

*Playmates*<sup>®</sup>



**2011**  
**Interim Report**



# CONTENTS

## Management Discussion and Analysis

|   |   |
|---|---|
| <b>Highlights</b>                                     | 2 |
| <b>Property Investments and Associated Businesses</b> | 2 |
| <b>Playmates Toys</b>                                 | 4 |
| <b>Portfolio Investments</b>                          | 5 |

## Condensed Consolidated Financial Information

|  |    |
|--|----|
| <b>Condensed Consolidated Income Statement</b>                   | 6  |
| <b>Condensed Consolidated Statement of Comprehensive Income</b>  | 7  |
| <b>Condensed Consolidated Balance Sheet</b>                      | 8  |
| <b>Condensed Consolidated Cash Flow Statement</b>                | 10 |
| <b>Condensed Consolidated Statement of Changes in Equity</b>     | 11 |
| <b>Notes to the Condensed Consolidated Financial Information</b> | 13 |

## Information Provided in Accordance with the Listing Rules

 28

## Corporate Information

 36

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Highlights

| <b>For the six months ended 30 June</b>               | <b>2011<br/>HK\$'000</b> | 2010<br>HK\$'000<br>(Restated) |
|---|--------------------------|--------------------------------|
| Group revenue   | <b>75,552</b>            | 130,879                        |
| – from property investments and associated businesses | <b>55,109</b>            | 53,552                         |
| – from investment business                            | <b>2,725</b>             | 3,863                          |
| – from toy business                                   | <b>17,718</b>            | 73,464                         |
| Gross profit  | <b>53,502</b>            | 77,619                         |
| Revaluation surplus on investment properties          | <b>363,208</b>           | 115,589                        |
| Operating profit                                      | <b>349,438</b>           | 81,960                         |
| Profit before income tax                              | <b>342,353</b>           | 74,792                         |
| Profit attributable to equity holders of the Company  | <b>365,053</b>           | 90,353                         |
|   | <b>HK\$</b>              | <b>HK\$</b><br>(Restated)      |
| Earnings per share                                    |                          |                                |
| – Basic   | <b>1.43</b>              | 0.38                           |
| – Diluted   | <b>1.43</b>              | 0.36                           |
| Interim dividend per share                            | <b>0.05</b>              | 0.05                           |

### Property Investments and Associated Businesses

The property investments and associated businesses recorded moderate growth in 2011 compared to the same period last year. Turnover from the property investments and property management businesses decreased by 2.8% to approximately HK\$39.8 million (2010: HK\$41.0 million), while revenue from the food and beverage business increased by 21.5% to about HK\$15.3 million (2010: HK\$12.6 million). Aggregate turnover increased by 2.9% to about HK\$55.1 million (2010: HK\$53.6 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of about HK\$2.5 billion (fair value as at 31 December 2010: about HK\$2.1 billion). A revaluation surplus of HK\$363.2 million was reported in the consolidated income statement of the Group. Segment operating profit was HK\$395.2 million including revaluation surplus, compared to HK\$143.1 million (including revaluation surplus of HK\$115.6 million) for the same period last year.

**(a) Property Investments**

The Group's major investment properties include (i) a commercial building, The Toy House, at 100 Canton Road; (ii) a number of residential units at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. Occupancy rate of the investment properties in Hong Kong was about 94% as at 30 June 2011 (as at 31 December 2010: 94%). The Group's property portfolio also includes two investment properties in the United Kingdom.

**(i) *The Toy House***

Rental income generated by The Toy House remained steady at around HK\$21.1 million. With the implementation of the longer term development plans in the West Kowloon waterfront area, Canton Road has been firmly established as a luxury shopping, entertainment and dining destination. More and more prominent global brands have opened flagship stores in the area, which have continued to attract increasing number of local shoppers and visitors. We have entered into a long term lease agreement with a leading global brand to operate a flagship retail store in the building starting from 2013. We are optimistic that the value and recurring rental income of The Toy House will benefit from these developments over the next few years.

**(ii) *Hillview***

Rental income generated by the residential properties at Hillview has improved to about HK\$7.6 million as compared to HK\$6.9 million of the same period last year. Demand for upmarket residential properties in Mid-Levels has continued to improve and we expect the outlook for the high-end residential market will remain positive due to a growing demand and limited supply.

**(iii) *Playmates Factory Building***

Rental income generated by Playmates Factory Building remained steady at about HK\$4.8 million. Demand for industrial space remains steady and we expect the recurring rental income will remain stable.

## (b) Property Management

The Group engaged Savills Property Management Limited, a renowned property management company in Hong Kong, to manage The Toy House and Playmates Factory Building. Savills provides comprehensive property management services, including repair and maintenance, building security, general cleaning for common areas, hand-over and take-over of premises, and the monitoring of reinstatement and refurbishment works.

Income generated from the property management business segment remained steady at about HK\$6.3 million.

## (c) Food & Beverage Business

Income generated from the food and beverage business for the first half of 2011 increased by 21.5% to about HK\$15.3 million (same period in 2010: about HK\$12.6 million). The increase can be attributed to improvement in local consumer spending during the period and a steady growth in the business of the Spanish restaurant.

As consumer sentiments remain buoyant in our region, management anticipates continued growth for the property investments and associated businesses. We will maintain our strategic objective of seeking investment returns through capital appreciation and growth in recurring income.

## Playmates Toys

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 Playmates Toys' 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. Segment operating loss for the period of HK\$43.7 million (same period in 2010: HK\$36.4 million) was a combined result of lower sales, lower gross profit ratio, 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. Playmates Toys expects 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.

Playmates Toys' business in the second half of the year is expected to benefit from the launching of new brands, including *Hearts for Hearts Girls*. Nevertheless, it does 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.

### **Portfolio Investments**

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

As at 30 June 2011, fair market value of the Group's investment portfolio was HK\$226.3 million (HK\$198.5 million as at 31 December 2010). The Group reported a net loss from investments of approximately HK\$8.3 million (net loss for the same period in 2010: HK\$24.7 million). In the first half of 2011, dividend and interest income generated from portfolio investments were HK\$2.7 million (HK\$3.9 million in the first half of 2010) and has been included in the revenue of the Group.

The recent downgrade of the US debt rating has led to further increase in uncertainties in the global capital markets. As a result, we expect contributions from investments will remain volatile. The Group will remain vigilant in monitoring and adjusting the investment portfolio.

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

For the six months ended 30 June 2011

|  | Note | Unaudited<br>Six months ended 30 June |                       |                                       |
|--|------|---------------------------------------|-----------------------|---------------------------------------|
|  |      | 2011<br>US\$'000<br><i>(Note 14)</i>  | 2011<br>HK\$'000      | 2010<br>HK\$'000<br><i>(Restated)</i> |
| <b>Revenue</b>   | 2    | <b>9,748</b>                          | <b>75,552</b>         | 130,879                               |
| Cost of sales  |      | <u>(2,845)</u>                        | <u>(22,050)</u>       | <u>(53,260)</u>                       |
| <b>Gross profit</b>  |      | <b>6,903</b>                          | <b>53,502</b>         | 77,619                                |
| Marketing expenses   |      | (1,272)                               | (9,858)               | (18,090)                              |
| Selling and distribution expenses                                    |      | (90)                                  | (697)                 | (3,369)                               |
| Administration expenses  |      | (6,250)                               | (48,441)              | (65,093)                              |
| Net loss on financial assets<br>at fair value through profit or loss |      | (1,068)                               | (8,276)               | (24,696)                              |
| Revaluation surplus on<br>investment properties                      |      | <u>46,866</u>                         | <u>363,208</u>        | <u>115,589</u>                        |
| <b>Operating profit</b>  |      | <b>45,089</b>                         | <b>349,438</b>        | 81,960                                |
| Other income   |      | 45                                    | 348                   | 89                                    |
| Finance costs  |      | (523)                                 | (4,051)               | (3,410)                               |
| Share of loss of<br>an associated company                            |      | <u>(436)</u>                          | <u>(3,382)</u>        | <u>(3,847)</u>                        |
| <b>Profit before income tax</b>                                      | 3    | <b>44,175</b>                         | <b>342,353</b>        | 74,792                                |
| <b>Income tax expense</b>  | 4    | <u>(460)</u>                          | <u>(3,562)</u>        | <u>(4,886)</u>                        |
| <b>Profit for the period</b>   |      | <u><b>43,715</b></u>                  | <u><b>338,791</b></u> | <u>69,906</u>                         |
| <b>Profit for the period attributable to:</b>                        |      |                                       |                       |                                       |
| Equity holders of the Company  |      | 47,104                                | 365,053               | 90,353                                |
| Non-controlling interests  |      | <u>(3,389)</u>                        | <u>(26,262)</u>       | <u>(20,447)</u>                       |
|  |      | <u><b>43,715</b></u>                  | <u><b>338,791</b></u> | <u>69,906</u>                         |
|  |      | <i>US\$</i>                           | <i>HK\$</i>           | <i>HK\$</i><br><i>(Restated)</i>      |
| <b>Earnings per share</b>  | 6    |                                       |                       |                                       |
| Basic  |      | <u><b>0.18</b></u>                    | <u><b>1.43</b></u>    | <u>0.38</u>                           |
| Diluted  |      | <u><b>0.18</b></u>                    | <u><b>1.43</b></u>    | <u>0.36</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)                |                 | (Restated)      |
| <b>Profit for the period</b>  | <u>43,715</u>            | <u>338,791</u>  | <u>69,906</u>   |
| <b>Other comprehensive income:</b>  |                          |                 |                 |
| Exchange differences arising<br>on translation of the financial<br>statements of foreign subsidiaries | <u>(124)</u>             | <u>(961)</u>    | <u>–</u>        |
| <b>Total comprehensive income for the period</b>  | <u>43,591</u>            | <u>337,830</u>  | <u>69,906</u>   |
| <b>Total comprehensive income attributable to:</b>  |                          |                 |                 |
| Equity holders of the Company   | <u>46,980</u>            | <u>364,092</u>  | <u>90,353</u>   |
| Non-controlling interests   | <u>(3,389)</u>           | <u>(26,262)</u> | <u>(20,447)</u> |
|   | <u>43,591</u>            | <u>337,830</u>  | <u>69,906</u>   |



## Condensed Consolidated Balance Sheet

As at 30 June 2011

|  |             | Unaudited<br>30 June<br>2011<br><i>US\$'000</i><br><i>(Note 14)</i> | Unaudited<br>30 June<br>2011<br><i>HK\$'000</i> | Audited<br>31 December<br>2010<br><i>HK\$'000</i><br><i>(Restated)</i> |
|--|-------------|---|---|--|
|  | <i>Note</i> |   |   |  |
| <b>Non-current assets</b>                                |             |   |   |  |
| Fixed assets   |             |   |   |  |
| – Investment properties                                  | 7           | 322,862   | 2,502,184                                       | 2,117,856  |
| – Other property, plant<br>and equipment                 | 7           | <u>18,816</u>   | <u>145,823</u>                                  | <u>150,749</u>   |
|  |             | <b>341,678</b>  | <b>2,648,007</b>                                | 2,268,605  |
| Goodwill   |             | 771   | 5,976   | 5,976  |
| Interest in an associated company                        |             | 2,200   | 17,047  | 20,429   |
| Deferred tax assets                                      |             | <u>55</u>   | <u>428</u>                                      | <u>428</u>   |
|  |             | <u><b>344,704</b></u>   | <u><b>2,671,458</b></u>                         | <u>2,295,438</u>   |
| <b>Current assets</b>                                    |             |   |   |  |
| Inventories  |             | 684   | 5,301   | 6,046  |
| Trade receivables  | 8           | 389   | 3,017   | 11,846   |
| Other receivables, deposits<br>and prepayments           |             | 912   | 7,066   | 12,133   |
| Taxation recoverable                                     |             | 12  | 97  | 1,213  |
| Financial assets at fair value<br>through profit or loss |             | 29,203  | 226,320   | 198,459  |
| Cash and bank balances                                   |             | <u>54,957</u>   | <u>425,918</u>                                  | <u>430,878</u>   |
|  |             | <u><b>86,157</b></u>  | <u><b>667,719</b></u>                           | <u>660,575</u>   |

|   |    | Unaudited<br>30 June<br>2011<br>US\$'000<br>(Note 14) | Unaudited<br>30 June<br>2011<br>HK\$'000 | Audited<br>31 December<br>2010<br>HK\$'000<br>(Restated) |
|---|----|---|--|--|
| <b>Current liabilities</b>                                      |    |   |  |  |
| Bank loans  | 9  | 30,396  | 235,571                                  | 355,000  |
| Trade payables  | 10 | 752   | 5,829                                    | 9,741  |
| Other payables and accrued charges                              |    | 8,483   | 65,743                                   | 53,567   |
| Provisions  |    | 917   | 7,105                                    | 9,403  |
| Taxation payables   |    | 344   | 2,669                                    | 818  |
|   |    | <u>40,892</u>   | <u>316,917</u>                           | <u>428,529</u>   |
| <b>Net current assets</b>                                       |    | <u>45,265</u>   | <u>350,802</u>                           | <u>232,046</u>   |
| <b>Total assets less current liabilities</b>                    |    | <b>389,969</b>  | <b>3,022,260</b>                         | 2,527,484  |
| <b>Non-current liabilities</b>                                  |    |   |  |  |
| Bank loans  | 9  | 31,844  | 246,786                                  | 45,000   |
| Deferred tax liabilities  |    | 3,364   | 26,074                                   | 25,922   |
|   |    | <u>35,208</u>   | <u>272,860</u>                           | <u>70,922</u>  |
| <b>Net assets</b>   |    | <u><b>354,761</b></u>                                 | <u><b>2,749,400</b></u>                  | <u>2,456,562</u>   |
| <b>Equity</b>   |    |   |  |  |
| Share capital   | 11 | 3,208   | 24,860                                   | 25,800   |
| Reserves  |    | 341,567   | 2,647,140                                | 2,319,549  |
| Declared dividends  |    | 1,595   | 12,365                                   | 20,640   |
|   |    | <u>346,370</u>  | <u>2,684,365</u>                         | <u>2,365,989</u>   |
| <b>Equity attributable to the equity holders of the Company</b> |    | <u>346,370</u>  | <u>2,684,365</u>                         | <u>2,365,989</u>   |
| <b>Non-controlling interests</b>                                |    | <u>8,391</u>  | <u>65,035</u>                            | <u>90,573</u>  |
| <b>Total equity</b>   |    | <u><b>354,761</b></u>                                 | <u><b>2,749,400</b></u>                  | <u>2,456,562</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       |
|  | <i>(Note 14)</i>         |                |                |
| Net cash (used in)/generated from operating activities | (3,974)                  | (30,799)       | 34,916         |
| Net cash used in investing activities                  | (1,709)                  | (13,246)       | (7,302)        |
| Net cash generated from financing activities           | <u>4,466</u>             | <u>34,612</u>  | <u>21,626</u>  |
| Net (decrease)/increase in cash and cash equivalents   | (1,217)                  | (9,433)        | 49,240         |
| Cash and cash equivalents at 1 January                 | 55,597                   | 430,878        | 306,764        |
| Effect of foreign exchange rate changes                | <u>577</u>               | <u>4,473</u>   | <u>–</u>       |
| Cash and cash equivalents at 30 June                   | <u>54,957</u>            | <u>425,918</u> | <u>356,004</u> |
| <i>Analysis of cash and cash equivalents</i>           |                          |                |                |
| Cash and bank balances                                 | <u>54,957</u>            | <u>425,918</u> | <u>356,004</u> |

**Condensed Consolidated Statement of Changes in Equity**  
*For the six months ended 30 June 2011*

|   | Unaudited<br>Attributable to equity holders of the Company |                              |  |   |                                 |  |                                 |                   | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
|---|--|------------------------------|--|---|---------------------------------|--|---------------------------------|-------------------|--|-----------------------------|
|   | Share<br>capital<br>HK\$'000                               | Share<br>premium<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Reserve on<br>consolidation<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Share-based<br>compensation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |  |                             |
| At 1 January 2010,<br>as previously reported                                    | 22,462   | 1,271,883                    | 1,864  | 21,196                                  | (292)                           | 26,202   | 618,564                         | 1,961,879         | 3,167  | 1,965,046                   |
| Adoption of amendments<br>to HKAS 12 (Note 1)                                   | -  | -                            | -  | -                                       | -                               | -  | 142,364                         | 142,364           | -  | 142,364                     |
| At 1 January 2010, as restated  | 22,462   | 1,271,883                    | 1,864  | 21,196                                  | (292)                           | 26,202   | 760,928                         | 2,104,243         | 3,167  | 2,107,410                   |
| Profit/(loss) for the period  | -  | -                            | -  | -                                       | -                               | -  | 90,353                          | 90,353            | (20,447)                                     | 69,906                      |
| Total comprehensive<br>income/(loss) for the period                             | -  | -                            | -  | -                                       | -                               | -  | 90,353                          | 90,353            | (20,447)                                     | 69,906                      |
| Issue of shares of the Company  | 2,395  | 19,157                       | -  | -                                       | -                               | -  | -                               | 21,552            | -  | 21,552                      |
| Repurchase of shares<br>of a listed subsidiary                                  | -  | -                            | -  | (353)                                   | -                               | -  | -                               | (353)             | (182)  | (535)                       |
| 2009 second interim dividend paid   | -  | -                            | -  | -                                       | -                               | -  | (12,426)                        | (12,426)          | -  | (12,426)                    |
| Gain arising from<br>distribution in specie<br>of shares of a listed subsidiary | -  | -                            | -  | -                                       | -                               | -  | 48,392                          | 48,392            | -  | 48,392                      |
| 2009 special interim<br>dividend in specie                                      | -  | -                            | -  | -                                       | -                               | -  | (77,045)                        | (77,045)          | 28,653                                       | (48,392)                    |
| Conversion of convertible<br>bond of a listed subsidiary                        | -  | -                            | -  | (49,273)                                | -                               | -  | -                               | (49,273)          | 49,273                                       | -                           |
| Share option scheme<br>- value of services                                      | -  | -                            | -  | -                                       | -                               | 3,728  | -                               | 3,728             | 3,726  | 7,454                       |
| Transactions with owners  | 2,395  | 19,157                       | -  | (49,626)                                | -                               | 3,728  | (41,079)                        | (65,425)          | 81,470                                       | 16,045                      |
| Share options lapsed  | -  | -                            | -  | -                                       | -                               | (348)  | 348                             | -                 | -  | -                           |
| At 30 June 2010   | 24,857   | 1,291,040                    | 1,864  | (28,430)                                | (292)                           | 29,582   | 810,550                         | 2,129,171         | 64,190                                       | 2,193,361                   |

Unaudited  
Attributable to equity holders of the Company

|  | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Reserve on consolidation<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Share-based compensation reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|--|---------------------------|---------------------------|--|--------------------------------------|------------------------------|--|------------------------------|-------------------|---------------------------------------|--------------------------|
| At 1 January 2011,<br>as previously reported   | 25,800                    | 1,298,156                 | 1,891                                  | (28,580)                             | 79                           | 31,668                                       | 840,298                      | 2,169,312         | 90,573                                | 2,259,885                |
| Adoption of amendments to<br>HKAS 12 (Note 1)  | -                         | -                         | -                                      | -                                    | -                            | -  | 196,677                      | 196,677           | -                                     | 196,677                  |
| At 1 January 2011, as restated   | 25,800                    | 1,298,156                 | 1,891                                  | (28,580)                             | 79                           | 31,668                                       | 1,036,975                    | 2,365,989         | 90,573                                | 2,456,562                |
| Profit/(loss) for the period   | -                         | -                         | -                                      | -                                    | -                            | -  | 365,053                      | 365,053           | (26,262)                              | 338,791                  |
| Other comprehensive income:  |                           |                           |  |                                      |                              |  |                              |                   |                                       |                          |
| Exchange differences<br>arising on translation of the<br>financial statements of foreign<br>subsidiaries | -                         | -                         | -                                      | -                                    | (961)                        | -  | -                            | (961)             | -                                     | (961)                    |
| Total comprehensive<br>income/(loss) for the period  | -                         | -                         | -                                      | -                                    | (961)                        | -  | 365,053                      | 364,092           | (26,262)                              | 337,830                  |
| Repurchase of shares<br>of the Company   | (940)                     | (25,556)                  | 940                                    | -                                    | -                            | -  | (940)                        | (26,496)          | -                                     | (26,496)                 |
| Issue of shares of a<br>listed subsidiary  | -                         | -                         | -                                      | 1                                    | -                            | -  | -                            | 1                 | 1                                     | 2                        |
| 2010 second interim<br>dividend paid   | -                         | -                         | -                                      | -                                    | -                            | -  | (20,600)                     | (20,600)          | -                                     | (20,600)                 |
| Dividend paid  | -                         | -                         | -                                      | -                                    | -                            | -  | -                            | -                 | (660)                                 | (660)                    |
| Share option scheme  |                           |                           |  |                                      |                              |  |                              |                   |                                       |                          |
| - value of services  | -                         | -                         | -                                      | -                                    | -                            | 1,377  | -                            | 1,377             | 1,376                                 | 2,753                    |
| - shares issued  | -                         | -                         | -                                      | 5                                    | -                            | (3)  | -                            | 2                 | 7                                     | 9                        |
| Transactions with owners   | (940)                     | (25,556)                  | 940                                    | 6                                    | -                            | 1,374  | (21,540)                     | (45,716)          | 724                                   | (44,992)                 |
| Share options lapsed   | -                         | -                         | -                                      | -                                    | -                            | (194)  | 194                          | -                 | -                                     | -                        |
| At 30 June 2011  | 24,860                    | 1,272,600                 | 2,831                                  | (28,574)                             | (882)                        | 32,848                                       | 1,380,682                    | 2,684,365         | 65,035                                | 2,749,400                |

## 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 (the “Stock Exchange”).

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.

#### ***Early adoption of amendments to HKAS 12 “Income Taxes – Deferred Tax: Recovery of Underlying Assets”***

HKAS 12 “Income Taxes – Deferred Tax: Recovery of Underlying Assets” issued by the HKICPA is effective for annual period beginning on or after 1 January 2012 with early adoption permitted. The amendments require deferred tax on an investment property, carried under the fair value model in HKAS 40 “Investment Property”, to be measured presuming that the investment property is recovered through sale.

The Group has early adopted these amendments retrospectively. The Group has re-measured the deferred tax relating to the Group’s investment properties according to the presumption that they are recovered entirely by sale, or rebutting this presumption, where appropriate. The effects of adoption are summarised below:

Effect on the consolidated income statement for the six months ended 30 June

|  | <b>2011</b><br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Decrease in income tax expense         | <b>(61,496)</b>                | (19,441)                |
| Increase in profit for the period      | <b>61,496</b>                  | 19,441                  |
| Increase in basic earnings per share   | <b>HK\$0.24</b>                | HK\$0.08                |
| Increase in diluted earnings per share | <b>HK\$0.24</b>                | HK\$0.08                |

Effect on the consolidated balance sheet

|                                      | <b>As at</b><br><b>30 June</b><br><b>2011</b><br><i>HK\$'000</i> | As at<br>31 December<br>2010<br><i>HK\$'000</i> | As at<br>1 January<br>2010<br><i>HK\$'000</i> |
|--------------------------------------|--|---|---|
| Decrease in deferred tax liabilities | <b>(258,173)</b>   | (196,677)                                       | (142,364)                                     |
| Increase in retained profits         | <b>258,173</b>   | 196,677   | 142,364                                       |

## 2. Segment information

### 2.1 Segment results, assets and liabilities

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

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

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

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

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

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

The segment results for the six months ended 30 June 2011 are as follows:

|   | <b>Property<br/>investments<br/>and<br/>associated<br/>businesses</b> | <b>Investment<br/>business</b> | <b>Toy<br/>business</b> | <b>Total</b>    |
|---|---|--------------------------------|-------------------------|-----------------|
|   | <i>HK\$'000</i>   | <i>HK\$'000</i>                | <i>HK\$'000</i>         | <i>HK\$'000</i> |
| Gross segment revenue                     | 58,766  | 2,725                          | 17,718                  | 79,209          |
| Inter-segment revenue                     | <u>(3,657)</u>  | <u>–</u>                       | <u>–</u>                | <u>(3,657)</u>  |
| Revenue from external customers           | <u>55,109</u>   | <u>2,725</u>                   | <u>17,718</u>           | <u>75,552</u>   |
| Segment profit/(loss) before depreciation | 399,123   | (1,649)                        | (42,766)                | 354,708         |
| Depreciation                              | <u>(3,927)</u>  | <u>–</u>                       | <u>(932)</u>            | <u>(4,859)</u>  |
| Segment operating profit/(loss)           | <u>395,196</u>  | <u>(1,649)</u>                 | <u>(43,698)</u>         | <u>349,849</u>  |
| Other income                              | –   | –                              | 348                     | 348             |
| Finance costs                             | (3,006)   | (108)                          | (807)                   | (3,921)         |
| Share of loss of an associated company    | <u>–</u>  | <u>–</u>                       | <u>(3,382)</u>          | <u>(3,382)</u>  |
|   | <u>(3,006)</u>  | <u>(108)</u>                   | <u>(3,841)</u>          | <u>(6,955)</u>  |
| Segment profit/(loss) before income tax   | <u>392,190</u>  | <u>(1,757)</u>                 | <u>(47,539)</u>         | 342,894         |
| Unallocated corporate expenses            |   |                                |                         | <u>(541)</u>    |
| Profit before income tax                  |   |                                |                         | <u>342,353</u>  |



The segment results for the six months ended 30 June 2010 are as follows:

|  | Property<br>investments<br>and<br>associated<br>businesses<br><i>HK\$'000</i> | Investment<br>business<br><i>HK\$'000</i> | Toy<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|------------------------------------|--------------------------|
| Gross segment revenue                        | 57,757  | 3,863                                     | 73,464                             | 135,084                  |
| Inter-segment revenue                        | <u>(4,205)</u>  | <u>–</u>                                  | <u>–</u>                           | <u>(4,205)</u>           |
| Revenue from external<br>customers           | <u>53,552</u>   | <u>3,863</u>                              | <u>73,464</u>                      | <u>130,879</u>           |
| Segment profit/(loss) before<br>depreciation | 146,391   | (20,833)                                  | (35,368)                           | 90,190                   |
| Depreciation                                 | <u>(3,321)</u>  | <u>–</u>                                  | <u>(1,070)</u>                     | <u>(4,391)</u>           |
| Segment operating<br>profit/(loss)           | <u>143,070</u>  | <u>(20,833)</u>                           | <u>(36,438)</u>                    | <u>85,799</u>            |
| Other income                                 | –   | –   | 89                                 | 89                       |
| Finance costs                                | (2,525)   | (117)                                     | (751)                              | (3,393)                  |
| Share of loss of an<br>associated company    | <u>–</u>  | <u>–</u>                                  | <u>(3,847)</u>                     | <u>(3,847)</u>           |
|  | <u>(2,525)</u>  | <u>(117)</u>                              | <u>(4,509)</u>                     | <u>(7,151)</u>           |
| Segment profit/(loss) before<br>income tax   | <u>140,545</u>  | <u>(20,950)</u>                           | <u>(40,947)</u>                    | 78,648                   |
| Unallocated corporate expenses               |   |   |                                    | <u>(3,856)</u>           |
| Profit before income tax                     |   |   |                                    | <u>74,792</u>            |

The segment assets and liabilities as at 30 June 2011 are as follows:

|                                      | <b>Property<br/>investments<br/>and<br/>associated<br/>businesses<br/>HK\$'000</b> | <b>Investment<br/>business<br/>HK\$'000</b> | <b>Toy<br/>business<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--------------------------------------|--|---|--------------------------------------|---------------------------|
| Reportable segment assets            | 2,666,857  | 405,869                                     | 242,317                              | 3,315,043                 |
| Interest in an associated<br>company | <u>–</u>   | <u>–</u>                                    | <u>17,047</u>                        | <u>17,047</u>             |
| Total reportable<br>segment assets   | <u>2,666,857</u>   | <u>405,869</u>                              | <u>259,364</u>                       | 3,332,090                 |
| Inter-segment elimination            | (20)   | –   | (489)                                | (509)                     |
| Deferred tax assets                  |  |   |                                      | 428                       |
| Taxation recoverable                 |  |   |                                      | 97                        |
| Unallocated assets                   |  |   |                                      | <u>7,071</u>              |
| Total assets                         |  |   |                                      | <u>3,339,177</u>          |
| Reportable segment liabilities       | <u>511,963</u>   | <u>–</u>                                    | <u>47,715</u>                        | 559,678                   |
| Inter-segment elimination            | (489)  | –   | (20)                                 | (509)                     |
| Deferred tax liabilities             |  |   |                                      | 26,074                    |
| Taxation payable                     |  |   |                                      | 2,669                     |
| Unallocated liabilities              |  |   |                                      | <u>1,865</u>              |
| Total liabilities                    |  |   |                                      | <u>589,777</u>            |

The segment assets and liabilities as at 31 December 2010 are as follows:

|                                      | Property<br>investments<br>and<br>associated<br>businesses<br><i>HK\$'000</i> | Investment<br>business<br><i>HK\$'000</i> | Toy<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------------|---|---|------------------------------------|--------------------------|
| Reportable segment assets            | 2,281,239   | 448,707                                   | 200,753                            | 2,930,699                |
| Interest in an associated<br>company | <u>–</u>  | <u>–</u>                                  | <u>20,429</u>                      | <u>20,429</u>            |
| Total reportable<br>segment assets   | <u>2,281,239</u>  | <u>448,707</u>                            | <u>221,182</u>                     | 2,951,128                |
| Inter-segment elimination            | (285)   | –   | (489)                              | (774)                    |
| Deferred tax assets                  |   |   |                                    | 428                      |
| Taxation recoverable                 |   |   |                                    | 1,213                    |
| Unallocated assets                   |   |   |                                    | <u>4,018</u>             |
| Total assets                         |   |   |                                    | <u>2,956,013</u>         |
| Reportable segment liabilities       | <u>428,784</u>  | <u>–</u>                                  | <u>42,286</u>                      | 471,070                  |
| Inter-segment elimination            | (489)   | –   | (285)                              | (774)                    |
| Deferred tax liabilities             |   |   |                                    | 25,922                   |
| Taxation payable                     |   |   |                                    | 818                      |
| Unallocated liabilities              |   |   |                                    | <u>2,415</u>             |
| Total liabilities                    |   |   |                                    | <u>499,451</u>           |

## 2.2 Geographical information

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

|                                      | Revenue from<br>external customers           |                  | Specified<br>non-current assets |                                 |
|--------------------------------------|--|------------------|---------------------------------|---------------------------------|
|                                      | Six months ended 30 June<br>2011<br>HK\$'000 | 2010<br>HK\$'000 | 30 June<br>2011<br>HK\$'000     | 31 December<br>2010<br>HK\$'000 |
| Hong Kong<br>(place of domicile)     | <u>57,109</u>                                | <u>55,747</u>    | <u>2,460,559</u>                | <u>2,095,959</u>                |
| Americas                             |  |                  |                                 |                                 |
| – U.S.A.                             | 10,618                                       | 41,301           | 1,148                           | 1,595                           |
| – Others                             | 56   | 6,433            | –                               | –                               |
| Europe                               | 6,114  | 24,776           | 209,323                         | 197,456                         |
| Asia Pacific other than<br>Hong Kong | 752  | 1,862            | –                               | –                               |
| Others                               | <u>903</u>                                   | <u>760</u>       | <u>–</u>                        | <u>–</u>                        |
|                                      | <u>18,443</u>                                | <u>75,132</u>    | <u>210,471</u>                  | <u>199,051</u>                  |
|                                      | <u>75,552</u>                                | <u>130,879</u>   | <u>2,671,030</u>                | <u>2,295,010</u>                |

## 2.3 Major customers

The Group's customer base is diversified with no customer with whom transactions have exceeded 10% of the Group's total revenue for the period ended 30 June 2011. For the period ended 30 June 2010, one customer of the toy business with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to this customer amounted to approximately HK\$13 million.

### 3. Profit before income tax

Profit before income tax is stated after charging the following:

|  | Six months ended 30 June |          |
|--|--------------------------|----------|
|  | 2011                     | 2010     |
|  | HK\$'000                 | HK\$'000 |
| Cost of inventories sold                                   | 12,495                   | 40,215   |
| Product development costs                                  | 4,179                    | 881      |
| Royalties paid   | 5,647                    | 8,940    |
| Provision for customer concession                          | –                        | 1,808    |
| Employee benefit expenses                                  | 32,333                   | 43,050   |
| Depreciation of other property,<br>plant and equipment     | 5,222                    | 4,758    |
| Loss on disposal of other property,<br>plant and equipment | 50                       | 54       |

### 4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. Overseas taxation is provided on the estimated assessable profits of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate.

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2011                     | 2010         |
|  | HK\$'000                 | HK\$'000     |
|  |                          | (Restated)   |
| Current taxation                                     |                          |              |
| Hong Kong profits tax                                | 3,400                    | 4,092        |
| Under/(over) provision<br>in prior years – Hong Kong | 10                       | (122)        |
|  | <u>3,410</u>             | <u>3,970</u> |
| Deferred taxation                                    |                          |              |
| Origination and reversal<br>of temporary differences | 152                      | 916          |
| Income tax expense                                   | <u>3,562</u>             | <u>4,886</u> |

## **5. Dividends**

At a meeting held on 25 March 2011, the directors declared a second interim dividend of HK\$0.08 per share, which was paid on 27 April 2011.

At a meeting held on 31 August 2011, the directors declared an interim dividend of HK\$0.05 (2010: HK\$0.05) per share to be paid on 3 October 2011 to shareholders on the Company's Register of Members on 22 September 2011. This declared dividend declared after balance sheet date has not been recognised as liabilities in this condensed consolidated financial information, but reflected as an appropriation of retained profits for the six months ended 30 June 2011.

## **6. Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$365,053,000 (2010: HK\$90,353,000) and the weighted average number of ordinary shares of 255,792,000 (2010: 235,592,000) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$365,053,000 (2010: HK\$90,353,000) and the weighted average number of ordinary shares of 255,808,000 (2010: 251,516,000) in issue during the period, adjusted for the effects of 16,000 (2010: 15,924,000) dilutive potential shares on exercise of share options (2010: share options and warrants).

## 7. Fixed assets

|   | <b>Investment<br/>properties</b><br><i>HK\$'000</i> | <b>Other<br/>property,<br/>plant and<br/>equipment</b><br><i>HK\$'000</i> |
|---|---|---|
| Opening net book amount<br>as at 1 January 2011       | <b>2,117,856</b>                                    | <b>150,749</b>  |
| Exchange fluctuation                                  | 7,872   | –   |
| Additions   | –   | 346   |
| Capitalised subsequent expenditure                    | <b>13,248</b>                                       | –   |
| Revaluation surplus                                   | <b>363,208</b>                                      | –   |
| Depreciation  | –   | (5,222)   |
| Disposals   | –   | (50)  |
|   | <hr/>   | <hr/>   |
| <b>Closing net book amount<br/>as at 30 June 2011</b> | <b><u>2,502,184</u></b>                             | <b><u>145,823</u></b>   |
| Opening net book amount<br>as at 1 January 2010       | 1,808,250   | 140,379   |
| Additions   | –   | 934   |
| Capitalised subsequent expenditure                    | 9,086   | –   |
| Revaluation surplus                                   | 115,589   | –   |
| Reclassification                                      | (33,800)  | 33,800  |
| Depreciation  | –   | (4,758)   |
| Disposals   | –   | (57)  |
|   | <hr/>   | <hr/>   |
| Closing net book amount<br>as at 30 June 2010         | 1,899,125   | 170,298   |
| Exchange fluctuation                                  | (7,222)   | –   |
| Additions   | –   | 1,181   |
| Capitalised subsequent expenditure                    | 9,235   | –   |
| Revaluation surplus                                   | 203,686   | –   |
| Reclassification                                      | 13,032  | (13,032)  |
| Depreciation  | –   | (6,449)   |
| Disposals   | –   | (1,249)   |
|   | <hr/>   | <hr/>   |
| Closing net book amount<br>as at 31 December 2010     | <b><u>2,117,856</u></b>                             | <b><u>150,749</u></b>   |

## 8. Trade receivables

|   | <b>30 June<br/>2011<br/><i>HK\$'000</i></b> | 31 December<br>2010<br><i>HK\$'000</i> |
|---|---|--|
| Trade receivables                       | <b>3,294</b>                                | 12,948                                 |
| Less: Allowance for customer concession | <u>(277)</u>                                | <u>(1,102)</u>                         |
|   | <b><u>3,017</u></b>                         | <b><u>11,846</u></b>                   |

The Group grants credits to retail customers of the toy business 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:

|              | <b>30 June<br/>2011<br/><i>HK\$'000</i></b> | 31 December<br>2010<br><i>HK\$'000</i> |
|--------------|---|--|
| 0 – 30 days  | <b>2,365</b>                                | 10,979                                 |
| 31 – 60 days | <b>236</b>                                  | 427                                    |
| Over 60 days | <u><b>416</b></u>                           | <u>440</u>                             |
|              | <b><u>3,017</u></b>                         | <b><u>11,846</u></b>                   |



## 9. Bank loans

|   | <b>30 June<br/>2011<br/>HK\$'000</b> | 31 December<br>2010<br>HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Secured bank loans repayable                    |                                      |                                 |
| Within one year                                 | <b>235,571</b>                       | 355,000                         |
| In the second year                              | <b>55,572</b>                        | 15,000                          |
| In the third to fifth years                     | <b>141,214</b>                       | 30,000                          |
| After the fifth year                            | <b>50,000</b>                        | –                               |
|   | <b>482,357</b>                       | 400,000                         |
| Current portion included in current liabilities | <b>(235,571)</b>                     | (355,000)                       |
| Non-current portion                             | <b>246,786</b>                       | 45,000                          |

All bank loans were denominated in HK dollar and the effective interest rate at the balance sheet date was 1.31% p.a. (31 December 2010: 1.24% p.a.).

The fair value of non-current bank loans with a carrying amount of HK\$246,786,000 (31 December 2010: HK\$45,000,000) was HK\$237,472,000 (31 December 2010: HK\$43,911,000) as at 30 June 2011. The fair value has been calculated by discounting the expected future cash flow at prevailing interest rate.

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

As at 30 June 2011, the Group has banking facilities amounting to HK\$725 million (31 December 2010: HK\$745 million), of which HK\$482 million (31 December 2010: HK\$400 million) were utilised.

The banking facilities of certain subsidiaries are secured by investment properties and land and buildings with net book value of HK\$2,175 million and HK\$138 million (31 December 2010: HK\$1,816 million and HK\$141 million) respectively of the Group at 30 June 2011.

## 10. Trade payables

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

|              | <b>30 June<br/>2011<br/>HK\$'000</b> | 31 December<br>2010<br>HK\$'000 |
|--------------|--------------------------------------|---------------------------------|
| 0 – 30 days  | 4,820                                | 8,002                           |
| 31 – 60 days | 94                                   | 1,304                           |
| Over 60 days | 915                                  | 435                             |
|              | <u>5,829</u>                         | <u>9,741</u>                    |

## 11. Share capital

|   | <b>Authorised<br/>Ordinary shares of<br/>HK\$0.10 each</b>            |                       |
|---|---|-----------------------|
|   | <i>No. of shares</i>  | <i>HK\$'000</i>       |
| <b>At 31 December 2010 and 30 June 2011</b> | <b><u>3,000,000,000</u></b>   | <b><u>300,000</u></b> |
|   | <b>Issued and fully paid<br/>Ordinary shares of<br/>HK\$0.10 each</b> |                       |
|   | <i>No. of shares</i>  | <i>HK\$'000</i>       |
| At 1 January 2010                           | 224,621,637   | 22,462                |
| Exercise of warrants 2010                   | 33,650,052  | 3,365                 |
| Repurchase of shares                        | (271,689)   | (27)                  |
|   | <u>258,000,000</u>  | <u>25,800</u>         |
| At 1 January 2011                           | <b>258,000,000</b>  | <b>25,800</b>         |
| Repurchase of shares ( <i>Note</i> )        | <b>(9,400,000)</b>  | <b>(940)</b>          |
|   | <u>248,600,000</u>  | <u>24,860</u>         |
| <b>At 30 June 2011</b>                      | <b><u>248,600,000</u></b>   | <b><u>24,860</u></b>  |

*Note:*

During the period, 9,400,000 shares were repurchased by the Company on the Stock Exchange at prices ranging from HK\$2.75 to HK\$2.85 each as follows:

| Month/year | Number of shares repurchased | Highest price paid per share<br>HK\$ | Lowest price paid per share<br>HK\$ | Aggregate price paid<br>HK\$'000 |
|------------|------------------------------|--------------------------------------|-------------------------------------|----------------------------------|
| March 2011 | 500,000                      | 2.85                                 | 2.85                                | 1,425                            |
| April 2011 | 3,480,000                    | 2.84                                 | 2.77                                | 9,797                            |
| May 2011   | 1,098,000                    | 2.82                                 | 2.82                                | 3,096                            |
| June 2011  | 4,322,000                    | 2.85                                 | 2.75                                | 12,178                           |

3,980,000 shares, 1,098,000 shares and 4,322,000 shares were redeemed and cancelled on 12 May 2011, 9 June 2011 and 29 June 2011 respectively and accordingly the issued capital of the Company diminished by the nominal value of these shares. The premium paid on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserve.

## 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:

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

## 12.2 Operating lease commitments

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:

### 12.2.1 As lessee

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:

|                              | <b>30 June<br/>2011<br/>HK\$'000</b> | 31 December<br>2010<br>HK\$'000 |
|------------------------------|--------------------------------------|---------------------------------|
| Within one year              | <b>2,208</b>                         | 2,175                           |
| In the second to fifth years | <b>7,146</b>                         | 8,245                           |
|                              | <b><u>9,354</u></b>                  | <u>10,420</u>                   |

### 12.2.2 As lessor

At 30 June 2011, the future aggregate minimum lease payments under non-cancellable operating leases for office, industrial and residential premises receivable by the Group were as follows:

|                              | <b>30 June<br/>2011<br/>HK\$'000</b> | 31 December<br>2010<br>HK\$'000 |
|------------------------------|--------------------------------------|---------------------------------|
| Within one year              | <b>59,115</b>                        | 56,124                          |
| In the second to fifth years | <b>32,544</b>                        | 35,255                          |
|                              | <b><u>91,659</u></b>                 | <u>91,379</u>                   |

## 13. Related party transactions

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 property investments and associated businesses generated a relatively steady income stream throughout the period. Approximately 94% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 30 June 2011. Accounts receivables were minimal as at the period end.

The investment portfolio includes listed equity and managed funds. As at 30 June 2011, the Group's investment portfolio amounts to HK\$226,320,000 (31 December 2010: HK\$198,459,000) of which approximately 95% (31 December 2010: 94%) are listed equity.

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 related to toy business 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 Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2011 was 14.5% compared to 13.6% at 31 December 2010. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.1 at 30 June 2011 compared to 1.5 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\$425,918,000 (31 December 2010: HK\$430,878,000).

### **Charges on Group Assets**

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

### **Employees**

As at 30 June 2011, the Group had a total of 109 employees in Hong Kong, the United States of America and the United Kingdom.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“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<br>HK\$ | Number of share options         |                                |                               |
|---|-------------------|------------------------|---------------------------------|--------------------------------|-------------------------------|
|   |                   |                        | Balance at<br>1 January<br>2011 | Lapsed<br>during<br>the period | Balance at<br>30 June<br>2011 |
| <b>Plan</b>   |                   |                        |                                 |                                |                               |
| <i>Continuous Contract<br/>Employees,<br/>excluding Directors</i> | 21 May 2001       | 2.97                   | 11,100                          | 11,100                         | –                             |
| <b>Scheme</b>   |                   |                        |                                 |                                |                               |
| CHENG Bing Kin, Alain<br><i>Director</i>                          | 7 January 2004    | 13.60                  | 59,000                          | –                              | 59,000                        |
|   | 22 September 2005 | 12.06                  | 62,500                          | –                              | 62,500                        |
|   | 4 May 2006        | 9.10                   | 37,500                          | –                              | 37,500                        |
| IP Shu Wing, Charles<br><i>Director</i>                           | 22 September 2005 | 12.06                  | 100,000                         | –                              | 100,000                       |
|   | 4 May 2006        | 9.10                   | 37,600                          | –                              | 37,600                        |
| LEE Peng Fei, Allen<br><i>Director</i>                            | 22 September 2005 | 12.06                  | 100,000                         | –                              | 100,000                       |
|   | 4 May 2006        | 9.10                   | 75,000                          | –                              | 75,000                        |
| LO Kai Yiu, Anthony<br><i>Director</i>                            | 9 August 2002     | 1.99                   | 25,000                          | –                              | 25,000                        |
|   | 22 September 2005 | 12.06                  | 100,000                         | –                              | 100,000                       |
|   | 4 May 2006        | 9.10                   | 75,000                          | –                              | 75,000                        |
| TO Shu Sing, Sidney<br><i>Director</i>                            | 7 January 2004    | 13.60                  | 120,000                         | –                              | 120,000                       |
|   | 22 September 2005 | 12.06                  | 150,000                         | –                              | 150,000                       |
|   | 4 May 2006        | 9.10                   | 37,500                          | –                              | 37,500                        |
| TSIM Tak Lung<br><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<br><i>Director</i>                               | 22 September 2005 | 12.06                  | 100,000                         | –                              | 100,000                       |
|   | 4 May 2006        | 9.10                   | 75,000                          | –                              | 75,000                        |

| Participant                | Date of grant     | Exercise price<br>HK\$ | Number of share options         |                                |                               |
|----------------------------|-------------------|------------------------|---------------------------------|--------------------------------|-------------------------------|
|                            |                   |                        | Balance at<br>1 January<br>2011 | Lapsed<br>during<br>the period | Balance at<br>30 June<br>2011 |
| <i>Continuous Contract</i> | 9 August 2002     | 1.99                   | 27,700                          | –                              | 27,700                        |
| <i>Employees,</i>          | 10 March 2003     | 5.50                   | 115,020                         | –                              | 115,020                       |
| <i>excluding Directors</i> | 7 January 2004    | 13.60                  | 665,060                         | –                              | 665,060                       |
|                            | 19 March 2004     | 12.40                  | 1,100,000                       | –                              | 1,100,000                     |
|                            | 22 September 2005 | 12.06                  | 1,438,120                       | –                              | 1,438,120                     |
|                            | 4 May 2006        | 9.10                   | 927,400                         | –                              | 927,400                       |

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, an indirect non-wholly owned 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<br>HK\$ | Number of share options         |  |                                   |                                |                               |
|--|-----------------|------------------------|---------------------------------|--|-----------------------------------|--------------------------------|-------------------------------|
|  |                 |                        | Balance at<br>1 January<br>2011 | Granted<br>during<br>the period<br><i>(Note)</i> | Exercised<br>during<br>the period | Lapsed<br>during<br>the period | Balance at<br>30 June<br>2011 |
| CHENG Bing Kin,                              | 31 March 2008   | 0.316                  | 554,000                         | –  | –                                 | –                              | 554,000                       |
| Alain  | 20 January 2010 | 0.828                  | 1,663,000                       | –  | –                                 | –                              | 1,663,000                     |
| <i>Director of the<br/>Company &amp; PTL</i> | 18 April 2011   | 0.315                  | –                               | 1,000,000  | –                                 | –                              | 1,000,000                     |
| TO Shu Sing, Sidney                          | 31 March 2008   | 0.316                  | 554,000                         | –  | –                                 | –                              | 554,000                       |
| <i>Director of the<br/>Company &amp; PTL</i> | 20 January 2010 | 0.828                  | 2,217,000                       | –  | –                                 | –                              | 2,217,000                     |
|  | 18 April 2011   | 0.315                  | –                               | 1,200,000  | –                                 | –                              | 1,200,000                     |
| <i>Other directors of<br/>PTL</i>            | 31 March 2008   | 0.316                  | 1,329,000                       | –  | –                                 | –                              | 1,329,000                     |
|  | 20 January 2010 | 0.828                  | 666,000                         | –  | –                                 | –                              | 666,000                       |
| <i>Continuous Contract</i>                   | 31 March 2008   | 0.316                  | 7,297,000                       | –  | –                                 | –                              | 7,297,000                     |
| <i>Employees of PTL</i>                      | 20 January 2010 | 0.828                  | 13,527,000                      | –  | –                                 | 333,000                        | 13,194,000                    |
| <i>group, excluding<br/>directors of PTL</i> | 18 April 2011   | 0.315                  | –                               | 7,640,000  | 28,000                            | 150,000                        | 7,462,000                     |
|  | 24 May 2011     | 0.428                  | –                               | 400,000  | –                                 | –                              | 400,000                       |
| <i>Other Participants</i>                    | 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 PTL 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 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, Underlying Shares and Debentures of the Company or Any Associated Corporation**

As at 30 June 2011, the interests of each director and chief executive 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*

| <b>Name of director</b> | <b>Nature of interest</b>     | <b>Number of shares held</b> | <b>Percentage interest held</b> |
|-------------------------|-------------------------------|------------------------------|---------------------------------|
| CHAN Chun Hoo, Thomas   | Personal                      | 11,900,000 ordinary shares   | 4.79%                           |
|                         | Corporate ( <i>Note (a)</i> ) | 91,500,000 ordinary shares   | 36.81%                          |
|                         | Associate ( <i>Note (e)</i> ) | 10,000,000 ordinary shares   | 4.02%                           |
| CHENG Bing Kin, Alain   | Personal                      | 228,000 ordinary shares      | 0.09%                           |
| IP Shu Wing, Charles    | Personal                      | 294,480 ordinary shares      | 0.12%                           |
| LEE Peng Fei, Allen     | Personal                      | 72,000 ordinary shares       | 0.03%                           |
| LO Kai Yiu, Anthony     | Personal                      | 344,160 ordinary shares      | 0.14%                           |
| TO Shu Sing, Sidney     | Personal                      | 2,000,000 ordinary shares    | 0.80%                           |
| TSIM Tak Lung           | Personal                      | 196,416 ordinary shares      | 0.08%                           |
| YU Hon To, David        | Personal                      | 132,000 ordinary shares      | 0.05%                           |
|                         | Corporate ( <i>Note (b)</i> ) | 547,200 ordinary shares      | 0.22%                           |



***Long positions in underlying shares of the Company***

| <b>Name of director</b> | <b>Nature of interest</b> | <b>Number of equity derivatives held</b> | <b>Number of underlying shares<br/>(ordinary shares)</b> | <b>Percentage interest held</b> |
|-------------------------|---------------------------|--|--|---------------------------------|
| CHENG Bing Kin, Alain   | Personal                  | 159,000 share options                    | 159,000 shares   | 0.06%                           |
| 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   | 0.07%                           |
| LO Kai Yiu, Anthony     | Personal                  | 200,000 share options                    | 200,000 shares   | 0.08%                           |
| TO Shu Sing, Sidney     | Personal                  | 307,500 share options                    | 307,500 shares   | 0.12%                           |
| TSIM Tak Lung           | Personal                  | 175,000 share options                    | 175,000 shares   | 0.07%                           |
| YU Hon To, David        | Personal                  | 175,000 share options                    | 175,000 shares   | 0.07%                           |

***Long positions in shares of PTL***

| <b>Name of director</b> | <b>Nature of interest</b> | <b>Number of shares held</b> | <b>Percentage interest held</b> |
|-------------------------|---------------------------|------------------------------|---------------------------------|
| CHAN Chun Hoo, Thomas   | Corporate (Note (c))      | 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%                           |
| IP Shu Wing, Charles    | Personal                  | 908,960 ordinary shares      | 0.09%                           |
| LEE Peng Fei, Allen     | Personal                  | 244,000 ordinary shares      | 0.02%                           |
| LO Kai Yiu, Anthony     | Personal                  | 688,320 ordinary shares      | 0.07%                           |
| TO Shu Sing, Sidney     | Personal                  | 10,400,000 ordinary shares   | 1.00%                           |
| TSIM Tak Lung           | Personal                  | 692,832 ordinary shares      | 0.07%                           |
| YU Hon To, David        | Personal                  | 176,000 ordinary shares      | 0.02%                           |
|                         | Corporate (Note (d))      | 1,065,600 ordinary shares    | 0.10%                           |

***Long positions in underlying shares and debentures of PTL***

| <b>Name of director</b> | <b>Nature of interest</b> | <b>Number of equity derivatives held</b> | <b>Number of underlying shares<br/>(ordinary shares)</b> | <b>Percentage interest held</b> |
|-------------------------|---------------------------|--|--|---------------------------------|
| CHAN Chun Hoo, Thomas   | Corporate<br>(Note (c))   | 114,285,714 conversion shares            | 114,285,714 shares                                       | 10.954%                         |
|                         |                           | 79,065,350 warrants                      | 79,065,350 shares  | 7.578%                          |
|                         | Personal                  | 1,807,650 warrants                       | 1,807,650 shares   | 0.173%                          |
| CHENG Bing Kin, Alain   | Personal                  | 3,217,000 share options                  | 3,217,000 shares   | 0.308%                          |
|                         |                           | 520,000 warrants                         | 520,000 shares   | 0.050%                          |
| IP Shu Wing, Charles    | Personal                  | 118,040 warrants                         | 118,040 shares   | 0.011%                          |
| LEE Peng Fei, Allen     | Personal                  | 31,720 warrants                          | 31,720 shares  | 0.003%                          |
| LO Kai Yiu, Anthony     | Personal                  | 89,440 warrants                          | 89,440 shares  | 0.009%                          |
| TO Shu Sing, Sidney     | Personal                  | 3,971,000 share options                  | 3,971,000 shares   | 0.381%                          |
|                         |                           | 1,040,000 warrants                       | 1,040,000 shares   | 0.100%                          |
| TSIM Tak Lung           | Personal                  | 90,064 warrants                          | 90,064 shares  | 0.009%                          |
| YU Hon To, David        | Personal                  | 22,880 warrants                          | 22,880 shares  | 0.002%                          |
|                         | Corporate<br>(Note (d))   | 138,450 warrants                         | 138,450 shares   | 0.013%                          |

***Notes:***

- (a) 91,500,000 ordinary shares of the Company were beneficially owned by TGC Assets Limited (“TGC”). All the issued share capital of TGC is wholly-owned by Mr. Chan Chun Hoo, Thomas (“Mr. Chan”).
- (b) 547,200 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.

- (c) Mr. Chan is the beneficial owner of all of the issued share capital of TGC and is therefore deemed to be interested in the 51,600,000 shares and 11,244,350 warrants of PTL in aggregate which TGC is interested in. Since TGC directly owns approximately 36.81% of the shareholding of the Company and is deemed to be interested in the 521,700,000 shares, 114,285,714 conversion shares (which would fall to be issued by PTL upon full exercise of the conversion rights attached to the convertible bonds by the Company pursuant to a subscription agreement dated 29 October 2009) and 67,821,000 warrants of PTL in aggregate which the Company 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 PTL in aggregate which the Company is interested in.
- (d) 1,065,600 ordinary shares and 138,450 warrants 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.
- (e) 10,000,000 shares of the Company 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 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 2011.

The warrants of PTL 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 and chief executive of the Company are disclosed in the above section headed "Share Options".

As at 30 June 2011, none of the directors and chief executive 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 and Underlying Shares of the Company Required to be Recorded under Section 336 of the SFO**

As at 30 June 2011, no person (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.

### **Purchase, Sale or Redemption of Shares**

During the period, 9,400,000 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$2.75 to HK\$2.85 per share through the Stock Exchange. The particulars of the repurchases are set out in note 11 to the condensed consolidated financial information.

## **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.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from 21 September 2011 to 22 September 2011, 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 4:30 p.m. on 20 September 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)*

IP Shu Wing, Charles

*(Independent 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

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

Citigroup

Credit Suisse

Goldman Sachs (Asia) L.L.C.

Hang Seng Bank Limited

UBS AG

### 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 Holdings

Limited are listed for trading on

The Stock Exchange of

Hong Kong Limited

(Stock Code: 635)

### Website

[www.playmates.net](http://www.playmates.net)



**Playmates Holdings Limited**  
(Incorporated in Bermuda with limited liability)  
(Stock code 635)  
[www.playmates.net](http://www.playmates.net)