

2011 Interim Report



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MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	2011 HK\$'000	2010 HK\$'000
Revenue	17,718	73,464
Gross profit	4,761	28,523
Operating loss	(43,698)	(36,438)
Loss before income tax	(53,046)	(41,125)
Loss attributable to equity holders of the Company	(53,046)	(41,125)
	HK cents	HK cents (Restated)
Loss per share-basic	(5.08)	(5.94)

Playmates Toys worldwide sales during the first half of 2011 were HK\$17.7 million (same period in 2010: HK\$73.5 million). US sales decreased by 74.7% and international (worldwide except US) sales were down 77.3% over the same period last year. Sales comparison versus prior year reflected the combined result of continuing brands performing at a lower level and new brands being planned for launch later in the year.

Gross profit ratio on toy sales was 26.9% (same period in 2010: 38.8%). The lower gross profit ratio was mainly the result of the recognition of expenses incurred during the period on the development of new *Teenage Mutant Ninja Turtles* products for 2012.

Consistent with our stated operating priority to continue with the efforts to control and reduce costs, operating expenses were lower by 25.4% when compared to the same period last year. Playmates Toys reported a net loss after tax for the period of HK\$53.0 million (same period in 2010: net loss after tax of HK\$41.1 million) as a combined result of lower sales, lower gross profit ratio, a HK\$5.1 million charge due to a negative mark-to-market adjustment to the carrying value of the convertible bond issued to the holding company of the group during the period, offset by lower operating expenses.

During the first half of 2011, the macro-economic and operating environment was plagued by natural and nuclear disasters, political unrests in major oil producing region, continuing financial instability in the Euro zone, and rising PRC manufacturing costs. US consumer confidence remained weak as the outlook for the job market continued to weigh over consumer purchase decisions. Market reports indicated that US retail toy sales for the industry as a whole in the first half of 2011 were down in unit terms compared to the same period last year. We expect the difficult environment to persist in the second half of 2011. Economic uncertainties worldwide deepened as the downgrade of US debt rating threatened to derail the fragile economic recovery.

Our business in the second half of the year is expected to benefit from the launching of new brands, including *Hearts for Hearts Girls*. Nevertheless, we do not currently expect the market to provide for a level of sales for the full year comparable to last year. Playmates Toys will continue to prudently invest in and manage the portfolio of new and continuing brands.

Brand Overview

Hearts for Hearts Girls, a line of beautiful multicultural dolls with a philanthropic and empowering theme, is getting encouraging consumer feedbacks based on initial sales in selective channels. The line will be available nationwide in the US at all leading retailers in Fall 2011 supported by a robust multimedia, multi-faceted advertising, promotion and public outreach campaign. A number of international markets have commenced shipments with more markets planned to go to launch once the brand establishes in the US.

The line of gadgets inspired by ***iCarly***, the top rated kids TV show, continues distribution at selected major retailers in the US. Similar to the US experience for the brand, merchandising efforts in international markets also met with limited success.

Waterbabies, the evergreen doll brand embodying the classic play pattern of caring and nurturing, will be refreshed with new and contemporary designs and re-introduced to a new generation of girls in 2012.

World of Build-A-Bear Workshop, a line of collectible bear and other animal characters and play environments inspired by Build-A-Bear Workshop, “the leading and only global company that offers an interactive make-your-own stuffed animal retail-entertainment experience [sic]” and the top plush brand in the US, is planned for a launch date in 2012.

Other new girl concepts are under development to target for late 2012 launch and beyond.

Hero 108, the line of collectable figures and playsets based on the animated TV show and the related MMO game, has attracted limited collector interest but yet to establish a mass market audience. The TV show is currently off the air in the US and Cartoon Network and Moonscoop have announced plans to produce a new season.

The line of collectable figures depicting ***Michael Jackson, King of Pop***, has only limited customer interest. No further development is planned for the line.

Lucha Libre USA, acrobatic professional wrestling originated from Mexico, has yet to establish its foothold in the US due to postponement of the TV show. We are adjusting the distribution plan for the line of figures and role play toys to match new programming schedule currently set for Fall 2011.

Shipment of interactive figures and playsets targeting collectors and fans of ***Family Guy***, one of the highest rated TV shows and a top selling DVD series in the US, has commenced in the third quarter.

Preparations for the re-launch of ***Teenage Mutant Ninja Turtles*** in 2012 are progressing smoothly and on plan. Trade responses to the preliminary programming, marketing and product plans are unanimously positive. We expect shipment of our ***TMNT*** products to commence in the second quarter of 2012, in time for the premiere of the Nickelodeon CGI animated TV series scheduled for the third quarter of 2012.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	<i>Note</i>	Unaudited		
		Six months ended 30 June		
		2011	2011	2010
		<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 14)</i>		
Revenue	2	2,286	17,718	73,464
Cost of sales		<u>(1,672)</u>	<u>(12,957)</u>	<u>(44,941)</u>
Gross profit		614	4,761	28,523
Marketing expenses		(1,272)	(9,858)	(18,090)
Selling and distribution expenses		(90)	(697)	(3,369)
Administration expenses		<u>(4,891)</u>	<u>(37,904)</u>	<u>(43,502)</u>
Operating loss		(5,639)	(43,698)	(36,438)
Other income		45	348	89
Finance costs		(155)	(1,198)	(929)
Changes in fair value of derivative financial instrument	10	(660)	(5,116)	-
Share of loss of an associated company		<u>(436)</u>	<u>(3,382)</u>	<u>(3,847)</u>
Loss before income tax	3	(6,845)	(53,046)	(41,125)
Income tax expense	4	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period attributable to equity holders of the Company		<u>(6,845)</u>	<u>(53,046)</u>	<u>(41,125)</u>
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents (Restated)</i>
Loss per share	6			
Basic		<u>(0.66)</u>	<u>(5.08)</u>	<u>(5.94)</u>
Diluted		<u>(0.66)</u>	<u>(5.08)</u>	<u>(5.94)</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Unaudited		
	Six months ended 30 June		
	2011	2011	2010
	US\$'000	HK\$'000	HK\$'000
	(Note 14)		
Loss for the period	(6,845)	(53,046)	(41,125)
Other comprehensive income	—	—	—
Total comprehensive loss for the period attributable to equity holders of the Company	<u>(6,845)</u>	<u>(53,046)</u>	<u>(41,125)</u>

Condensed Consolidated Balance Sheet

As at 30 June 2011

		Unaudited 30 June 2011 US\$'000 (Note 14)	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Non-current assets				
Property, plant and equipment	7	251	1,948	2,913
Interest in an associated company		2,200	17,047	20,429
Deferred tax assets		9	72	72
		<u>2,460</u>	<u>19,067</u>	<u>23,414</u>
Current assets				
Inventories		620	4,803	5,404
Trade receivables	8	230	1,783	10,642
Other receivables, deposits and prepayments		546	4,235	9,007
Taxation recoverable		1	6	16
Cash and bank balances		29,619	229,548	172,787
		<u>31,016</u>	<u>240,375</u>	<u>197,856</u>
Current liabilities				
Trade payables	9	461	3,572	7,076
Other payables and accrued charges		4,781	37,058	25,809
Derivative financial instrument	10	1,105	8,563	–
Provisions		917	7,105	9,403
Taxation payables		40	310	310
		<u>7,304</u>	<u>56,608</u>	<u>42,598</u>
Net current assets		<u>23,712</u>	<u>183,767</u>	<u>155,258</u>
Total assets less current liabilities		<u>26,172</u>	<u>202,834</u>	<u>178,672</u>
Non-current liabilities				
Convertible bond	10	9,606	74,444	–
Net assets		<u>16,566</u>	<u>128,390</u>	<u>178,672</u>
Equity				
Share capital	11	1,346	10,433	10,433
Reserves		15,220	117,957	168,239
Total equity		<u>16,566</u>	<u>128,390</u>	<u>178,672</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011

	Unaudited		
	Six months ended 30 June		
	2011	2011	2010
	US\$'000	HK\$'000	HK\$'000
	(Note 14)		
Net cash used in operating activities	(2,720)	(21,082)	(14,765)
Net cash generated from investing activities	43	332	2,625
Net cash generated from financing activities	<u>10,001</u>	<u>77,511</u>	<u>–</u>
Net increase/(decrease) in cash and cash equivalents	7,324	56,761	(12,140)
Cash and cash equivalents at 1 January	<u>22,295</u>	<u>172,787</u>	<u>113,194</u>
Cash and cash equivalents at 30 June	<u><u>29,619</u></u>	<u><u>229,548</u></u>	<u><u>101,054</u></u>
<i>Analysis of cash and cash equivalents</i>			
Cash and bank balances	<u><u>29,619</u></u>	<u><u>229,548</u></u>	<u><u>101,054</u></u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	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	<u>6,955</u>	<u>153,204</u>	<u>167,613</u>	<u>(533)</u>	<u>8,673</u>	<u>(209,217)</u>	<u>126,695</u>

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2011	10,433	251,871	167,613	(556)	12,849	(263,538)	178,672
Total comprehensive loss for the period	-	-	-	-	-	(53,046)	(53,046)
Issue of shares	-	2	-	-	-	-	2
Share option scheme – value of services	-	-	-	-	2,753	-	2,753
– shares issued	-	16	-	-	(7)	-	9
Transactions with owners	-	18	-	-	2,746	-	2,764
Share options lapsed	-	-	-	-	(388)	388	-
At 30 June 2011	<u>10,433</u>	<u>251,889</u>	<u>167,613</u>	<u>(556)</u>	<u>15,207</u>	<u>(316,196)</u>	<u>128,390</u>

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

This condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants 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 2010 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 2010, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2011.

The adoption of the new or amended 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 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 report reviewed by the senior executive management of the Group that are used to make strategic decision, the only operating segment of the Group is design, development, marketing and distribution of toys and family entertainment activity products. No separate analysis of the reportable segment profit/loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

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
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	-	-	17,847	21,747
Americas				
– U.S.A.	10,145	40,076	1,148	1,595
– Others	56	6,433	-	-
Europe	5,963	24,366	-	-
Asia Pacific other than Hong Kong	651	1,829	-	-
Others	903	760	-	-
	17,718	73,464	1,148	1,595
	17,718	73,464	18,995	23,342

2.2 Major customers

The Group's customer base is diversified and includes four (2010: two) 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\$3.3 million, HK\$2.8 million, HK\$2.3 million and HK\$1.9 million (2010: HK\$13.5 million and HK\$11.4 million) respectively.

3. Loss before income tax

Loss before income tax is stated after charging the following:

	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	7,522	36,138
Product development costs	4,179	881
Royalties paid	5,647	8,940
Provision for customer concession	-	1,808
Employee benefit expenses	22,151	32,272
Depreciation of property, plant and equipment	932	1,070
Loss on disposal of property, plant and equipment	49	54

4. Income tax expense

Hong Kong profits tax has not been provided as the Group incurred a loss for taxation purposes for both periods. Overseas, mainly the U.S., 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.

5. Dividend

The directors do not recommend the payment of a dividend.

6. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$53,046,000 (2010: HK\$41,125,000) and the weighted average number of ordinary shares of 1,043,262,000 (2010: 691,949,000 (restated)) in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the period ended 30 June 2010 has been adjusted and restated to reflect the rights issue of shares during 2010.

Diluted loss per share for the period ended 30 June 2011 equals to the basic loss per share as the potential ordinary shares (share options, warrants and convertible bond) were not included in the calculation of diluted loss per share because they are anti-dilutive.

Diluted loss per share for the period ended 30 June 2010 equals to the basic loss per share as the potential ordinary shares (share options and convertible bond) were not included in the calculation of diluted loss per share because they are anti-dilutive.

7. Property, plant and equipment

	<i>HK\$'000</i>
Opening net book amount as at 1 January 2011	2,913
Additions	16
Depreciation	(932)
Disposals	(49)
	<hr/>
Closing net book amount as at 30 June 2011	<u>1,948</u>
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	4,242
Additions	1,026
Depreciation	(1,297)
Disposals	(1,058)
	<hr/>
Closing net book amount as at 31 December 2010	<u>2,913</u>

8. Trade receivables

	30 June 2011 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>
Trade receivables	2,060	11,744
Less: Allowance for customer concession	(277)	(1,102)
	<hr/>	<hr/>
	<u>1,783</u>	<u>10,642</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 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 2011 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>
0 – 30 days	1,524	10,186
31 – 60 days	92	220
Over 60 days	167	236
	<hr/>	<hr/>
	1,783	10,642
	<hr/> <hr/>	<hr/> <hr/>

9. Trade payables

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

	30 June 2011 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>
0 – 30 days	2,727	6,169
31 – 60 days	73	512
Over 60 days	772	395
	<hr/>	<hr/>
	3,572	7,076
	<hr/> <hr/>	<hr/> <hr/>

10. Convertible bond and derivative financial instrument

The Company issued a US\$10 million (equivalent to HK\$77.5 million) 2% per annum convertible bond to its immediate holding company, PIL Toys Limited on 31 March 2011. The bond matures in five years from the issue date at its nominal value of US\$10 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\$0.0875.

The carrying values of the liability component and derivative component of the convertible bond as at 30 June 2011 were as follows:

	<i>HK\$'000</i>
Liability component – classified as non-current liability	
Net carrying amount on initial recognition	74,053
Interest expense	<u>391</u>
Net carrying amount at 30 June 2011	<u><u>74,444</u></u>

The initial carrying amount of the liability component was the residual value after deducting the fair value of the derivative component as at 31 March 2011, and was subsequently carried at amortised cost.

Interest expense on the bond is calculated using the effective interest method by applying the effective interest rate of 2.09% to the liability component.

	<i>HK\$'000</i>
Derivative component – classified as current liability	
Net carrying amount on initial recognition	3,447
Changes in fair value recognised in profit or loss	<u>5,116</u>
Net carrying amount at 30 June 2011	<u><u>8,563</u></u>

The conversion option derivative component was stated at fair value at date of initial recognition and at 30 June 2011.

11. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2010 and 30 June 2011	<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 2010	495,500,000	4,955
Conversion of convertible bond	200,000,000	2,000
Issue of shares	347,750,000	3,478
Exercise of warrants	7,473	–
	<u>1,043,257,473</u>	<u>10,433</u>
At 1 January 2011	1,043,257,473	10,433
Exercise of share options	28,000	–
Exercise of warrants (<i>Note</i>)	4,420	–
	<u>1,043,289,893</u>	<u>10,433</u>
At 30 June 2011	<u>1,043,289,893</u>	<u>10,433</u>

Note: The warrants are exercisable from 4 August 2010 to 3 August 2012 at an initial subscription price of HK\$0.45 per share (subject to adjustment). As at 30 June 2011, 135,610,607 warrants remained unexercised.

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 2011 were payable as follows:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Within one year	5,507	16,106
In the second to fifth years	97,844	95,519
After the fifth year	23,250	23,250
	<u>126,601</u>	<u>134,875</u>

12.2 Operating lease commitments

The Group acts as lessee under operating leases for its office and warehouse locations. At 30 June 2011, 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 2011	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,544	3,135
In the second to fifth years	7,146	8,245
	9,690	11,380

13. Related party transactions

13.1 The Group entered into the following significant transactions with related parties:

	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rent and building management fee paid to fellow subsidiaries, Bagnols Limited and Belmont Limited	969	837
Interest expense paid to the immediate holding company, PIL Toys Limited	391	178

13.2 No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

14. 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 2011.

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 2011, trade receivables were HK\$1,783,000 (31 December 2010: HK\$10,642,000) and inventories were HK\$4,803,000 (31 December 2010: HK\$5,404,000).

The associated company reported losses for the period. As at 30 June 2011, the interest in an associated company was HK\$17,047,000 (31 December 2010: HK\$20,429,000).

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 4.2 at 30 June 2011 compared to 4.6 at 31 December 2010.

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 2011, the Group's cash and bank balances were HK\$229,548,000 (31 December 2010: HK\$172,787,000).

The Group is exposed to foreign currency risk primarily through sales that are denominated in United States dollar. The Group does not hedge its foreign currency risks, as the rate of exchange between Hong Kong dollar and the United States dollar is controlled within a tight range. Long term changes in foreign exchange rates would have an impact on consolidated earnings.

Employees

As at 30 June 2011, the Group had a total of 47 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 30 June 2011
			Balance at 1 January 2011	Granted during the period (Note)	Exercised during the period	Lapsed during the period	
CHENG Bing Kin,	31 March 2008	0.316	554,000	-	-	-	554,000
Alain	20 January 2010	0.828	1,663,000	-	-	-	1,663,000
Director	18 April 2011	0.315	-	1,000,000	-	-	1,000,000
CHOW Yu Chun,	31 March 2008	0.316	443,000	-	-	-	443,000
Alexander	20 January 2010	0.828	222,000	-	-	-	222,000
Director							
LEE Ching Kwok,	31 March 2008	0.316	443,000	-	-	-	443,000
Rin	20 January 2010	0.828	222,000	-	-	-	222,000
Director							
TO Shu Sing,	31 March 2008	0.316	554,000	-	-	-	554,000
Sidney	20 January 2010	0.828	2,217,000	-	-	-	2,217,000
Director	18 April 2011	0.315	-	1,200,000	-	-	1,200,000
YANG, Victor	31 March 2008	0.316	443,000	-	-	-	443,000
Director	20 January 2010	0.828	222,000	-	-	-	222,000
Continuous Contract	31 March 2008	0.316	7,297,000	-	-	-	7,297,000
Employees,	20 January 2010	0.828	13,527,000	-	-	333,000	13,194,000
excluding	18 April 2011	0.315	-	7,640,000	28,000	150,000	7,462,000
Directors	24 May 2011	0.428	-	400,000	-	-	400,000
Other participants	31 March 2008	0.316	499,000	-	-	-	499,000
	20 January 2010	0.828	2,384,000	-	-	-	2,384,000
	30 March 2010	0.673	6,098,000	-	-	2,772,000	3,326,000
	18 April 2011	0.315	-	4,140,000	-	-	4,140,000

Note: The closing prices of the ordinary shares of the Company on 15 April 2011 and 23 May 2011, being the trading days immediately before the dates on which the share options were granted during the period, were HK\$0.30 and HK\$0.41 respectively.

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 2011, 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 (<i>Note (a)</i>)	573,300,000 ordinary shares	54.95%
	Personal	4,635,000 ordinary shares	0.44%
CHENG Bing Kin, Alain	Personal	5,500,000 ordinary shares	0.53%
TO Shu Sing, Sidney	Personal	10,400,000 ordinary shares	1.00%

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 (<i>Note (a)</i>)	114,285,714 conversion shares	114,285,714 shares	10.95%
		79,065,350 warrants	79,065,350 shares	7.58%
	Personal	1,807,650 warrants	1,807,650 shares	0.17%
CHENG Bing Kin, Alain	Personal	3,217,000 share options	3,217,000 shares	0.31%
		520,000 warrants	520,000 shares	0.05%
CHOW Yu Chun, Alexander	Personal	665,000 share options	665,000 shares	0.06%
LEE Ching Kwok, Rin	Personal	665,000 share options	665,000 shares	0.06%
TO Shu Sing, Sidney	Personal	3,971,000 share options	3,971,000 shares	0.38%
		1,040,000 warrants	1,040,000 shares	0.10%
YANG, Victor	Personal	665,000 share options	665,000 shares	0.06%

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	11,900,000 ordinary shares	4.79%
	Corporate (<i>Note (b)</i>)	91,500,000 ordinary shares	36.81%
	Associate (<i>Note (c)</i>)	10,000,000 ordinary shares	4.02%
CHENG Bing Kin, Alain	Personal	228,000 ordinary shares	0.09%
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
CHENG Bing Kin, Alain	Personal	159,000 share options	159,000 shares	0.06%
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 51,600,000 shares and 11,244,350 warrants 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 521,700,000 shares, 114,285,714 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) and 67,821,000 warrants of the Company in aggregate which PHL is interested in, Mr. Chan is also deemed to be interested in the 521,700,000 shares, 114,285,714 conversion shares and 67,821,000 warrants of the Company in aggregate which PHL is interested in.
- (b) 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.
- (c) 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 2011.

The warrants are exercisable at any time from 4 August 2010 to 3 August 2012, both days inclusive, at an initial subscription price of HK\$0.45 per share (subject to adjustment) and subject to the terms and conditions under the Warrant Instrument dated 27 July 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 2011, 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 2011, 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 (<i>Note (i)</i>)	573,300,000 ordinary shares	54.95%
PHL	Corporate (<i>Note (ii)</i>)	521,700,000 ordinary shares	50.01%
Playmates International Limited	Corporate (<i>Note (ii)</i>)	521,700,000 ordinary shares	50.01%
PIL Investments Limited	Corporate (<i>Note (ii)</i>)	521,700,000 ordinary shares	50.01%
PIL Toys Limited	Corporate	521,700,000 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))	114,285,714 conversion shares	114,285,714 shares	10.95%
		79,065,350 warrants	79,065,350 shares	7.58%
PHL	Corporate (Note (ii))	114,285,714 conversion shares	114,285,714 shares	10.95%
		67,821,000 warrants	67,821,000 shares	6.50%
Playmates International Limited	Corporate (Note (ii))	114,285,714 conversion shares	114,285,714 shares	10.95%
		67,821,000 warrants	67,821,000 shares	6.50%
PIL Investments Limited	Corporate (Note (ii))	114,285,714 conversion shares	114,285,714 shares	10.95%
		67,821,000 warrants	67,821,000 shares	6.50%
PIL Toys Limited	Corporate	114,285,714 conversion shares	114,285,714 shares	10.95%
		67,821,000 warrants	67,821,000 shares	6.50%

Notes:

- (i) TGC directly owns approximately 36.81% of the shareholding of PHL and is therefore deemed to be interested in the 521,700,000 shares, 114,285,714 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) and 67,821,000 warrants 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 521,700,000 shares, 67,821,000 warrants and 114,285,714 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 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 2011 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.

Under the management structure, the Chairman focuses on Group strategy and is responsible for ensuring the efficient operation of the board; whereas the executive directors supported by the senior executives are responsible for running the business operations of the Group. The board considers that this structure is effective in facilitating the operations and business development of the Company and maintaining the checks and balances between the board and the management of the business of the Group. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2011.

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 2011.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 31 August 2011

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

23/F., The Toy House

100 Canton Road

Tsimshatsui

Kowloon, Hong Kong

Auditors

Grant Thornton Jingdu Tianhua

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

Principal Share Registrars

Codan Services Limited

Clarendon House

2 Church 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