



PLAYMATES INTERACTIVE ENTERTAINMENT LIMITED

(incorporated in Bermuda with limited liability)
http://www.irasia.com/listco/hk/playmates

Announcement of Annual Results Year ended 31 December 2001

RESULTS

The Directors of Playmates Interactive Entertainment Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001 as follows:

Note	2001		As restated 2000	
	US\$'000 (Note 7)	HK\$'000	US\$'000	HK\$'000
Turnover	65,976	514,617	971,243	
Cost of sales	(35,386)	(276,014)	(508,849)	
Gross profit	30,590	238,603	462,394	
Operating expenses				
Marketing	(15,924)	(124,209)	(200,647)	
Selling, distribution and administration	(27,139)	(211,687)	(298,325)	
Operating loss	(12,473)	(97,293)	(36,578)	
Non-operating income/(expenses)				
Interest expense and bank charges	(2,374)	(18,514)	(14,191)	
Other revenues	1,032	8,049	26,461	
Net gain on investment in securities	1,576	12,290	121,497	
	(12,239)	(95,468)	97,189	
Share of profits less losses of associated companies	450	3,511	21,293	
(Loss)/profit before taxation	3 (11,789)	(91,957)	118,482	
Taxation credit/(charge)	4 661	5,158	(4,436)	
(Loss)/profit attributable to shareholders	(11,128)	(86,799)	114,046	
Dividends	5 1,294	10,091	222,596	
	US cents	HK cents	HK cents	
(Loss)/earnings per share	6 (1.18)	(9.23)	17.02	
Basic				
Diluted	N/A	N/A	16.97	

Notes:

1. **Basis of preparation**
During the year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

- SSAP 9 (revised) : Events After The Balance Sheet Date
- SSAP 14 (revised) : Leases (effective for period commencing on or after 1 July 2000)
- SSAP 26 : Segment Reporting
- SSAP 30 : Business Combinations

Following the adoption of these new standards, certain comparatives previously reported have been restated to conform with the new policies. Detailed changes to the Group's accounting policies and the effect of adopting these new standards are set out in the annual report.

2. **Turnover and 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. Turnover recognised during the year is as follows:

	2001		As restated 2000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	490,022	971,030		
Rental income from investment properties	22,839	213		
Property management income	1,756	—		
	514,617	971,243		

Business segment
An analysis of the Group's turnover and operating profit/(loss) for the year by business segments is as follows:

	Year ended 31 December 2001			
	HK\$'000			
	Toys	Property investment and management	Elimination	Group
Revenue				
Turnover	490,022	24,595	—	514,617
Inter-segment revenue (Note iii)	—	3,657	(3,657)	—
	490,022	28,252	(3,657)	514,617
Results				
Segment results	(109,321)	13,500	—	(95,821)
Inter-segment transactions	(3,657)	3,657	—	—
	(112,978)	17,157	—	(95,821)
Unallocated costs				(1,472)
				(97,293)

	As restated Year ended 31 December 2000		Property investment and management		Group
	Toys	Elimination	Property investment and management	Elimination	
Revenue					
Turnover	971,030	213	—	—	971,243
Results					
Segment results	(35,706)	24	—	—	(35,682)
Unallocated costs					(896)
					(36,578)

Notes:

- Toys business refers to the design, development, marketing and distribution of toys and family entertainment activity products.
- Property investment and management business refers to the leasing of office and residential premises to generate rental income, and the provision of property management services.
- 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.
- The Group's associated companies are engaged mainly in toys business. The Group's share of net profit after taxation of the associated companies for the year amounted to HK\$3,849,000 (2000: HK\$18,681,000), which has not been included in the segment results shown above.

Geographical segments

An analysis of the Group's turnover and operating profit/(loss) for the year by geographical segments is as follows:

	Turnover		Operating (loss)/profit	
	As restated 2001	As restated 2000	As restated 2001	As restated 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
North America	432,413	866,079	(106,934)	(49,023)
Europe	47,842	88,407	(1,792)	12,669
Asia Pacific	32,888	12,867	12,891	1,068
Others	1,474	3,890	14	(396)
	514,617	971,243	(95,821)	(35,682)

Note: Operating profit from the Asia Pacific market in 2001 was generated mainly from property investment and management business in Hong Kong.

3. **(Loss)/profit before taxation**
The (loss)/profit before taxation is stated after charging and crediting the following:

	2001	2000
	HK\$'000	HK\$'000
Charging:		
Cost of inventories sold	222,853	443,958
Depreciation of fixed assets	35,593	12,872
Loss on disposal of fixed assets	59	1,635
Outgoings in respect of investment properties	1,708	22
Interest on bank loans and overdrafts	15,995	11,186
Net unrealised loss on other investments	1,572	65,709
Crediting:		
Net realised gain on disposal of investment securities	—	186,269
Net realised gain on other investments	13,862	937
Interest income from bank deposits	7,851	25,401
Dividend income from listed investments	198	1,060

4. **Taxation credit/(charge)**
The taxation credit/(charge) in the consolidated profit and loss account comprises:

	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current year	(1,373)	(1,589)
Prior years	6,084	(135)
Transferred to deferred taxation account	—	(100)
	4,711	(1,824)
Overseas taxation		
Current year	(94)	—
Prior years	203	—
	109	—
Share of taxation attributable to associated companies	338	(2,612)
	5,158	(4,436)

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. 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.

5. **Dividends**

	2001	2000
	HK\$'000	HK\$'000
2000 final dividend paid of HK\$0.01 (2000: 1999 final and special dividends paid of HK\$0.31) per share	10,091	206,214
Underprovision for 1999 final and special dividends	—	2,928
2001 interim dividend paid of HK\$ nil (2000: HK\$ 0.02) per share	—	13,454
	10,091	222,596

6. **(Loss)/earnings per share**
The calculation of basic and diluted (loss)/earnings per share is based on the following data:

	2001	2000
	HK\$'000	HK\$'000
(Loss)/profit attributable to shareholders for the purpose of calculating basic and diluted (loss)/earnings per share	(86,799)	114,046
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	940,863,630	670,094,815
Number of potential ordinary shares issuable under share options	N/A	2,057,637
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	N/A	672,152,452

No diluted loss per share has been presented for current year as the exercise of share options would be anti-dilutive.
The basic and diluted earnings per share for prior year has not been adjusted for the rights issue completed on 16 March 2001 as the rights issue does not give rise to a bonus element.

7. **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\$1.00 ruling at 31 December 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Message from the Chairman
Turnover for the year ended 31 December 2001 was HK\$514,617,000, a 47% decrease compared to HK\$971,243,000 for the year ended 31 December 2000. Loss attributable to the shareholders was HK\$86,799,000, compared to a profit of HK\$114,046,000 in 2000.

The year 2001 began as major markets around the world slipped into recession and ended with fallout from the terrorist attacks in New York and Washington DC still weighing heavily over the global economy. In such uncertain times, consumer confidence was badly shaken. In response, merchants were generally cautious and conservative in making inventory commitments, but expeditious in canceling orders. A major US retailer and one of our key customers had filed for bankruptcy protection shortly after the end of the year.

Recognising the difficult operating environment from the beginning of the year, we had adopted a prudent course of managing our businesses to minimise downside risks. We had further rationalized our operations and organisation structure with resulting cost reductions. Thanks to careful supply planning and management, our toys were substantially sold through at retail with no significant carry-forward inventory. Consequently, all of our established brands continue to enjoy strong supports from the trade and they form the core of a solid product lineup for 2002.

Our 2002 product offerings received positive receptions from the trade during international toy fairs earlier in the year. With a solid portfolio of established core brands and exciting new concepts banking on evolving trends, we are well positioned to take advantage of economic recoveries in the major markets. We will be working prudently and proactively with our customers, distributors and suppliers to manage the business back on the path of healthy growth.

The 2001 results also reflected positive contributions from properties and other investments. Acquisition of the commercial building that houses our global headquarters at 100 Canton Road, Kowloon, Hong Kong, named The Toy House during the year, was completed in January 2001. Rental yield of investment properties during the year was approximately 5.2%. It is expected that contributions from property and other investments will continue to augment our core toy business.

Product review and prospects

The Group focuses on three broad toy product categories: action figures; dolls and novelty toys with unique play features. Each product is designed with specific aspirations of kids and collectors in mind.

In 2002, the Group will introduce new products, featuring Disney[®] Princesses and other classic characters to build upon its line of Disney[®] products launched last year to immediate popularity. Following the successful debut in 2001 of *My Interactive Princess[™] Cinderella[™]*, *My Interactive Princess[™] Belle* (inspired by Disney[®]'s *Beauty and the Beast*) will be telling her own interactive story. The new *Before Once Upon A Time[™]* doll collection features the first ever assortment of large companion dolls in the likeness of the Disney[®] Princesses as toddlers. This first series features the ever-popular *Cinderella[™]*, *Ariel* and *Belle*. A new line of Disney[®] *Magic Talk[™]* Princess playsets feature the Disney[®] Princesses as small dolls who come to life for the first time in their own character voices in highly detailed, interactive playsets. More Disney[®] *Waterbabies[®]* will join the highly popular collection that combines the unique, warm and wiggly feel of *Waterbabies[®]* with the lovable personalities of the classic Disney[®] characters.

The series of *World of Springfield* figures and their interactive environments featuring *The Simpsons[™]* characters, under license from 20th Century Fox, continues to be eagerly sought after by collectors and fans alike. All new series of figures and environments will be released at various times during the year. The many celebrity talents who had played cameo parts in the shows over the years will be featured in a new *All Star Voices Celebrity* series. A number of other innovative extensions will be introduced throughout the year. They include new extendable platforms designed to expand the world of *The Simpsons[™]* line of collectible merchandise. By Holiday 2002, new products will be available with the premier of *The Two Towers[™]*, the second movie of box office hit *The Lord of the Rings[™]* trilogy from *New Line Cinema*.

In addition, the Group has showcased a number of new and extended product lines at major trade fairs in early 2002. These new product offerings appeal to a wide range of consumers. Little girls everywhere will be introduced to the *Little Cousins[™]*, an adorable family of trendy collectible dolls at highly attractive prices. New entries will be added to the brands of the ever-so-popular *Waterbabies[®]* and the *Amazing* family of interactive dolls. As the newest chapter in the US\$100 million *Amazing* brand, the *Amazing Little Friends[™]* focuses on what is important - technology with a purpose and simple, fun play patterns that are truly amazing to little girls. Each *Amazing Little Friend* embodies her own distinct personality and involves little girls to engage in imaginative open-ended play that emphasizes sharing, learning and the building of friendship.

The *Z-Keez[™]* and *Whirl Top Wonders[™]* are the coolest-looking, 21st century spinners that literally give new twists to the timeless toys at affordable mass market prices. The *P.O.D.Z[™]* (*Planetary Orbs of Downright Zainness*) are "Asteroids with Attitudes". These unique characters are programmed with state-of-the-art voice recognition technology to accurately identify speech of any human user and respond appropriately with a variety of outrageous rejoinders tempered by their individual oddball personalities. The *Real Heroes[®]* honor the true heroes in everyday life: policemen, firefighters, and other members of rescue and civil peacekeeping services in a line of authentically detailed, collectible quality action figures.

The Group works closely and continually with the multimedia entertainment industry and professional toy inventors to identify new trends, applications of cutting-edge technologies and innovative product concepts. Development efforts are on going for new concepts and expansions to established product lines to be launched in 2003 and beyond. The Group is actively planning for a full-scale re-launch of the *Teenage Mutant Ninja Turtles[®]* in the near future. Although a decade has passed since the peak of the last *Turtles* phenomenon, many still have fond recollections of the must-have toys for boys all over the world for many years. The *Teenage Mutant Ninja Turtles[®]* is one of the most successful toy brands of all times. With the all new TMNT comic book series recently launched by Mirage Studios and original creator Peter Laird, and plans for a multitude of new entertainment on the horizon, the market and a new generation of kids are ready to be re-introduced to the green heroes.

Liquidity and financial resources

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. As at 31 December 2001, trade receivables related to toys operation were HK\$45,013,000 (2000: HK\$182,727,000) and inventories were at a seasonal low level of HK\$14,604,000 or 3.0 percent of turnover (2000: HK\$19,211,000 or 2.0 percent of turnover).

The property investment and management business generates a relatively steady income stream throughout the year. Approximately 89% of the total gross floor area of the Group's investment properties were leased out as at 31 December 2001. Account receivable were minimal at HK\$447,000 as at the year end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total assets, at 31 December 2001 was 29.5 percent compared to 10.3 percent at 31 December 2000. The current ratio, calculated as the ratio of current assets to current liabilities, was 1.2 at 31 December 2001 compared to 2.1 at 31 December 2000. As at 31 December 2001, the Group's cash and bank balances were HK\$230,233,000 compared to HK\$376,051,000 at 31 December 2000.

Charges on group assets

As at 31 December 2001, the Group has total banking facilities amounting to approximately HK\$534 million (2000: HK\$517 million), of which HK\$287 million (2000: HK\$84 million) were utilised. 81% (2000: 90%) of the total banking facilities are secured by pledged assets with a total value of HK\$664 million (2000: HK\$301 million).

Contingent Liabilities

There was no material change in contingent liabilities compared to prior year.

Employees

As at 31 December 2001, the Group had a total of 104 employees world-wide. This compares to 111 employees as at 31 December 2000.

There was no material change in remuneration policies compared to prior year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 June 2002 to 28 June 2002, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified to attend the forthcoming annual general meeting (the "Annual General Meeting") and special general meeting to be held on 28 June 2002, all completed transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars, Abacus Share Registrars Limited at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong no later than 4:00 p.m. on 21 June 2002.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of the following three paragraphs, makes no representation as to their accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from and in reliance upon the whole or any part of the contents of the following three paragraphs.

CHANGE OF NAME

To better reflect the business composition of the Company, it is proposed, subject to the passing of a special resolution by the shareholders of the Company at a special general meeting to be held immediately after the next Annual General Meeting (the "Special General Meeting"), to change the name of the Company from "Playmates Interactive Entertainment Limited" to "Playmates Holdings Limited". Details of this proposed change of name will be set out in a circular to be despatched to the shareholders.

NEW SHARE OPTION SCHEME

In view of the recent changes to Chapter 17 of the Listing Rules which governs the operation of share option schemes, the directors propose to recommend to the shareholders of the Company to approve at the Special General Meeting the adoption of a new share option scheme and the simultaneous termination of the operation of the existing share option plan. Details of the proposal, including the summary of the principal terms of the new share option scheme and the notice of the Special General Meeting, will be set out in a circular to be despatched to the shareholders.

AMENDMENT TO THE BYE-LAWS

In order to allow the directors with necessary flexibility to make arrangement for the appointment of the Company's auditors to fill any casual vacancy in the event that the office of the auditors of the Company becomes vacant by the resignation, death, bankruptcy or by their becoming incapable of acting by reason of illness or other disability at a time when their services are required, the directors propose to recommend to the shareholders of the Company to approve at the Special General Meeting certain amendments to the bye-laws relating to the Company's appointment of auditors. Details of the changes, together with the notice of the Special General Meeting, will be set out in a circular to be despatched to the shareholders.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board
Chan Chun Hoo, Thomas
Chairman

Hong Kong, 21 March 2002

PLAYMATES INTERACTIVE ENTERTAINMENT LIMITED

(incorporated in Bermuda with limited liability)
<http://www.irasia.com/listcol/hk/playmates>

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Ballroom A, 2nd Floor, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon on Friday, 28 June 2002 at 9:00 a.m. for the following purposes:

1. To receive and consider the accounts and the reports of the directors and auditors for the year ended 31 December 2001;
2. To re-elect the retiring directors;
3. To fix the ordinary remuneration of the directors;
4. To appoint auditors and to authorise the board of directors to fix their remuneration; and
5. As special business to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

- A. **“THAT** the maximum number of directors of the Company for the time being be fixed at twenty and that the directors of the Company be authorised to fill any vacancies on the board and to appoint additional directors up to such maximum number in addition to those in office at the close of this meeting.”
- B. **“THAT:**
- (a) the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;
 - (b) the aggregate number of the shares of the Company which may be repurchased by the Company on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the issued share capital of the Company on the date of passing this Resolution and the said approval shall be limited accordingly; and
 - (c) for the purposes of this Resolution:
“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company; or
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company’s by-laws to be held; or
 - (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
- C. **“THAT:**
- the granting of an unconditional general mandate to the directors of the Company to issue, allot and deal with unissued shares in the capital of the Company, and to make or grant offers, agreements and options or other rights, and issue warrants and other securities, which would or might require the exercise of such power, subject to the following conditions, be and is hereby generally and unconditionally approved:
- (a) such mandate shall not extend beyond the Relevant Period (as defined below) save that the directors of the Company may during the Relevant Period make or grant offers, agreements and options or other rights, and issue warrants and other securities, which would or might require the exercise of such powers after the expiry of the Relevant Period;
 - (b) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the mandate granted under this Resolution otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) any share option plan or similar arrangement of the Company from time to time adopted for the grant or issue to eligible participant under such plan and arrangement of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company; (iv) any adjustment, after the date of grant or issue of any options, warrants or other securities referred to above, in the price at which shares shall be subscribed, and/or the number of shares which shall be subscribed, on exercise of relevant rights under such options, rights to subscribe, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, warrants or other securities; or (v) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20 per cent. of the issued share capital of the Company as at the date of passing this Resolution, and the said approval under this Resolution shall be limited accordingly; and
 - (c) for the purposes of this Resolution:
“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company; or
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda to be held; or
 - (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and
“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company made to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong).”
- D. **“THAT**, conditional upon the passing of Resolution No. 5B set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot shares pursuant to Resolution No. 5C set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate, of an aggregate number of shares of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 5B set out in the notice convening this meeting, provided that such number shall not exceed 10 per cent. of the issued share capital of the Company as at the date of passing this Resolution.”

By order of the Board
Tracy Fong
Secretary

Hong Kong, 21 March 2002

Notes:

- (1) Every member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be delivered to the Company’s Branch Registrars, Abacus Share Registrars Limited at 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
- (3) The register of members of the Company will be closed from 24 June 2002 to 28 June 2002, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified to attend the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrars, Abacus Share Registrars Limited at 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Friday, 21 June 2002.