PLAYMATES HOLDINGS LIMITED
彩星集團有限公司 *

(Incorporated in Bermuda with limited liability)

INTERIM ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2003

RESULTS

The Directors of Playmates Holdings Limited ("the Company") are pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2003 ("the period") as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

		Unaudited Six months ended 30 June		
				(As restated)
		2003	**2003**	2002
	Note	***US$'000***	***HK$'000***	*HK$'000*
		(Note 6)		
Turnover	*1*	**35,560**	**277,366**	122,289
Cost of sales		**(16,576)**	**(129,289)**	(69,521)
Gross profit		**18,984**	**148,077**	52,768
Operating expenses				
Marketing		**(7,480)**	**(58,343)**	(29,317)
Selling, distribution and administration		**(9,835)**	**(76,714)**	(70,539)
Operating profit/(loss)		**1,669**	**13,020**	(47,088)
Non-operating income/(expenses)				
Interest expense and bank charges		**(947)**	**(7,392)**	(6,450)
Other revenues		**209**	**1,631**	2,261
Net gain on investment in securities		**1,205**	**9,402**	15,414
		2,136	**16,661**	(35,863)
Share of profits less losses of associated companies		**(522)**	**(4,069)**	(5,861)
Profit/(Loss) before taxation	*2*	**1,614**	**12,592**	(41,724)
Taxation	*3*	**(343)**	**(2,681)**	(816)
Profit/(Loss) attributable to shareholders		**1,271**	**9,911**	(42,540)
Dividends	*4*	**1,593**	**12,425**	–
		US cents	**HK cents**	HK cents
Earnings/(Loss) per share	*5*			
Basic		**0.10**	**0.81**	(3.97)
Diluted		**0.10**	**0.76**	N/A

Notes to the condensed interim accounts

1 Segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, and property investment and management.

Business segments

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Six months ended 30 June 2003			
	Toys *HK$'000*	**Property investment and management** *HK$'000*	**Eliminations** *HK$'000*	**Group** *HK$'000*
Revenue				
Turnover	**260,473**	**16,893**	**–**	**277,366**
Inter-segment revenue *(Note iii)*	**–**	**506**	**(506)**	**–**
	260,473	**17,399**	**(506)**	**277,366**
Results				
Segment results	**4,523**	**12,803**	**–**	**17,326**
Inter-segment transactions	**(506)**	**506**	**–**	**–**
	4,017	**13,309**	**–**	**17,326**
Unallocated costs				**(4,306)**
Operating profit				**13,020**

	Six months ended 30 June 2002 (As restated)			
	Toys *HK$'000*	Property investment and management *HK$'000*	Eliminations *HK$'000*	(As restated) Group *HK$'000*
Revenue				
Turnover	108,970	13,319	–	122,289
Inter-segment revenue *(Note iii)*	–	775	(775)	–
	108,970	14,094	(775)	122,289
Results				
Segment results	(50,125)	5,600	–	(44,525)
Inter-segment transactions	(775)	775	–	–
	(50,900)	6,375	–	(44,525)
Unallocated costs				(2,563)
Operating loss				(47,088)

Notes:

(i) **Toys** business refers to the design, development, marketing and distribution of toys and family entertainment activity products.

(ii) **Property investment and management** business refers to the leasing of office, industrial and residential premises to generate rental income, and the provision of property management services.

(iii) Inter-segment revenue eliminated on consolidation represents inter-company rental charges on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

(iv) The Group's associated companies are engaged mainly in toys business. The Group's share of net loss after taxation of associated companies for the period amounted to HK$4,069,000 (2002: HK$5,861,000), which has not been included in the segment results shown above.

Geographical segments

An analysis of the Group's turnover and segment results for the period by geographical segments is as follows:

	Turnover Six months ended 30 June		**Segment results Six months ended 30 June**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**225,711**	100,959	**917**	(45,878)
Europe	**24,139**	6,061	**2,473**	(2,207)
Asia Pacific	**26,549**	15,269	**13,847**	3,560
Others	**967**	–	**89**	–
	277,366	122,289	**17,326**	(44,525)

2 Profit/(Loss) before taxation

Profit/Loss before taxation is stated after charging and crediting the following:

	Six months ended 30 June	
		(As restated)
	2003	2002
	HK$'000	*HK$'000*
Charging:		
Cost of inventories sold	**100,505**	37,974
Staff costs	**30,409**	37,637
Amortisation of goodwill	**485**	404
Depreciation of fixed assets	**13,747**	13,583
Crediting:		
Interest income from bank deposits	**1,075**	1,232
Dividend income from listed investments	**556**	1,029
Gain on disposal of fixed assets	**–**	70

3 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in profits tax from 16% to 17.5% for the fiscal year 2003/2004. 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.

The taxation (charge)/credit in the condensed consolidated profit and loss account comprises:

	Six months ended 30 June	
		(As restated)
	2003	2002
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**(371)**	(176)
Over-provision in prior years	**108**	18
	(263)	(158)
Deferred taxation	**(2,418)**	(658)
	(2,681)	(816)

4 Dividends

At a meeting held on 7 August 2003 the directors declared an interim dividend of HK cent 1 (2002: nil) per share for the year ending 31 December 2003 to be paid on 10 September 2003 to shareholders on the Company's Register of Members on 3 September 2003. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2003.

5 Earnings/(Loss) per share

The calculations of basic and diluted earnings/(loss) per share are based on the following data:

	Six months ended 30 June	
		(As restated)
	2003	2002
	HK$'000	*HK$'000*
Profit/(loss) attributable to shareholders for the purpose of calculating basic and diluted earnings/(loss) per share	**9,911**	(42,540)
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**1,217,863,000**	1,070,380,000
Number of potential ordinary shares issuable under share options and warrants	**90,136,000**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**1,307,999,000**	N/A

6 US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK$7.8 to US$1 ruling at 30 June 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

For the six months ended 30 June 2003, the Group recorded a turnover of HK$277,366,000 compared to HK$122,289,000 a year ago. Turnover from toy sales was HK$260,473,000 compared to HK$108,970,000 a year ago. Turnover from property investment and management (before inter-segment revenue elimination) was HK$17,399,000 compared to HK$14,094,000 a year ago. Gross profit improved by 181%. Operating profit for the period was HK$13,020,000, a significant change from the loss of HK$47,088,000 reported for the same period in 2002. Net profit attributable to shareholders was HK$9,911,000 compared to a net loss of HK$42,540,000 a year ago. Earnings per share was HK cent 0.81 compared to a loss of HK cents 3.97 per share in the same period last year.

Incomes from property rental and management (before inter-segment revenue elimination) grew by 23% in the first six months of 2003 to HK$17,399,000. The increase reflected incremental rental and management fee incomes from the building acquired in July 2002. Rental yield of investment properties during the period was 5.7%, compared to 5.2% during the same period last year. Management maintains a cautious outlook on property investments for the whole year given the continued downward pressure on rental rates in the commercial property market in Hong Kong.

The first half results of Playmates Toys were ahead of management expectations and trending to the 2003 full year plan. The interim results validated the focused brand management strategy of making investments in categories with long term growth potential and in which Playmates has competitive advantage. This strategy, coupled with broadening US retail distribution into non-traditional toy channels and simultaneous product introductions in the US and major international markets, have laid the foundation for continued growth in sales and profits.

Playmates Toys, led by the new management team, continues to streamline its operations, resulting in lower overhead and reduced break-even volume. Management focus on improvements in gross margins continues to be a priority.

In 2003 Playmates Toys launched a completely new, updated version of the classic ***Teenage Mutant Ninja Turtles ("Turtles")*** toy line to a whole new generation of children. A multi-year toy product roll-out plan has been developed, supported by the new ***Turtles*** TV series, with 52 episodes committed to broadcast through Fall 2004 on FoxBox, the popular Saturday morning children programming on the US national Fox network. The series is currently the top rated show on FoxBox. First half 2003 retail sales are strong and have placed ***Turtles*** among the top boys action figure brands. With full retail distribution and comprehensive marketing and promotional programs in place for the Fall 2003 selling season and beyond, the stage is set to reaffirm ***Turtles*** as an evergreen brand.

In Spring 2003 Playmates introduced ***Speedeez***, a line of micro vehicles and accessories incorporating a patented Turbo Ball propulsion system. The line was successfully launched with US national TV advertising campaign. Major promotions and more TV advertising are planned for Fall 2003 in an effort to establish ***Speedeez*** as a perennial brand.

Following a record-breaking run in 2002, sales of ***Simpsons*** collectable merchandise declined in the first half of 2003 versus a year ago. Sales for the full year are expected to be below last year. Playmates is developing a new interactive toy line under the umbrella of "Bart's World". This line, targeted for Fall 2004 introduction, will feature innovative new products that will appeal to the significant children audience following the popular weekly show.

Sales of products under the ***Disney*** brand grew substantially over 2002 and are tracking to the full year plan. Sales of the "Before Once Upon a Time" assortment of ***Disney*** Princess Toddler dolls have exceeded all expectations and are tracking as one of the best selling items in the large doll category. This Fall, Playmates will launch "Dancing Cinderella", its latest entry in the special feature doll category, with US national television advertising support. The brand will be further expanded in Fall 2003 through the addition of the "Perfectly Princess" line of soft bodied dolls and accessories. Playmates' ***Disney*** Princess offering will continue to expand in the coming year with new, innovative product segments, including a Princess inspired assortment of baby dolls and accessories.

Sales of ***Waterbabies***, a 14 years' proprietary brand increased significantly over 2002. The licensed character segment of the ***Waterbabies'*** brand continues to expand with the introduction of new popular characters, such as American Greetings' Care Bears and Scholastic Publishing's Clifford The Big Red Dog. New Waterbabies will be added to this segment in 2004 inspired by popular classic characters.

In June, Playmates Toys acquired worldwide fashion dolls rights for Hilary Duff - currently the hottest teen TV, movie, music and fashion celebrity in the USA. Playmates' first Hilary Duff doll assortment will be launched in September 2003.

Strategic alliances with experienced and financially strong international distributors resulted in multiple increase in sales during the period in non-US markets. This validates the strategy of broadening worldwide distribution through simultaneous product introductions in the US and leading international markets. Shipments of ***Turtles*** were made to support the launch campaigns of leading independent distributors in the U.K., Australia, Canada, France, Spain and Italy.

International sales of ***Disney*** products increased substantially during the first six months over the same period last year and ***Speedeez*** products continue to ship to support Fall promotional campaigns in over 15 major markets including the U.K., Canada and Germany.

Management continues to pursue new product concepts, licensed entertainment properties and innovative technologies to build on this solid foundation and continue to profitably grow the company through the extension of existing brands and development of new brands with sustainable, multi-year revenue potential.

Liquidity and financial resources

The Group's toy business is inherently seasonal in nature. Generally speaking, sales in the second half-year are significantly higher than 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 seasons. As at 30 June 2003, trade receivables related to toy operation were HK$123,412,000 (31 December 2002: HK$120,656,000) and inventories were HK$44,496,000 (31 December 2002: HK$22,042,000).

The Group's property investment and management business generates a relatively steady income stream throughout the period. Approximately 90% of the total gross floor area of the Group's investment properties were leased out as at 30 June 2003. Account receivables were minimal as at the period end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2003 was 33.8% compared to 33.0% at 31 December 2002. The current ratio, calculated as the ratio of current assets to current liabilities, was 1.3 at 30 June 2003 compared to 1.3 at 31 December 2002. As at 30 June 2003, the Group's cash and bank balances were HK$232,180,000 compared to HK$206,456,000 at 31 December 2002.

Charges on group assets

As at 30 June 2003, the Group had banking facilities amounting to approximately HK$519 million (31 December 2002: HK$526 million), of which HK$396 million (31 December 2002: HK$378 million) were utilised.

The banking facilities of certain subsidiaries are secured by bank balances of HK$87 million (31 December 2002: HK$101 million), other investments of HK$63 million (31 December 2002: HK$56 million) and investment properties with aggregate net book value of HK$591 million (31 December 2002: HK$591 million) of the Group at 30 June 2003.

Contingent liabilities

There was no material change in contingent liabilities compared to those disclosed in the most recently published annual report.

Employees

As at 30 June 2003, the Group had a total of 106 employees in Hong Kong, the Mainland China and the United States of America.

There was no material change in remuneration policies compared to those disclosed in the most recently published annual report.

AUDIT COMMITTEE

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 interim accounts for the six months ended 30 June 2003.

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF WARRANTHOLDERS

The Register of Members and Register of Warrantholders of the Company will be closed from 2 September 2003 to 3 September 2003, both days inclusive, during which period no transfer or exercise of shares, warrants or share options (as the case may be) of the Company will be effected. In order to be qualified for the declared dividend, all completed transfers accompanied by the relevant share certificates and all documents required in respect of the exercise of warrants and share options issued by the Company accompanied by full payment of the relevant exercise price must be lodged with the Company's Branch Registrars, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on 1 September 2003.

The Directors of the Company would like to clarify that the interim dividend for the period ended 30 June 2003 announced in the AMS 3 trading terminal of The Stock Exchange of Hong Kong Limited earlier on 7 August 2003 is HK$0.01 instead of HK cent 0.01.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

EXCEPTIONAL TRADING VOLUME MOVEMENT

This statement is made at the request of The Stock Exchange of Hong Kong Limited.

We have noted the recent increases in the trading volume of the shares of the Company and wish to state that, save for this results announcement, we are not aware of any reasons for such increase.

We also confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

Made by the order of the Board of Playmates Holdings Limited the directors of which individually and jointly accept responsibility for the accuracy of this statement.

On behalf of the Board
Chan Chun Hoo, Thomas
Chairman

Hong Kong, 7 August 2003

** for identification purpose only*