
	2010	2010	2009
	US\$'000	HK\$'000	HK\$'000
	(Note 15)		
Net cash (used in)/generated from operating activities	(1,905)	(14,765)	7,955
Net cash generated from/(used in) investing activities	338	2,625	(725)
Net cash used in financing activities	<u>—</u>	<u>—</u>	<u>(6,721)</u>
Net (decrease)/increase in cash and cash equivalents	(1,567)	(12,140)	509
Cash and cash equivalents at 1 January	14,606	113,194	48,939
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>(139)</u>
Cash and cash equivalents at 30 June	<u>13,039</u>	<u>101,054</u>	<u>49,309</u>
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	<u>13,039</u>	<u>101,054</u>	<u>49,309</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Unaudited Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2009	4,950	167,613	-	1,341	(81,823)	92,081
Profit for the period	-	-	-	-	1,613	1,613
Other comprehensive income:						
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	(533)	-	-	(533)
Total comprehensive income for the period	-	-	(533)	-	1,613	1,080
Share option scheme – value of services	-	-	-	334	-	334
Transactions with owners	-	-	-	334	-	334
Share options lapsed	-	-	-	(216)	216	-
At 30 June 2009	4,950	167,613	(533)	1,459	(79,994)	93,495

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Unaudited Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2010	4,955	204	167,613	(533)	1,357	(168,230)	5,366
Total comprehensive loss for the period	-	-	-	-	-	(41,125)	(41,125)
Conversion of convertible bond	2,000	153,000	-	-	-	-	155,000
Share option scheme – value of services	-	-	-	-	7,454	-	7,454
Transactions with owners	2,000	153,000	-	-	7,454	-	162,454
Share options lapsed	-	-	-	-	(138)	138	-
At 30 June 2010	6,955	153,204	167,613	(533)	8,673	(209,217)	126,695

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

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

This condensed consolidated financial information should be read in conjunction with the 2009 annual financial statements.

The accounting policies used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2009, except that the Group has applied for the first time the following revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements

The adoption of the above HKFRSs had no impact on how the results and financial position for the current and prior period have been prepared and presented.

2. Segment information

The Group manages its business by divisions, which are organised by services and products. In a manner consistent with the way in which information is reported internally to the Group’s senior executive management for the purposes of resources allocation and performance assessment, no reportable segment analysis is presented as there is only a single business division focusing on design, development, marketing and distribution of toys and family entertainment activity products.

2.1 Geographical information

The following table sets out information about the geographical location of (i) the Group’s revenue and (ii) the Group’s property, plant and equipment, and interest in an associated company (“specified non-current assets”). The geographical location of revenue is based on the country in which the customer is located. The geographical location of the specified non-current assets is based on the physical location of the assets in case of property, plant and equipment, and the location of operation in case of interest in an associated company.

	Revenue		Specified non-current assets	
	Six months ended 30 June		30 June	31 December
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	–	–	23,383	27,759
Americas				
– U.S.A.	40,076	218,604	2,741	2,799
– Others	6,433	21,226	–	–
Europe	24,366	74,928	–	–
Asia Pacific other than Hong Kong	1,829	19,274	–	–
Others	760	1,606	–	–
	73,464	335,638	2,741	2,799
	73,464	335,638	26,124	30,558

2.2 Major customer

The Group's customer base is diversified and includes two (2009: three) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Aggregate revenue from sales to these customers amounted to approximately HK\$25 million (2009: HK\$176 million).

3. (Loss)/profit before income tax

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

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Cost of inventories sold	36,138	145,575
Product development costs	881	4,994
Royalties paid	8,940	46,994
Provision for customer concession	1,808	4,946
Employee benefit expenses	32,272	35,099
Depreciation of property, plant and equipment	1,070	1,691
Loss on disposal of property, plant and equipment	54	43

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Overseas, mainly the U.S., 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. Subsidiaries operating in the U.S. are subject to U.S. federal and state tax on its assessable profit. The tax rate for federal tax is 34% (2009: 34%) whilst the tax rate for state tax of California, the principal place of business of the Company's major subsidiary is 8.84% (2009: 8.84%).

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Current taxation		
Overseas taxation	–	478
Over provision in prior years	–	(166)
	<u>–</u>	<u>312</u>
Deferred taxation		
Reversal of temporary differences	–	2,503
	<u>–</u>	<u>2,815</u>
Income tax expense	<u>–</u>	<u>2,815</u>

5. Dividend

The directors do not recommend the payment of a dividend.

6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK\$41,125,000 (2009: profit of HK\$1,613,000) and the weighted average number of ordinary shares of 671,796,000 (2009: 495,000,000) shares in issue during the period.

Diluted loss per share for the period ended 30 June 2010 was not presented because the impact of the exercise of the share options was anti-dilutive.

Diluted earnings per share for the period ended 30 June 2009 was not presented because there was no dilutive effect on the outstanding share options.

7. Property, plant and equipment

	<i>HK\$'000</i>
Opening net book amount as at 1 January 2010	4,829
Additions	540
Depreciation	(1,070)
Disposals	(57)
	<hr/>
Closing net book amount as at 30 June 2010	<u>4,242</u>
Opening net book amount as at 1 January 2009	10,111
Additions	384
Depreciation	(1,691)
Disposals	(42)
Exchange differences	(36)
	<hr/>
Closing net book amount as at 30 June 2009	8,726
Additions	981
Depreciation	(1,473)
Disposals	(3,405)
	<hr/>
Closing net book amount as at 31 December 2009	<u>4,829</u>

8. Trade receivables

	30 June 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>
Trade receivables	19,166	83,361
Less: Allowance for customer concession	(3,131)	(6,799)
	<hr/>	<hr/>
	<u>16,035</u>	<u>76,562</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 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. The following is an aging analysis of trade receivables at the balance sheet date:

	30 June 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	16,035	74,761
31 – 60 days	–	422
Over 60 days	–	1,379
	<u>16,035</u>	<u>76,562</u>

9. Trade payables

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

	30 June 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	6,902	16,637
31 – 60 days	34	1,066
Over 60 days	970	1,980
	<u>7,906</u>	<u>19,683</u>

10. Convertible bond

The Company issued a US\$20 million (equivalent to HK\$155 million) 2% per annum convertible bond to its immediate holding company, PIL Toys Limited (“PIL Toys”) on 11 December 2009. The bond matures in five years from the issue date at its nominal value of US\$20 million or can be converted into shares of the Company at the holder’s option at any time from the date of issue and up to the maturity date of the bond at the rate of 1 share per US\$0.10.

On 22 January 2010, PIL Toys exercised all the conversion rights attached to the convertible bond and on the same day the Company issued 200,000,000 ordinary shares with an aggregate nominal value of HK\$2,000,000 to PIL Toys.

11. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2009 and 30 June 2010	<u>3,000,000,000</u>	<u>30,000</u>
	Issued and fully paid Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2009	495,000,000	4,950
Exercise of share options	<u>500,000</u>	<u>5</u>
At 1 January 2010	495,500,000	4,955
Conversion of convertible bond (<i>Note 10</i>)	<u>200,000,000</u>	<u>2,000</u>
At 30 June 2010	<u>695,500,000</u>	<u>6,955</u>

12. Commitments

12.1 Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to design, develop, market and distribute certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amounts of financial commitments contracted but not provided for at 30 June 2010 were payable as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Within one year	22,263	28,323
In the second to fifth years	96,487	78,275
After five years	<u>23,250</u>	<u>46,500</u>
	<u>142,000</u>	<u>153,098</u>

12.2 Operating lease commitments

The Group acts as lessee under operating leases for its office and warehouse locations. At 30 June 2010, 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 2010 HK\$'000	31 December 2009 HK\$'000
Within one year	5,455	6,139
In the second to fifth years	14,619	7,679
After five years	203	–
	<hr/> 20,277 <hr/>	<hr/> 13,818 <hr/>

13. Related party transactions

13.1 Apart from those balances with related parties disclosed elsewhere in this condensed financial information, the Group entered into the following significant transactions with related parties:

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Rent and building management fee paid to fellow subsidiaries, Bagnols Limited and Belmont Limited	837	969
Interest expense paid to the immediate holding company, PIL Toys Limited	178	–
Compliance services fee and licence fee paid to a fellow subsidiary, PIL Finance Limited	–	636
Service fee received from a jointly controlled entity, Playmates GP, LLC	–	5,487
Interest income received from a jointly controlled entity, Playmates GP, LLC	–	32
	<hr/> – <hr/>	<hr/> 32 <hr/>

13.2 Compensation for key management personnel of the Group

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term		
employee benefits	2,199	5,018
Employer's contributions to provident fund	92	171
Share-based compensation	2,023	187
	<hr/>	<hr/>
	4,314	5,376
	<hr/> <hr/>	<hr/> <hr/>

14. Non-cash transaction

During the period, the convertible bond holder, PIL Toys exercised all the conversion rights attached to the US\$20 million (equivalent to HK\$155 million) convertible bond and the Company issued 200,000,000 ordinary shares with an aggregate nominal value of HK\$2 million to PIL Toys (note 10).

15. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.75 to US\$1 ruling at 30 June 2010.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Liquidity and Financial Resources

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 2010, trade receivables were HK\$16,035,000 (31 December 2009: HK\$76,562,000) and inventories were HK\$5,363,000 (31 December 2009: HK\$10,181,000).

The associated company reported losses for the period. As at 30 June 2010, the interest in an associated company was HK\$21,882,000 (31 December 2009: HK\$25,729,000).

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 3.1 at 30 June 2010 compared to 1.4 at 31 December 2009.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 30 June 2010, the Group's cash and bank balances were HK\$101,054,000 (31 December 2009: HK\$113,194,000).

The Group is exposed to foreign currency risk primarily through sales that are denominated in United States dollars. The Group does not hedge its foreign currency risks, as the rate of exchange between Hong Kong dollars and the United States dollars is controlled within a tight range.

Employees

As at 30 June 2010, the Group had a total of 48 employees in Hong Kong and the United States of America.

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

Share Options

The following shows the particulars of the share options of the Company granted to directors of the Company, employees of the Group and other participants, pursuant to the Share Option Scheme ("Scheme") adopted on 25 January 2008, that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 41(2) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"):

Participant	Date of grant	Exercise price HK\$	Number of share options			
			Balance at 1 January 2010	Granted during the period (Note (1))	Lapsed during the period	Balance at 30 June 2010
CHENG Bing Kin, Alain <i>Director (Note (2))</i>	31 March 2008	0.350	500,000	–	–	500,000
	20 January 2010	0.918	–	1,500,000	–	1,500,000
CHOW Yu Chun, Alexander <i>Director</i>	31 March 2008	0.350	400,000	–	–	400,000
	20 January 2010	0.918	–	200,000	–	200,000
LEE Ching Kwok, Rin <i>Director</i>	31 March 2008	0.350	400,000	–	–	400,000
	20 January 2010	0.918	–	200,000	–	200,000
NOVAK, Lou Robert <i>Director (Note (3))</i>	31 March 2008	0.350	4,950,000	–	–	4,950,000
	20 January 2010	0.918	–	2,000,000	–	2,000,000
TO Shu Sing, Sidney <i>Director</i>	31 March 2008	0.350	500,000	–	–	500,000
	20 January 2010	0.918	–	2,000,000	–	2,000,000
YANG, Victor <i>Director</i>	31 March 2008	0.350	400,000	–	–	400,000
	20 January 2010	0.918	–	200,000	–	200,000
<i>Continuous Contract Employees, excluding Directors</i>	31 March 2008	0.350	2,562,000	–	220,000	2,342,000
	20 January 2010	0.918	–	11,750,000	600,000	11,150,000
<i>Other participants</i>	31 March 2008	0.350	450,000	–	–	450,000
	20 January 2010	0.918	–	2,150,000	–	2,150,000
	30 March 2010	0.746	–	5,500,000	–	5,500,000

Notes:

- (1) The closing prices of the ordinary shares of the Company on 19 January 2010 and 29 March 2010, being the trading days immediately before the dates on which the share options were granted during the period, were HK\$0.89 and HK\$0.73 respectively.
- (2) Mr. Cheng Bing Kin, Alain was appointed as a director of the Company on 26 March 2010.
- (3) Mr. Novak, Lou Robert ceased to be a director of the Company from 28 May 2010.

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

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

As at 30 June 2010, the interests of each director of the Company in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Corporate (Note (a))	402,150,000 ordinary shares	57.82%
	Personal	9,270,000 ordinary shares	1.33%
CHENG Bing Kin, Alain	Personal (Note (b))	2,888,000 ordinary shares	0.42%
NOVAK, Lou Robert	Personal (Note (c))	6,055,082 ordinary shares	0.87%
TO Shu Sing, Sidney	Personal	7,130,000 ordinary shares	1.03%

Long positions in underlying shares and debentures of the Company

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interest held
CHAN Chun Hoo, Thomas	Corporate (Note (a))	100,000,000 conversion shares	100,000,000 shares	14.38%
CHENG Bing Kin, Alain	Personal (Note (b))	2,000,000 share options	2,000,000 shares	0.29%
CHOW Yu Chun, Alexander	Personal	600,000 share options	600,000 shares	0.09%
LEE Ching Kwok, Rin	Personal	600,000 share options	600,000 shares	0.09%
NOVAK, Lou Robert	Personal (Note (c))	6,950,000 share options	6,950,000 shares	1.00%
TO Shu Sing, Sidney	Personal	2,500,000 share options	2,500,000 shares	0.36%
YANG, Victor	Personal	600,000 share options	600,000 shares	0.09%

Long positions in shares of Playmates Holdings Limited (“PHL”)

Name of director	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	8,540,000 ordinary shares	3.44%
	Corporate (Note (d))	91,500,000 ordinary shares	36.81%
	Associate (Note (e))	10,000,000 ordinary shares	4.02%
CHENG Bing Kin, Alain	Personal (Note (b))	228,000 ordinary shares	0.09%
NOVAK, Lou Robert	Personal (Note (c))	1,303,388 ordinary shares	0.52%
TO Shu Sing, Sidney	Personal	2,000,000 ordinary shares	0.80%

Long positions in underlying shares of PHL

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	3,360,000 warrants	3,360,000 shares	1.35%
CHENG Bing Kin, Alain	Personal (Note (b))	159,000 share options	159,000 shares	0.06%
NOVAK, Lou Robert	Personal (Note (c))	260,677 warrants	260,677 shares	0.10%
		3,300,000 share options	3,300,000 shares	1.33%
TO Shu Sing, Sidney	Personal	307,500 share options	307,500 shares	0.12%

Notes:

- (a) Mr. Chan Chun Hoo, Thomas (“Mr. Chan”) is the beneficial owner of all of the issued share capital of TGC Assets Limited (“TGC”) and is therefore deemed to be interested in the 54,350,000 shares of the Company in aggregate which TGC is interested in. Since TGC directly owns approximately 36.81% of the shareholding of PHL and is deemed to be interested in the 347,800,000 shares and up to 100,000,000 conversion shares (which would fall to be issued by the Company upon full exercise of the conversion rights attached to the convertible bonds by PHL pursuant to a subscription agreement dated 29 October 2009) of the Company in aggregate which PHL is interested in, Mr. Chan is also deemed to be interested in the 347,800,000 shares and 100,000,000 conversion shares of the Company in aggregate which PHL is interested in.
- (b) Mr. Cheng Bing Kin, Alain was appointed as a director of the Company on 26 March 2010.
- (c) Mr. Novak, Lou Robert ceased to be a director of the Company from 28 May 2010.
- (d) Mr. Chan is the beneficial owner of all of the issued share capital of TGC and is therefore deemed to be interested in the 91,500,000 shares of PHL in aggregate which TGC is interested in.
- (e) 10,000,000 shares of PHL were owned by Mr. Chan’s wife and Mr. Chan is therefore deemed to be interested in those shares.

Unless stated otherwise, all the aforesaid shares and equity derivatives were beneficially owned by the directors concerned. The percentage shown was the number of shares, underlying shares or debentures the relevant director was interested expressed as a percentage of the number of issued shares of the relevant companies as at 30 June 2010.

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

As at 30 June 2010, none of the directors of the Company were interested or deemed to be interested in short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation.

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

As at 30 June 2010, persons (other than the directors of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company, being 5% or more of the Company's issued share capital, 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	Percentage interest held
TGC	Corporate (Note (i))	402,150,000 ordinary shares	57.82%
PHL	Corporate (Note (ii))	347,800,000 ordinary shares	50.01%
Playmates International Limited	Corporate (Note (ii))	347,800,000 ordinary shares	50.01%
PIL Investments Limited	Corporate (Note (ii))	347,800,000 ordinary shares	50.01%
PIL Toys Limited	Corporate	347,800,000 ordinary shares	50.01%

Long positions in underlying shares and debentures of the Company

Name	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interest held
TGC	Corporate (Note (i))	100,000,000 conversion shares	100,000,000 shares	14.38%
PHL	Corporate (Note (ii))	100,000,000 conversion shares	100,000,000 shares	14.38%
Playmates International Limited	Corporate (Note (ii))	100,000,000 conversion shares	100,000,000 shares	14.38%
PIL Investments Limited	Corporate (Note (ii))	100,000,000 conversion shares	100,000,000 shares	14.38%
PIL Toys Limited	Corporate	100,000,000 conversion shares	100,000,000 shares	14.38%

Notes:

- (i) TGC directly owns approximately 36.81% of the shareholding of PHL and is therefore deemed to be interested in the 347,800,000 shares and up to 100,000,000 conversion shares (which would fall to be issued by the Company upon full exercise of the conversion rights attached to the convertible bonds by PHL pursuant to a subscription agreement dated 29 October 2009) of the Company in aggregate which PHL is interested in.
- (ii) Playmates International Limited is a wholly-owned subsidiary of PHL; PIL Investments Limited is a wholly-owned subsidiary of Playmates International Limited; and PIL Toys Limited is a wholly-owned subsidiary of PIL Investments Limited. PHL, Playmates International Limited and PIL Investments Limited are therefore deemed to be interested in the 347,800,000 shares and 100,000,000 conversion share of the Company, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the convertible bond pursuant to a subscription agreement dated 29 October 2009, in which PIL Toys Limited is beneficially interested in.

Purchase, Sale or Redemption of Shares

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

Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

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 2010.

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 2010.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 27 August 2010

CORPORATE INFORMATION

Directors

CHAN Chun Hoo, Thomas (*Chairman*)

CHENG Bing Kin, Alain

(*Executive Director*)

CHOW Yu Chun, Alexander

(*Independent Non-executive Director*)

LEE Ching Kwok, Rin

(*Independent Non-executive Director*)

TO Shu Sing, Sidney

(*Executive Director*)

YANG, Victor

(*Independent Non-executive Director*)

Company Secretary

NG Ka Yan

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Office

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

Chong Hing Bank Limited

Hang Seng Bank Limited

HSBC

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 Toys Limited

are listed for trading on The Stock

Exchange of Hong Kong Limited

(Stock Code: 869)

Website

www.playmatestoy.com



Playmates Toys Limited

(Incorporated in Bermuda with limited liability)

(Stock code 869)

www.playmatestoys.com