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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 2011

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Highlights

<b>For the six months ended 30 June</b>	<b>2011 HK\$'000</b>	2010 HK\$'000 (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\$ (Restated)</b>
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		
		Six months ended 30 June		
		2011	2011	2010
		US\$'000	HK\$'000	HK\$'000
		(Note 9)		(Restated)
<b>Revenue</b>	2	<b>9,748</b>	<b>75,552</b>	130,879
Cost of sales		(2,845)	(22,050)	(53,260)
<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 at fair value through profit or loss		(1,068)	(8,276)	(24,696)
Revaluation surplus on investment properties		46,866	363,208	115,589
<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 an associated company		(436)	(3,382)	(3,847)
<b>Profit before income tax</b>	3	<b>44,175</b>	<b>342,353</b>	74,792
<b>Income tax expense</b>	4	<b>(460)</b>	<b>(3,562)</b>	(4,886)
<b>Profit for the period</b>		<b>43,715</b>	<b>338,791</b>	69,906
<b>Profit for the period attributable to:</b>				
Equity holders of the Company		47,104	365,053	90,353
Non-controlling interests		(3,389)	(26,262)	(20,447)
		43,715	338,791	69,906
		US\$	HK\$	HK\$
				(Restated)
<b>Earnings per share</b>	6			
Basic		0.18	1.43	0.38
Diluted		0.18	1.43	0.36

**Condensed Consolidated Statement of Comprehensive Income***For the six months ended 30 June 2011*

	<b>Unaudited</b>		
	<b>Six months ended 30 June</b>		
	<b>2011</b>	<b>2011</b>	2010
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 9)</i>		<i>(Restated)</i>
<b>Profit for the period</b>	<b>43,715</b>	<b>338,791</b>	69,906
<b>Other comprehensive income:</b>			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(124)	(961)	-
<b>Total comprehensive income for the period</b>	<b>43,591</b>	<b>337,830</b>	69,906
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	46,980	364,092	90,353
Non-controlling interests	(3,389)	(26,262)	(20,447)
	<b>43,591</b>	<b>337,830</b>	69,906

## Condensed Consolidated Balance Sheet

As at 30 June 2011

		Unaudited 30 June 2011 US\$'000 (Note 9)	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000 (Restated)
<b>Non-current assets</b>				
Fixed assets				
- Investment properties		322,862	2,502,184	2,117,856
- Other property, plant and equipment		18,816	145,823	150,749
		341,678	2,648,007	2,268,605
Goodwill		771	5,976	5,976
Interest in an associated company		2,200	17,047	20,429
Deferred tax assets		55	428	428
		344,704	2,671,458	2,295,438
<b>Current assets</b>				
Inventories		684	5,301	6,046
Trade receivables	7	389	3,017	11,846
Other receivables, deposits and prepayments		912	7,066	12,133
Taxation recoverable		12	97	1,213
Financial assets at fair value through profit or loss		29,203	226,320	198,459
Cash and bank balances		54,957	425,918	430,878
		86,157	667,719	660,575
<b>Current liabilities</b>				
Bank loans		30,396	235,571	355,000
Trade payables	8	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
		40,892	316,917	428,529
<b>Net current assets</b>		45,265	350,802	232,046
<b>Total assets less current liabilities</b>		389,969	3,022,260	2,527,484

	<b>Unaudited 30 June 2011 US\$'000 (Note 9)</b>	<b>Unaudited 30 June 2011 HK\$'000</b>	Audited 31 December 2010 HK\$'000 (Restated)
<b>Non-current liabilities</b>			
Bank loans	31,844	246,786	45,000
Deferred tax liabilities	3,364	26,074	25,922
	<b>35,208</b>	<b>272,860</b>	70,922
<b>Net assets</b>	<b>354,761</b>	<b>2,749,400</b>	2,456,562
<b>Equity</b>			
Share capital	3,208	24,860	25,800
Reserves	341,567	2,647,140	2,319,549
Declared dividends	1,595	12,365	20,640
<b>Equity attributable to the equity holders of the Company</b>	<b>346,370</b>	<b>2,684,365</b>	2,365,989
<b>Non-controlling interests</b>	<b>8,391</b>	<b>65,035</b>	90,573
<b>Total equity</b>	<b>354,761</b>	<b>2,749,400</b>	2,456,562

## 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 and 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 and 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 an 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>	2010
	<b>HK\$'000</b>	HK\$'000
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
<u>Increase in diluted earnings per share</u>	<u><b>HK\$0.24</b></u>	<u>HK\$0.08</u>

Effect on the consolidated balance sheet

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

## 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 investments and associated businesses</b>	<b>Investment business</b>	<b>Toy 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>(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>(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	-	-	(3,382)	(3,382)
	<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>	<u>342,894</u>
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 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	57,757	3,863	73,464	135,084
<u>Inter-segment revenue</u>	<u>(4,205)</u>	<u>-</u>	<u>-</u>	<u>(4,205)</u>
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
<u>Depreciation</u>	<u>(3,321)</u>	<u>-</u>	<u>(1,070)</u>	<u>(4,391)</u>
<u>Segment operating profit/(loss)</u>	<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 associated company	-	-	(3,847)	(3,847)
	<u>(2,525)</u>	<u>(117)</u>	<u>(4,509)</u>	<u>(7,151)</u>
Segment profit/(loss) before <u>income tax</u>	<u>140,545</u>	<u>(20,950)</u>	<u>(40,947)</u>	<u>78,648</u>
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 investments and associated businesses</b>	<b>Investment business</b>	<b>Toy business</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	2,666,857	405,869	242,317	3,315,043
<u>Interest in an associated company</u>	-	-	17,047	17,047
<u>Total reportable segment assets</u>	<u>2,666,857</u>	<u>405,869</u>	<u>259,364</u>	<u>3,332,090</u>
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>
<u>Reportable segment liabilities</u>	<u>511,963</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 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	2,281,239	448,707	200,753	2,930,699
<u>Interest in an associated company</u>	-	-	20,429	20,429
<u>Total reportable segment assets</u>	<u>2,281,239</u>	<u>448,707</u>	<u>221,182</u>	<u>2,951,128</u>
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>
<u>Reportable segment liabilities</u>	<u>428,784</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 external customers		Specified non-current assets	
	Six months ended 30 June 2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	30 June 2011 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>
Hong Kong (place of domicile)	<b>57,109</b>	55,747	<b>2,460,559</b>	2,095,959
Americas				
- U.S.A.	<b>10,618</b>	41,301	<b>1,148</b>	1,595
- Others	<b>56</b>	6,433	-	-
Europe	<b>6,114</b>	24,776	<b>209,323</b>	197,456
Asia Pacific other than Hong Kong	<b>752</b>	1,862	-	-
Others	<b>903</b>	760	-	-
	<b>18,443</b>	75,132	<b>210,471</b>	199,051
	<b>75,552</b>	130,879	<b>2,671,030</b>	2,295,010

## 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, plant and equipment	5,222	4,758
Loss on disposal of other property, 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 profit 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
Current taxation		
Hong Kong profits tax	3,400	4,092
Under/(over) provision in prior years – Hong Kong	10	(122)
	<u>3,410</u>	<u>3,970</u>
Deferred taxation		
Origination and reversal 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. Trade receivables

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

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

#### **8. Trade payables**

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

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

#### **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 2011.

## **FINANCIAL ANALYSIS**

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).

## **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 of Hong Kong Limited ("Stock Exchange").

## **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 Rules Governing the Listing of Securities on the Stock Exchange 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.

#### **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

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 (*Independent 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*)