PLAYMATES HOLDINGS LIMITED
彩 星 集 團 有 限 公 司 *

(Incorporated in Bermuda with limited liability)
(Stock Code: 0635)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

MANAGEMENT DISCUSSION AND ANALYSIS
Highlights of Performance

For the six months ended 30 June	2006 *HK$'000*	2005 *HK$'000*
Group turnover	**338,837**	462,762
– from toys business	**317,579**	447,816
– from property investment & associated business	**21,258**	14,946
Gross profit	**165,327**	240,796
Revaluation surplus on investment properties	**167,931**	67,271
Operating profit	**135,585**	91,489
Profit attributable to shareholders	**125,105**	94,814
Earnings per share	***HK cents***	*HK cents*
– Basic	**6.69**	5.60
– Diluted	**6.64**	5.41
Interim dividend per share	**2.00**	2.50

Property Investment & Associated Business

Rental and management income from the portfolio of properties for the period increased by 42.2% from the same period a year ago. Segment operating profit was HK$181 million, an increase of 135.2% over the comparative period. Overall occupancy rate remained at a high level of 96% during the period under review.

Rental income from both new leases and renewals generated by the principal property at 100 Canton Road recorded significant growth during the period, reflecting robust market demand for commercial premises and benefiting from the enhancement program commenced in 2005. A renowned restaurant and a reputable spa treatment center are scheduled to open in the coming months. The final phase of the enhancement program is expected to be completed by the end of the year at which time the premises will host several more premier retail tenants.

Rental income from the residential properties acquired in January 2006 also contributed to the increase in rental income of the Group during the period. Rental yields from new leases of these properties increased substantially as a direct result of the ongoing refurbishment and upgrade program undertaken since the acquisition earlier in the year.

With the sustained growth of the regional economy, management remains confident of the positive outlook of the property investment and associated business which will continue to form an important and integral part of the activities of the Group.

Toys Business

Playmates Toys worldwide sales during the first half of 2006 were HK$318 million, a decrease of 29.1% over the same period last year. This decrease was attributable to sluggishness in the U.S. retail sector and specifically within the boys' toy category of action figures. Rising interest rates and higher gas and oil prices negatively impacted consumer spending and when coupled with the continuing inventory reduction by major retailers, resulted in an overall industry decline in U.S. toy retail sales of 3% through 30 June 2006. Despite the first half sales decrease, over the counter U.S. retail sales of Playmates Toys' products accelerated during June, generating positive momentum and assuring continued trade support as we enter the second half of the year with a wide variety of new products and extensions to proven product lines.

Gross profit was 45.4% of toy sales during the first half of 2006 (50.4% during the same period in 2005). The lower gross profit percentage is attributable to increased investment in tooling and R&D, and higher product costs. Consistent with Playmates Toys low overhead operating strategy, recurring operating expenses were within plan and comparable to the same period last year. The division reported an operating loss of HK$32 million (operating profit of HK$22 million during the same period in 2005) resulting from decreased sales volume, lower gross margin, and increased spending on the marketing of new brands.

Lower U.S. sales of ***Teenage Mutant Ninja Turtles***® ("***Turtles***") reflected the overall market decline in the action figure category as well as fewer retailer promotions for the brand compared to the same period last year. The discontinuation of the ***Speedeez***® vehicle product line in the U.S. market in late 2005 also contributed to the first half sales decrease. Sales of ***King Kong***© products remained strong through the first half but will not figure prominently in our second half sales mix. Sales outside the U.S. also decreased during the first half of the year, due primarily to lower ***Speedeez***® and ***Turtles*** sales. The launch of several new girls' brands and the ***R.E.V.s***™ vehicle line will strengthen the Company's international distribution in the second half of the year.

Sales of Playmates Toys' girls' brands remain healthy, led by ***Disney***© ***Princess*** and the successful launch of the all new, contemporized ***Strawberry Shortcake***™.

Although lower than the same period in 2005, sales in the first half of 2006 were within management expectations and consistent with the Company's plans to launch a significant number of new products during the second half of this year. These introductions include: an entirely new line of products inspired by ***Disney Fairies***©**,** Disney©'s latest girl's entertainment and lifestyle franchise, a widely expanded ***Amazing*** doll and feature plush offering, a broader ***Strawberry Shortcake***™ line that will capitalize on the success of our spring launch campaign, and ***Turtles*** products inspired by both the all new animated ***Fast Forward*** television series and the highly anticipated, computer generated ***TMNT*** feature film.

Brand Overview:

All new animated television episodes and feature film entertainment will expand the ***Turtles*** franchise in the second half of 2006 and throughout 2007. The new ***Fast Forward*** animated series will premier in September in the U.S. and, for the first time in the history of the ***Turtles***, a computer generated feature film will premier worldwide in spring 2007. A DVD release of the feature film in the fall of 2007 will create a full year entertainment platform upon which Playmates Toys will build an entirely new line of products.

This fall, new girls' toy introductions will be led by extensions to the successful, proprietary ***Amazing*** brand of dolls and feature plush. Sales of ***Amazing*** dolls will grow in 2006 with the introduction of ***Amazing Allysen***™. ***Allysen*** will extend the age appeal of the ***Amazing*** doll segment and is a complimentary, accretive addition to this proprietary brand. A new special feature plush product will be added to the ***Amazing Pets***™ segment in 2006. ***Love n' Licks Puppy***™ will join 2005's ***Cold Nose Puppy***™ to expand this realistic, interactive plush segment.

In the spring of this year, Playmates Toys unveiled an entirely new look for ***Strawberry Shortcake***™. The new look, new packaging and extensive promotion of these dolls and accessories successfully revitalized the toy segment of this perennial girl's entertainment franchise. The successful spring launch in the U.S. and Canada resulted in significantly expanded retail listings for the line this fall and set the stage for expanded distribution in international markets such as France, Australia, the U.K., Spain and Mexico where ***Strawberry Shortcake***™ has a strong toy heritage and loyal following among girls.

Disney© ***Princess*** dolls and accessories continue to generate stable revenues within Playmates Toys' portfolio. Playmates Toys line will expand in the fall of this year with new dolls inspired by Disney©'s Platinum Edition DVD re-release of ***The Little Mermaid***©.

We have been appointed by Disney Consumer Products as their master toy partner for their latest and most important new girls branding initiative, ***Disney Fairies***©. Disney© has committed the resources of their various print, television, home video, theatrical, online and theme park divisions to spread the ***Disney Fairies***© message in the years ahead. Additionally, our grant of creative activity rights in this franchise will enable us to build our presence in this strategic growth category as awareness for ***Disney Fairies***© builds throughout 2007.

Playmates Toys enters the second half of the year with broad retail support for its new product offering and remains on track to achieve its 2006 plan. This continued portfolio expansion is further affirmation of our commitment to broaden and diversify our product offering, a central tenet of our long term growth strategy. The 2007 product line will be unveiled in New York during the toy fair of this October, with major extensions to existing brands and significant new introductions. The fundamentals for Playmates Toys' future growth remain firmly in place.

CONDENSED FINANCIAL INFORMATION

Condensed consolidated income statement

For the six months ended 30 June 2006

		Unaudited		
		Six months ended 30 June		
		2006	**2006**	2005
	Note	***US$'000***	***HK$'000***	*HK$'000*
		(Note 9)		
Turnover	*2*	**43,721**	**338,837**	462,762
Cost of sales		**(22,388)**	**(173,510)**	(221,966)
Gross profit		**21,333**	**165,327**	240,796
Marketing expenses		**(11,979)**	**(92,840)**	(104,464)
Selling, distribution and administration expenses		**(13,527)**	**(104,833)**	(89,538)
Revaluation surplus on investment properties		**21,668**	**167,931**	67,271
Restructuring expenses		**–**	**–**	(22,576)
Operating profit		**17,495**	**135,585**	91,489
Non-operating income/(expenses)				
Interest expense and bank charges		**(260)**	**(2,012)**	(2,717)
Other revenues		**981**	**7,602**	6,544
Net gain/(loss) on investments		**136**	**1,056**	(1,823)
		18,352	**142,231**	93,493
Share of profits less losses of associated companies		**26**	**201**	(2,147)
Profit before taxation	*3*	**18,378**	**142,432**	91,346
Taxation (charge)/credit	*4*	**(2,235)**	**(17,327)**	3,468
Profit attributable to shareholders		**16,143**	**125,105**	94,814
Dividends	*5*	**4,826**	**37,399**	46,666
		US cents	***HK cents***	*HK cents*
Earnings per share	*6*			
Basic		**0.86**	**6.69**	5.60
Diluted		**0.86**	**6.64**	5.41

Condensed consolidated balance sheet
As at 30 June 2006 and 31 December 2005

	Note	Unaudited 30 June 2006 US$'000 (Note 9)	Unaudited 30 June 2006 HK$'000	Audited 31 December 2005 HK$'000
Non-current assets				
Fixed assets				
– Investment properties		**144,258**	**1,118,000**	694,700
– Other property, plant and equipment		**5,156**	**39,963**	41,489
– Prepaid premium on leasehold land held for own use under an operating lease		**6,280**	**48,668**	49,234
		155,694	**1,206,631**	785,423
Goodwill		**771**	**5,976**	5,976
Investment in associated companies		**4,391**	**34,029**	36,328
Held-to-maturity investments		**–**	**–**	33,869
Deferred tax assets		**8,940**	**69,285**	69,732
		169,796	**1,315,921**	931,328
Current assets				
Inventories		**6,980**	**54,093**	57,786
Trade receivables	7	**16,231**	**125,792**	371,646
Deposit for purchase of investment property		**–**	**–**	21,835
Other receivables, deposits and prepayments		**7,609**	**58,973**	50,729
Taxation recoverable		**–**	**–**	43
Financial assets at fair value through profit or loss		**37,810**	**293,031**	226,347
Cash and bank balances		**24,196**	**187,518**	443,954
		92,826	**719,407**	1,172,340
Current liabilities				
Bank loans		**128**	**997**	19,957
Trade payables	8	**6,810**	**52,778**	92,899
Other payables and accrued charges		**11,714**	**90,782**	155,546
Provisions		**2,742**	**21,248**	51,775
Taxation payable		**3,666**	**28,411**	56,821
		25,060	**194,216**	376,998
Net current assets		**67,766**	**525,191**	795,342
Total assets less current liabilities		**237,562**	**1,841,112**	1,726,670
Non-current liabilities				
Bank loans		**104**	**808**	1,315
Deferred tax liabilities		**9,877**	**76,548**	45,262
		9,981	**77,356**	46,577
Net assets		**227,581**	**1,763,756**	1,680,093
Financed by:				
Share capital		**24,128**	**186,993**	186,766
Reserves		**198,627**	**1,539,364**	1,446,635
Proposed dividend		**4,826**	**37,399**	46,692
Shareholders' funds		**227,581**	**1,763,756**	1,680,093

Notes:

1 **Basis of preparation and accounting policies**

This condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation 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 2005.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new standards and interpretations but is not yet in a position to state whether they would significantly impact on its results of operations and financial position.

2 **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 turnover and results for the period by business segments is as follows:

	Six months ended 30 June 2006			
	Toys business *HK$'000*	**Property investment and associated business** *HK$'000*	**Elimination** *HK$'000*	**Group** *HK$'000*
Revenue				
Turnover	317,579	21,258	–	338,837
Inter-segment revenue *(Note iii)*	–	341	(341)	–
	317,579	21,599	(341)	338,837
Results				
Segment results	(31,719)	180,717	–	148,998
Inter-segment transactions	(341)	341	–	–
	(32,060)	181,058	–	148,998
Unallocated costs				(13,413)
Operating profit				135,585

	Six months ended 30 June 2005			
	Toys business *HK$'000*	Property investment and associated business *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
Revenue				
Turnover	447,816	14,946	–	462,762
Inter-segment revenue *(Note iii)*	–	287	(287)	–
	447,816	15,233	(287)	462,762
Results				
Segment results	22,597	76,694	–	99,291
Inter-segment transactions	(287)	287	–	–
	22,310	76,981	–	99,291
Unallocated costs				(7,802)
Operating profit				91,489

Notes:

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

(ii) **Property investment and associated 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.

Geographical segments

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

	Six months ended 30 June	
	2006 ***HK$'000***	2005 *HK$'000*
Americas		
– USA	**231,030**	296,328
– Others	**28,049**	23,117
Europe	**42,707**	109,473
Asia Pacific	**35,967**	32,996
Others	**1,084**	848
	338,837	462,762

3 Profit before taxation

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

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Charging:		
Cost of inventories sold	**143,563**	192,553
Provision for customer concession	**2,557**	2,785
Staff costs	**45,142**	38,862
Depreciation of fixed assets	**3,794**	1,913
Loss on disposal of fixed assets	**39**	22
Crediting:		
Interest income	**6,558**	5,174
Dividend income from investments	**1,044**	1,370
Unutilised provision for customer concession	**1,532**	13,042

4 Taxation (charge)/credit

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) 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.

The taxation (charge)/credit in the condensed consolidated income statement comprises:

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**(392)**	(1,329)
Overseas taxation	**10,793**	(7,410)
Over-provision in prior years	**–**	170
Over-provision for pending tax cases	**3,558**	–
	13,959	(8,569)
Deferred taxation		
Origination and reversal of temporary differences	**(31,286)**	12,037
	(17,327)	3,468

5 Dividends

At a meeting held on 4 May 2006 the Directors proposed a final dividend of HK cents 2.5 per share for the year ended 31 December 2005, which was paid on 12 May 2006 and has been reflected as an appropriation of retained profits for the six months ended 30 June 2006.

At a meeting held on 18 August 2006 the Directors declared an interim dividend of HK cents 2.0 (2005: HK cents 2.5) per share for the year ending 31 December 2006 to be paid on 20 September 2006 to shareholders on the Company's Register of Members on 13 September 2006. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2006.

6 Earnings per share

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

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Profit attributable to shareholders for the purpose of calculating basic and diluted earnings per share	**125,105**	94,814
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,868,725,000**	1,692,825,000
Number of potential ordinary shares issuable under share options and warrants	**16,172,000**	61,352,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,884,897,000**	1,754,177,000

7 Trade receivables

As at 30 June 2006, 96.8% (31 December 2005: 99.0%) of the trade receivables net of provisions were current to 30 days, 1.3% (31 December 2005: 0.1%) were 31 to 60 days and the remaining were over 60 days.

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, no credit term is granted to tenants.

8 Trade payables

As at 30 June 2006, 98.3% (31 December 2005: 74.7%) of the trade payables were current to 30 days, 1.6% (31 December 2005: 24.7%) were 31 to 60 days and the remaining were over 60 days.

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 2006.

FINANCIAL ANALYSIS

The toy business is inherently seasonal in nature. Generally speaking, sales in the second half-year are much 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 2006, trade receivables related to toys operation were HK$125,354,000 (31 December 2005: HK$371,370,000) and inventories were HK$54,093,000 (31 December 2005: HK$57,786,000).

The property investment and management business generates a relatively steady income stream throughout the period. Approximately 96% of the total gross floor area of the Group's investment properties were leased out as at 30 June 2006. 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 2006 was 0.1% compared to 1.0% at 31 December 2005. The current ratio, calculated as the ratio of current assets to current liabilities, was 3.7 at 30 June 2006 compared to 3.1 at 31 December 2005.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. After considering the operating cash flow and liquidity requirements, a portion of cash on hand may be invested from time to time in various types of financial instruments including fixed income, equity, derivatives and managed funds with a view to enhance overall return. The selection and allocation of such yield enhancement investments are regularly reviewed to ensure that an acceptable risk-and-return profile is maintained and the liquidity requirements of the Group are served. As at 30 June 2006, the Group's cash and bank balances were HK$187,518,000 (31 December 2005: HK$443,954,000), and the amount invested in various securities was HK$293,031,000 (31 December 2005: HK$260,216,000).

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 PRACTICES

The Company is committed to maintaining and ensuring high standards of corporate governance. The Company has complied with the Code on Corporate Governance Practices ("Code on Corporate Governance") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006 except for the deviation from provision A.2.1 of the Code on Corporate Governance in respect of segregation of the roles of chairman and chief executive officer.

Provision A.2.1 of the Code on Corporate Governance stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board currently comprises three Executive Directors (one of whom is the Chairman) and six Non-executive Directors. Of the six Non-executive Directors, four of them are Independent Non-executive Directors. Mr. Thomas Chan Chun Hoo is the Chairman and Chief Executive Officer of the Company. He 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 operation 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 element on the Board and a clear division of responsibility for the running of 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 interim accounts for the six months ended 30 June 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 September 2006 to 13 September 2006, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the declared dividend, all completed transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars, Abacus Share Registrars Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on 11 September 2006.

On behalf of the Board
Thomas CHAN Chun Hoo
Chairman

Hong Kong, 18 August 2006

As at the date hereof, the Board of Directors of the Company comprises the following Directors:

Executive Directors:
Mr. Thomas Chan Chun Hoo *(Chairman)*, Mr. Sidney To Shu Sing, Mr. Alain Cheng Bing Kin
Independent Non-executive Directors:
Mr. Allen Lee Peng Fei, Mr. Anthony Lo Kai Yiu, Mr. David Yu Hon To, Mr. Alexander Chow Yu Chun
Non-executive Directors:
Mr. Charles Ip Shu Wing, Mr. Tsim Tak Lung *(Deputy Chairman)*

* *For identification purpose only*