PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code：869)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

For the six months ended 30 June	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	**594,651**	687,679
Gross profit	**369,391**	434,279
Operating profit	**138,705**	215,080
Profit before income tax	**135,076**	210,545
Income tax expense	**(39,879)**	(54,206)
Profit attributable to owners of the Company	**95,197**	156,339
Earnings per share	***HK cents***	*HK cents*
- Basic	**7.86**	13.18
- Diluted	**7.79**	13.04
Interim dividend per share	**5.00**	5.00

Playmates Toys group worldwide turnover during the first half of 2016 was HK$595 million (same period in 2015: HK$688 million), a decrease of 13.5% compared to the prior year period. The decrease in turnover was driven mainly by very strong competition in the boys action categories.

Gross profit ratio on toy sales was 62.1% (same period in 2015: 63.2%). The decrease in gross profit ratio was attributable to a higher percentage of overall sales generated in International markets compared to the prior year period, as well as development expenses related to new product introductions. Recurring operating expenses increased by 5.2% compared to the prior year period, driven mainly by higher promotional expenses to support new movie related products tied to Paramount's ***Teenage Mutant Ninja Turtles: Out of the Shadows ("TMNT Movie Sequel")***.

The group reported an operating profit for the period of HK$139 million (same period in 2015: HK$215 million). Net profit attributable to shareholders during the first half of 2016 was HK$95 million (same period in 2015: HK$156 million).

According to The NPD Group, the leading provider of toys point-of-sale market research data, US retail sales of toys grew by about 7% year-on-year during the first half of 2016[1]. Such growth was driven to a large extent by a number of major franchises including strong competing boys action brands, which negatively impacted our ***Teenage Mutant Ninja Turtles*** **("*TMNT*")** business.

In the second half of 2016, we expect increased economic uncertainties in international markets and strong competitive pressure to persist. In addition, shipments of products related to the ***TMNT Movie Sequel*** skewed the seasonality pattern in favour of the first half of the year. Nevertheless, we remain positive in our longer term outlook, due to the resilience of the ***TMNT*** franchise, and the launch of major new brands beginning in 2017.

The Board declared a HK Cents 5 per share interim dividend distribution.

Brand Overview

Teenage Mutant Ninja Turtles

Nickelodeon's ***TMNT*** TV show continues to be highly popular, with the continuation of Season 4 and the planned launch of Season 5 next year.

The early summer release of the ***TMNT Movie Sequel*** provided a boost to the brand, but in a very competitive environment it did not have the same impact as the 2014 movie. As a result, while our ***TMNT*** toys continued to rank among the top boys action brands, our sales performance declined year-over-year.

We expect competitive pressures to continue in the second half of 2016, and intensify in 2017 with a full schedule of kid-friendly movies to be released throughout the year. Nonetheless, we are optimistic that ***TMNT*** will remain one of the major boys action brands.

New Brands

Voltron. With the launch of the new DreamWorks Animation animated series ***Voltron: Legendary Defender*** as a Netflix Original Series in June 2016, a new generation of kids are ready to follow five teenage pilots of mystical robot lions in a battle to protect the universe! Playmates Toys, as the global master toy licensee, will launch a brand new line of ***Voltron*** toys in Spring 2017.

Ben 10. Playmates Toys will serve as the global master toy partner for Cartoon Network's re-launch of ***Ben 10***. The new series will introduce a new generation of fans to the story of Ben, a 10 year old kid who, with the help of a mysterious watch, can transform into 10 alien heroes, each with its own unique powers. The original ***Ben 10*** series premiered on Cartoon Network in 2006 to high ratings and the success of the original series spawned three additional animated series, one animated movie and two live-action movies. This powerful global franchise is a proven ratings and merchandise success in major markets around the world. The new ***Ben 10*** animated TV series will premiere in selected markets in Fall 2016 and across North America in 2017, followed by the launch of our ***Ben 10*** toy line in Fall 2017.

[1] Source: The NPD Group/Retail Tracking Services/U.S. Toys/26 weeks ending July 2, 2016.

Mysticons. Playmates Toys will be the global master toy partner for ***Mysticons***, a brand new animated action TV series targeting the girls audience developed by Nelvana Studio, in partnership with Nickelodeon and The Topps Company.

We remain committed to the proven strategy of focusing our resources and efforts to manage our established brands for long term profitability, while actively pursue selective new opportunities that are good fits for our core competence.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2016

		Unaudited		
		Six months ended 30 June		
		2016	**2016**	2015
	Note	***US$'000***	***HK$'000***	*HK$'000*
		(Note 10)		
Revenue	*3*	**76,729**	**594,651**	687,679
Cost of sales		**(29,066)**	**(225,260)**	(253,400)
Gross profit		**47,663**	**369,391**	434,279
Marketing expenses		**(16,657)**	**(129,088)**	(132,161)
Selling and distribution expenses		**(5,483)**	**(42,491)**	(29,416)
Administration expenses		**(7,626)**	**(59,107)**	(57,622)
Operating profit		**17,897**	**138,705**	215,080
Other net loss		**(106)**	**(822)**	(2,806)
Finance costs		**(362)**	**(2,807)**	(2,857)
Share of profit of an associated company		**-**	**-**	1,128
Profit before income tax	*4*	**17,429**	**135,076**	210,545
Income tax expense	*5*	**(5,146)**	**(39,879)**	(54,206)
Profit for the period and total comprehensive income for the period attributable to owners of the Company		**12,283**	**95,197**	156,339
		US cents	***HK cents***	*HK cents*
Earnings per share	*7*			
Basic		**1.01**	**7.86**	13.18
Diluted		**1.01**	**7.79**	13.04

Condensed Consolidated Statement of Financial Position
As at 30 June 2016

	Note	**Unaudited 30 June 2016** *US$'000* *(Note 10)*	**Unaudited 30 June 2016** *HK$'000*	Audited 31 December 2015 *HK$'000*
Non-current assets				
Property, plant and equipment		**744**	**5,767**	6,241
Interest in an associated company		**781**	**6,053**	6,053
Deferred tax assets		**5,156**	**39,960**	34,105
		6,681	**51,780**	46,399
Current assets				
Inventories		**4,895**	**37,934**	28,242
Trade receivables	*8*	**26,165**	**202,777**	311,020
Deposits paid, other receivables and prepayments		**5,079**	**39,364**	37,711
Taxation recoverable		**6,047**	**46,862**	53,449
Financial assets at fair value through profit or loss		**3,519**	**27,272**	31,078
Cash and bank balances		**135,461**	**1,049,820**	877,487
		181,166	**1,404,029**	1,338,987
Current liabilities				
Trade payables	*9*	**11,188**	**86,704**	48,737
Deposits received, other payables and accrued charges		**19,003**	**147,272**	148,263
Loan from an associated company		**752**	**5,831**	5,831
Provisions		**5,645**	**43,747**	48,930
		36,588	**283,554**	251,761
Net current assets		**144,578**	**1,120,475**	1,087,226
Net assets		**151,259**	**1,172,255**	1,133,625
Equity				
Share capital		**1,566**	**12,138**	12,100
Reserves		**149,693**	**1,160,117**	1,121,525
Total equity		**151,259**	**1,172,255**	1,133,625

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

This condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("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 2015 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 2015, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. None of these amendments are relevant to the Group's results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior executive management of the Group that are used to make strategic decision, the only operating segment of the Group is design, development, marketing and distribution of toys and family entertainment activity products. No separate analysis of the reportable segment profit/loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

3.1 Geographical information

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

	Revenue		**Specified non-current assets**	
	Six months ended 30 June		**30 June**	31 December
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**304**	162	**7,867**	8,136
Americas				
- U.S.A.	**431,169**	533,996	**3,953**	4,158
- Others	**35,759**	29,224	**-**	-
Europe	**77,531**	78,384	**-**	-
Asia Pacific other than Hong Kong	**44,454**	41,418	-	-
Others	**5,434**	4,495	-	-
	594,347	687,517	**3,953**	4,158
	594,651	687,679	**11,820**	12,294

3.2 Major customers

The Group's customer base is diversified and includes three (2015: three) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK$214,708,000, HK$92,016,000 and HK$70,284,000 (2015: HK$236,697,000, HK$142,665,000 and HK$87,256,000) respectively.

4. Profit before income tax

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**210,036**	233,586
Product development costs	**7,086**	4,694
Royalties paid	**78,690**	89,140
Directors' and staff remunerations	**32,950**	32,748
Depreciation of property, plant and equipment	**1,146**	852

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Overseas taxation of overseas subsidiaries is provided in accordance with the applicable tax laws.

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**14,155**	27,353
Overseas taxation	**31,579**	28,986
Under provision in prior years – overseas	**-**	6,455
	45,734	62,794
Deferred taxation		
Origination and reversal of temporary differences	**(5,855)**	(8,588)
Income tax expense	**39,879**	54,206

6. Dividends

6.1 Dividends attributable to the interim period

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Interim dividend declared after the interim period of HK$0.05 (2015: HK$0.05) per share	**60,704**	60,615

At a meeting held on 26 August 2016, the board of directors declared an interim dividend of HK$0.05 per share to be paid on 30 September 2016 to shareholders whose names appear on the Company's Register of Members on 14 September 2016. This interim dividend declared after the end of the reporting period has not been recognised as liabilities in this condensed consolidated financial information for the six months ended 30 June 2016.

6.2 Dividends attributable to the previous financial year and paid during the interim period

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Dividends in respect of the previous financial year and paid during the interim period:		
Second interim dividend of HK$0.05 (2015: HK$0.05) per share	**60,505**	60,421
Special interim dividend of HK$nil (2015: HK$0.05) per share	**-**	60,421
	60,505	120,842

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$95,197,000 (2015: HK$156,339,000) and the weighted average number of ordinary shares of 1,210,777,000 shares (2015: 1,185,963,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of HK$95,197,000 (2015: HK$156,339,000) and the weighted average number of ordinary shares of 1,221,966,000 shares (2015: 1,198,898,000 shares) in issue during the period, adjusted for the effects of 11,189,000 (2015: 12,935,000) dilutive potential shares on exercise of share options.

8. Trade receivables

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
Trade receivables	**206,887**	315,385
Less: Allowance for impairment	**(2,004)**	(2,004)
Less: Allowance for customer concession	**(2,106)**	(2,361)
	202,777	311,020

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

The normal trade terms with customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. The following is an aging analysis of trade receivables based on the invoice date at the end of the reporting period:

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
0 – 30 days	**193,624**	302,481
31 – 60 days	**2,346**	4,563
Over 60 days	**6,807**	3,976
	202,777	311,020

9. Trade payables

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

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
0 – 30 days	**71,592**	41,206
31 – 60 days	**1,604**	2,082
Over 60 days	**13,508**	5,449
	86,704	48,737

10. US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK$7.75 to US$1 ruling at 30 June 2016.

FINANCIAL ANALYSIS

The toy business is inherently seasonal in nature. As a result, a disproportionately high balance of trade receivables is typically 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 2016, trade receivables were HK$202,777,000 (31 December 2015: HK$311,020,000) and inventories were HK$37,934,000 (31 December 2015: HK$28,242,000). The higher inventories at interim period end reflected the seasonal build-up of inventories to fulfil existing and expected customer orders.

The Group's current ratio, calculated as the ratio of current assets to current liabilities, was 5.0 at 30 June 2016 compared to 5.3 at 31 December 2015.

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 2016, the Group's cash and bank balances were HK$1,049,820,000 (31 December 2015: HK$877,487,000), of which HK$721,666,000 (31 December 2015: HK$660,036,000) was denominated in United States dollar and the remaining balance was mainly denominated in Hong Kong dollar. During the period, certain surplus cash was held in listed equities as treasury investments. As at 30 June 2016, the Group's treasury investment in listed equities amounted to HK$27,272,000 (31 December 2015: HK$31,078,000).

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code provisions ("Code Provisions") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 September 2016 to 14 September 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 12 September 2016. The interim dividend will be paid on 30 September 2016 to the shareholders on the Register of Members of the Company on 14 September 2016.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 26 August 2016

As at the date hereof, the board of directors of the Company comprises the following directors:

Mr. Chan Chun Hoo, Thomas *(Chairman)*, Mr. Cheng Bing Kin, Alain *(Executive Director)*, Mr. Chow Yu Chun, Alexander *(Independent Non-executive Director)*, Mr. Lee Ching Kwok, Rin *(Independent Non-executive Director)*, Mr. To Shu Sing, Sidney *(Executive Director)* and Mr. Yang, Victor *(Independent Non-executive Director)*