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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 635)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights

	2010	2009
For the six months ended 30 June	HK\$'000	HK\$'000
Group revenue	130,879	386,109
- from property investments and associated businesses	53,552	47,338
- from investment business	3,863	3,133
- from toy business	73,464	335,638
Gross profit	77,619	213,372
Revaluation surplus on investment properties	115,589	92,237
Operating profit	81,960	153,319
Profit before income tax	74,792	143,590
Profit attributable to equity holders of the Company	70,912	120,647
	HK\$	HK\$
Earnings per share		
- Basic	0.30	0.55
- Diluted	0.28	0.54
Interim dividend per share	0.05	0.05

Property Investments and Associated Businesses

The property investments and associated businesses recorded moderate growth in the first half of 2010 compared to the same period last year. Turnover from the property investments and property management businesses increased by 6.0% to approximately HK\$41.0 million (same period in 2009: HK\$38.6 million), while revenue from the food and beverage business increased by 45.0% to about HK\$12.6 million (same period in 2009: HK\$8.7 million). Aggregate turnover increased by approximately 13.1% to about HK\$53.6 million (same period in 2009: about HK\$47.3 million). The Group's investment properties were revalued by an independent professional surveyor at the fair value of about HK\$1.9 billion (fair value as at 31 December 2009: about HK\$1.8 billion). A revaluation surplus of HK\$115.6 million was reported in the consolidated income statement of the Group. Segment operating profit was HK\$143.1 million including revaluation surplus, compared to HK\$121.8 million (including revaluation surplus of HK\$92.2 million) during the same period last year.

(a) Property Investments

The Group's major investment properties include (i) The Toy House at 100 Canton Road; (ii) a number of properties at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. Overall occupancy rate of the property investment portfolio was about 97% as at 30 June 2010 as compared to 87% as at 30 June 2009.

(i) *The Toy House*

Rental income generated by The Toy House was about HK\$22.8 million, an increase of 8.8% over that of the same period last year, driven by new leases entered during the second half of 2009. The tenants of the new leases were from the retail and food and beverage sectors. With the completion of the Austin MTR station and the implementation of the longer term development plans in the West Kowloon waterfront area, including the West Kowloon Cultural District and the Hong Kong terminus of the national express rail system, Canton Road has been firmly established as a luxury shopping, entertainment and dining destination. The opening of a number of flagship stores of global luxury brands in the area has attracted an increasing number of affluent tourists from around the world. We are optimistic that the value and recurring rental income of The Toy House will continue to benefit from the positive developments in the area.

(ii) *Hillview*

Rental income generated by the residential properties at Hillview remained steady at about HK\$6.9 million as compared to the same period last year. Our proactive measures in finding replacement tenants during the economic downturn proved to be successful. As economic conditions have begun to stabilise, demand for luxury residential properties in Mid-Levels, Hong Kong has recovered, and we expect the outlook for the luxury residential market will remain positive.

(iii) Playmates Factory Building

Rental income generated by Playmates Factory Building remained steady at about HK\$4.7 million as compared to the same period last year. The property was fully occupied as at 30 June 2010.

(b) Property Management

During the first half of 2010, 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 which include 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 for the first half of 2010 was about HK\$6.3 million, an increased of 15.0% over the same period last year (same period in 2009: HK\$5.5 million).

(c) Food & Beverage Business

Income generated from the food and beverage business for the first half of 2010 increased significantly by 45.0% to about HK\$12.6 million (same period in 2009: about HK\$8.7 million). This increase was attributable to a number of factors, including (i) the positive developments in the Canton Road area discussed above; (ii) improved local consumer sentiment as the economy in the region continued to stabilise; (iii) the opening of an authentic Spanish restaurant as previously reported, which broadened the customer base; and (iv) further improvements in menu, quality and reputation of the up-market Japanese restaurants.

Barring any significant increase in economic uncertainty, management expects steady growth for the property investments and associated businesses in the medium to long term as consumer sentiments and the retail market continue to improve. We will continue to pursue 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 2010 were HK\$73.5 million (same period in 2009: HK\$335.6 million). U.S. sales decreased by 81.7% and international sales were down 71.5% over the same period last year. Sales comparison versus prior year was impacted by the strong initial retail support in the first half of 2009 for *Star Trek*^{TM & ©} and *Terminator*^{TM & ©} products due to the release of the two major movies.

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

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

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

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

Portfolio Investments

The Group engages in portfolio investments which involve investing in listed equity shares 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 2010, fair market value of the Group's investment portfolio was HK\$198.7 million (HK\$250.6 million as at 31 December 2009). The Group reported a net loss from investments of approximately HK\$24.7 million. In comparison, a net gain from investments of approximately HK\$18.8 million was recorded for the same period in 2009. In the first half of 2010, dividend and interest income generated from portfolio investments were HK\$3.9 million (HK\$3.1 million in the first half of 2009) and has been included in the revenue of the Group.

Going forward, contributions from investments will remain volatile amid continued uncertainties in the global capital markets. 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 2010

	Note	Unaudited Six months ended 30 June		
		2010 US\$'000 (Note 9)	2010 HK\$'000	2009 HK\$'000
Revenue	2	16,888	130,879	386,109
Cost of sales		(6,873)	(53,260)	(172,737)
Gross profit		10,015	77,619	213,372
Marketing expenses		(2,334)	(18,090)	(81,971)
Selling and distribution expenses		(435)	(3,369)	(29,877)
Administration expenses		(8,399)	(65,093)	(59,223)
Net (loss)/gain on financial assets at fair value through profit or loss		(3,186)	(24,696)	18,781
Revaluation surplus on investment properties		14,915	115,589	92,237
Operating profit		10,576	81,960	153,319
Other income		11	89	94
Finance costs		(440)	(3,410)	(4,537)
Share of loss of an associated company		(496)	(3,847)	(1,927)
Share of loss of a jointly controlled entity		-	-	(3,359)
Profit before income tax	3	9,651	74,792	143,590
Income tax expense	4	(3,139)	(24,327)	(22,482)
Profit for the period		6,512	50,465	121,108
Profit for the period attributable to:				
Equity holders of the Company		9,150	70,912	120,647
Minority interests		(2,638)	(20,447)	461
		6,512	50,465	121,108
		US\$	HK\$	HK\$
Earnings per share	6			
Basic		0.04	0.30	0.55
Diluted		0.04	0.28	0.54

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

	Unaudited		
	Six months ended 30 June		
	2010	2010	2009
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 9)</i>		
Profit for the period	6,512	50,465	121,108
Other comprehensive income:			
Exchange difference arising on translation of the financial statements of foreign subsidiaries	-	-	(533)
Total comprehensive income for the period	6,512	50,465	120,575
Total comprehensive income attributable to:			
Equity holders of the Company	9,150	70,912	120,355
Minority interests	(2,638)	(20,447)	220
	6,512	50,465	120,575

Condensed Consolidated Balance Sheet

As at 30 June 2010

		Unaudited 30 June 2010 US\$'000 (Note 9)	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000 (Restated)
Non-current assets				
Fixed assets				
- Investment properties		245,049	1,899,125	1,808,250
- Other property, plant and equipment		21,974	170,298	140,379
		267,023	2,069,423	1,948,629
Goodwill		771	5,976	5,976
Interest in an associated company		2,823	21,882	25,729
Deferred tax assets		87	678	678
		270,704	2,097,959	1,981,012
Current assets				
Inventories		771	5,974	10,835
Trade receivables	7	2,315	17,944	77,964
Other receivables, deposits and prepayments		3,868	29,974	29,243
Taxation recoverable		272	2,107	6,320
Financial assets at fair value through profit or loss		25,634	198,665	250,621
Interest in a jointly controlled entity		-	-	3,162
Cash and bank balances		45,936	356,004	306,764
		78,796	610,668	684,909
Current liabilities				
Bank loans		45,806	355,000	335,000
Trade payables	8	1,224	9,485	22,434
Other payables and accrued charges		6,959	53,932	87,991
Provisions		1,575	12,206	24,904
Taxation payables		733	5,682	2,637
		56,297	436,305	472,966
Net current assets		22,499	174,363	211,943
Total assets less current liabilities		293,203	2,272,322	2,192,955

	Unaudited 30 June 2010 <i>US\$'000</i> <i>(Note 9)</i>	Unaudited 30 June 2010 <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i> <i>(Restated)</i>
Non-current liabilities			
Bank loans	6,774	52,500	60,000
Deferred tax liabilities	24,293	188,266	167,909
	31,067	240,766	227,909
Net assets	262,136	2,031,556	1,965,046
Equity			
Share capital	3,207	24,857	22,462
Reserves	249,032	1,929,996	1,844,155
Declared dividends	1,614	12,513	95,262
Equity attributable to the equity holders of the Company	253,853	1,967,366	1,961,879
Minority interests	8,283	64,190	3,167
Total equity	262,136	2,031,556	1,965,046

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 2009 annual financial statements.

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

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

Other than as noted below, the adoption of the above HKFRSs had no impact on how the results and financial position for the current and prior period have been prepared and presented.

Improvements to HKFRSs 2009

The improvements to HKFRSs 2009 consist of amendments to various existing standards, including an improvement to HKAS 17 Leases. The amendment to HKAS 17 relates to the classification of leasehold land. Before the amendment, the Group classifies leasehold land as operating lease and presented as prepaid premium on leasehold land in the consolidated balance sheet. On the adoption of the amendment, the Group assessed its leases and has reclassified the leasehold land from operating lease to finance lease. The effect of the adoption of the amendment on the consolidated balance sheet at 1 January 2010 is to increase other property, plant and equipment by HK\$89,114,000 with a corresponding reduction in prepaid premium on leasehold land. The accumulated depreciation for other property, plant and equipment has increased by HK\$5,363,000 with a corresponding reduction in accumulated amortisation for prepaid premium on leasehold land. The consolidated balance sheet at 31 December 2009 has been restated to reflect the reclassifications.

2. Segment information

2.1 Segment results, assets and liabilities

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 charges 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 2010 are as follows:

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

The segment results for the six months ended 30 June 2009 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross segment revenue	52,396	3,133	335,638	391,167
<u>Inter-segment revenue</u>	<u>(5,058)</u>	<u>-</u>	<u>-</u>	<u>(5,058)</u>
Revenue from external customers	47,338	3,133	335,638	386,109
Segment profit before depreciation	123,355	21,914	14,491	159,760
<u>Depreciation</u>	<u>(1,509)</u>	<u>-</u>	<u>(1,691)</u>	<u>(3,200)</u>
<u>Segment operating profit</u>	<u>121,846</u>	<u>21,914</u>	<u>12,800</u>	<u>156,560</u>
Other income	5	-	89	94
Finance costs	(1,293)	(43)	(3,175)	(4,511)
Share of loss of an associated company	-	-	(1,927)	(1,927)
Share of loss of a jointly controlled entity	-	-	(3,359)	(3,359)
	<u>(1,288)</u>	<u>(43)</u>	<u>(8,372)</u>	<u>(9,703)</u>
Segment profit before <u>income tax</u>	<u>120,558</u>	<u>21,871</u>	<u>4,428</u>	<u>146,857</u>
Unallocated corporate expenses				<u>(3,267)</u>
Profit before income tax				<u>143,590</u>

The segment assets and liabilities as at 30 June 2010 are as follows:

	Property investments and associated businesses	Investment business	Toy business	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	2,082,332	443,216	150,826	2,676,374
<u>Interest in an associated company</u>	-	-	21,882	<u>21,882</u>
Total reportable segment assets	2,082,332	443,216	172,708	2,698,256
Inter-segment elimination	-	-	(489)	(489)
Deferred tax assets				678
Taxation recoverable				2,107
Unallocated assets				<u>8,075</u>
Total assets				<u>2,708,627</u>
Reportable segment liabilities	434,863	-	47,858	482,721
Inter-segment elimination	(489)	-	-	(489)
Deferred tax liabilities				188,266
Taxation payable				5,682
Unallocated liabilities				<u>891</u>
Total liabilities				<u>677,071</u>

The segment assets and liabilities as at 31 December 2009 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,961,415	430,491	229,695	2,621,601
Interest in an associated company	-	-	25,729	25,729
Interest in a jointly controlled entity	-	-	3,162	3,162
<u>Total reportable segment assets</u>	<u>1,961,415</u>	<u>430,491</u>	<u>258,586</u>	<u>2,650,492</u>
Inter-segment elimination	-	-	(489)	(489)
Deferred tax assets				678
Taxation recoverable				6,320
Unallocated assets				<u>8,920</u>
Total assets				<u>2,665,921</u>
<u>Reportable segment liabilities</u>	<u>424,095</u>	-	<u>103,773</u>	527,868
Inter-segment elimination	(489)	-	-	(489)
Deferred tax liabilities				167,909
Taxation payable				2,637
Unallocated liabilities				<u>2,950</u>
Total liabilities				<u>700,875</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 customers 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 located in case of goodwill, and the location of operation in case of interest in an associated company.

	Revenue from external customers		Specified non-current assets	
	Six months ended 2010 HK\$'000	30 June 2009 HK\$'000	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Hong Kong (place of domicile)	55,747	48,852	2,094,540	1,977,535
Americas				
- U.S.A.	41,301	219,317	2,741	2,799
- Others	6,433	21,226	-	-
Europe	24,776	75,729	-	-
Asia Pacific other than Hong Kong	1,862	19,379	-	-
Others	760	1,606	-	-
	75,132	337,257	2,741	2,799
	130,879	386,109	2,097,281	1,980,334

2.3 Major customer

The Group's customer base is diversified and includes one (2009: three) 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 (2009: HK\$176 million).

3. Profit before income tax

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	40,215	148,488
Product development costs	881	4,994
Royalties paid	8,940	46,994
Provision for customer concession	1,808	4,946
Employee benefit expenses	43,050	44,488
Depreciation of other property, plant and equipment	4,758	3,563
Loss on disposal of other property, plant and equipment	54	43

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Overseas taxation is provided on the profits/losses of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate.

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	4,092	3,610
Overseas taxation	-	478
Over provision in prior years	(122)	(166)
	3,970	3,922
Deferred taxation		
Origination and reversal of temporary differences	20,357	18,560
Income tax expense	24,327	22,482

5. Dividends

5.1 At a meeting held on 26 March 2010, the directors declared:

- (i) a second interim dividend of HK\$0.05 per share, which was paid on 28 April 2010.
- (ii) a special interim dividend in specie of the shares of Playmates Toys Limited (“PTL Shares”), in the proportion of one PTL Share for every two shares of the Company held by the shareholders of the Company. Playmates Toys Limited is a subsidiary of the Company and the holding company of the Group’s toy business. On 28 April 2010, 124,265,799 PTL Shares were distributed on the basis of 248,531,599 share of the Company in issue as at 27 April 2010, and based on the closing price per PTL Share as traded on the Stock Exchange on 27 April 2010 of HK\$0.62, the total amount of the distribution is HK\$77,045,000, which represents a distribution of approximately HK\$0.31 per share. A gain on disposal of partial interest of a subsidiary of approximately HK\$48,392,000 is recognised directly in equity. The gain represents the difference between the fair value and the carrying amount of the PTL Shares distributed on the settlement date.

The second and special interim dividends have been reflected as an appropriation of retained profits for the six months ended 30 June 2010.

5.2 At a meeting held on 27 August 2010, the directors declared an interim dividend of HK\$0.05 (2009: HK\$0.05) per share to be paid on 28 September 2010 to shareholders on the Company’s Register of Members on 21 September 2010. This declared dividend is not reflected as a dividend payable in these condensed consolidated accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2010.

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\$70,912,000 (2009: HK\$120,647,000) and the weighted average number of ordinary shares of 235,592,000 (2009: 219,080,000) shares 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\$70,912,000 (2009: HK\$120,647,000) and the weighted average number of ordinary shares of 251,516,000 (2009: 223,539,000) shares in issue during the period, adjusted for the effects of 15,924,000 (2009: 4,459,000) dilutive potential shares.

7. Trade receivables

	30 June 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	21,075	84,763
Less: Allowance for customer concession	(3,131)	(6,799)
	17,944	77,964

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

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term of 60 days on average. For property investment and management business, and restaurant operations, no credit term is granted to tenants and customers. The following is an aging analysis of trade receivables at the balance sheet date:

	30 June 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	16,877	75,937
31 – 60 days	503	632
Over 60 days	564	1,395
	17,944	77,964

8. Trade payables

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

	30 June 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	8,425	18,334
31 – 60 days	39	2,083
Over 60 days	1,021	2,017
	9,485	22,434

9. US dollar equivalents

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

FINANCIAL ANALYSIS

The property investments and associated businesses generated a relatively steady income stream throughout the period. Approximately 97% of the total gross floor area of the Group's investment properties were leased out as at 30 June 2010. Accounts receivables were minimal as at the period end.

The investment portfolio includes listed equity and managed funds. As at 30 June 2010, the Group's investment portfolio amounts to HK\$198,665,000 (31 December 2009: HK\$250,621,000) of which approximately 95% (31 December 2009: 95%) 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 2010, trade receivables related to toy business were HK\$16,035,000 (31 December 2009: HK\$76,562,000) and inventories were HK\$5,363,000 (31 December 2009: HK\$10,181,000).

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2010 was 15.1% compared to 14.8% at 31 December 2009. The current ratio, calculated as the ratio of current assets to current liabilities, was 1.4 at 30 June 2010 compared to 1.4 at 31 December 2009.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 30 June 2010, the Group's cash and bank balances were HK\$356,004,000 (31 December 2009: HK\$306,764,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2010, except for the deviation from provision A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

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

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 20 September 2010 to 21 September 2010, 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 17 September 2010.

In the case of holders of warrants of the Company, in order to be qualified for the declared dividend, all subscription forms accompanied by the relevant warrant certificates and the exercise money 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 17 September 2010.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 27 August 2010

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. Ip Shu Wing, Charles (*Non-executive Director*), Mr. Lee Peng Fei, Allen (*Independent Non-executive Director*), Mr. Lo Kai Yiu, Anthony (*Independent Non-executive Director*), Mr. To Shu Sing, Sidney (*Executive Director*), Mr. Tsim Tak Lung (*Deputy Chairman and Non-executive Director*) and Mr. Yu Hon To, David (*Independent Non-executive Director*)