

**PLAYMATES TOYS HOLDINGS LTD :
ANYBODY INTERESTED IN MAKING
A QUICK 40-PERCENT ON THEIR MONEY ?**

In these days of wondrous electronic inventions, with investors, forsaking '*bread-and-butter*' companies in favour of hi-tech companies and Internet-related entities, one tends to forget that selling food will always be a winner, people will always wear shoes ... and children will always want to play with toys and dolls.

The toy industry of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is a multi-billion dollar industry as the recently released 1999 Annual Report of Playmates Toys Holdings Ltd makes only too clear.

Playmates appears to be a turnabout situation, having recorded an Operating Profit of about \$HK18.47 million for the Financial Year, ended December 31, 1999.

The Operating Profit was obtained on a Turnover of about \$HK1.08 billion, indicating a Gross Profit Margin of about 1.71 percent.

Which is, one might suggest, not much cop, no matter how one cuts it.

However, indications, obtained from reading the 1999 Annual Report, are that this publicly listed company is expecting bigger and better things in the near future.

For the previous 2 Financial Years, this Company had lost a considerable amount of money, as the following 5-Year summary makes only too plain:

	All Figures are Denominated in \$HK'000				
	1995	1996	1997	1998	1999
	Financial Year ended December 31				
Turnover	1,118,946	1,218,505	1,525,501	883,995	1,081,836
Profit/(Loss) from Ordinary Activities	4,082	65,330	(129,499)	(38,585)	18,468
Share of Profits/(Loss) of Associated Companies	(102,039)	10,695	11,378	8,056	21,134
Profit/(Loss) Before Taxation	(95,957)	76,025	(118,121)	(30,529)	39,602
Taxation (Charge)/Credit	(23)	(22,385)	4,291	12,756	(33,610)
Profit/(Loss) Before Minority Interests	(97,980)	53,640	(113,830)	(17,773)	5,992
Minority Interests	383	Nil	Nil	Nil	2
Profit/(Loss) Attributable to Shareholders	(97,597)	53,640	(113,830)	(17,773)	5,994

It is very clear from the above table that this toy-maker has not been the biggest success story in the history of The Stock Exchange of Hongkong Ltd.

But there are very positive indications that the worst is over, at least, for the time being.

The Company has proposed to pay a Final Dividend of 6 cents per share (1998: 3 cents per share) and a Special Dividend of 25 cents per share (1998: nil), obviously payable just after the conclusion of the Annual General Meeting, scheduled for May 12, next Friday.

Since the Net Profit Attributable to Shareholders for the 1999 Year was just short of \$HK6 million, the Dividend Payout Ratio becomes 34.37 times the Net Profit.

Unless the Directors of Playmates are complete fools, or are being totally irresponsible, neither or which suggestion TARGET is willing to accept as being the case, the payment of such a relatively large dividend must indicate that Management is expecting bigger and better things for the Current Year, ending December 31, 2000.

The Company has Total Reserves of about \$HK334.62 million, of which about \$HK170.54 million is termed as being Distributable Reserves, so that the payment of the Total Dividends will deplete these Reserves by about 62 percent.

Also, the Total Dividends, amounting to 31 cents per share, represent about 40 percent of the current market price, trading at 78 cents.

The Financials

In spite of this Company's problems, over the past few Years, it still commands a very strong financial position.

As at the 1999 Balance Sheet Date, cash and bank balances totalled about \$HK336.25 million, an increase of about \$HK86.55 million, compared with the 1998 Balance Sheet Date.

The Current Ratio (Current Assets minus Current Liabilities) stood at 1.09 times, but, included in the Current Assets were Trade Receivables, amounting to about \$HK493.52 million.

The Total Debt of Playmates was, as at December 31, 1999, about \$HK296 million, according to Note 21 at Page 45 of the 1999 Annual Report.

There appears to be little to no Long-term Debt, and the '*Notes payable to banks, repayable on demand*' appear to be used in the day-to-day operations of toy-making ventures.

As far as Directors' Emoluments are concerned, they are more than reasonable, it seems to TARGET, costing the Company just about \$HK5 million per year, a 23.55-percent ... [CLICK TO ORDER FULL ARTICLE](#)

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