



PLAYMATES HOLDINGS LIMITED
彩星集團有限公司*

(incorporated in Bermuda with limited liability)

Announcement of Annual Results
Year Ended 31 December 2003

RESULTS

The Directors of Playmates Holdings Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 as follows:

		2003	2003	<i>(As previously</i>	<i>reported)</i>
	<i>Note</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>2002</i>	<i>2002</i>
		<i>(Note 7)</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	125,354	977,764	485,261	485,261
Cost of sales		(54,527)	(425,309)	(238,026)	(238,026)
Gross profit		70,827	552,455	247,235	247,235
Operating expenses					
Marketing		(26,220)	(204,514)	(91,360)	(91,360)
Selling, distribution and administration		(28,119)	(219,331)	*(142,010)	(141,041)
Operating profit before revaluation deficit on investment properties		16,488	128,610	13,865	14,834
Revaluation deficit on investment properties		(6,320)	(49,300)	(1,900)	(1,900)
Operating profit		10,168	79,310	11,965	12,934
Non-operating income/(expenses)					
Interest expense and bank charges		(2,234)	(17,426)	(15,234)	(15,234)
Other revenues		501	3,909	3,727	3,727
Net gain on other investments		2,638	20,578	4,899	4,899
		11,073	86,371	5,357	6,326
Share of profits less losses of associated companies		49	385	(4,093)	(4,093)
Profit before taxation	3	11,122	86,756	1,264	2,233
Taxation	4	(1,936)	(15,107)	*(2,307)	(961)
Profit/(loss) attributable to shareholders		9,186	71,649	(1,043)	1,272
Dividends	5	5,649	44,011	–	–
		<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share	6				
Basic		0.71	5.57	(0.09)	0.11
Diluted		0.70	5.49	(0.09)	0.11

* Changes due to the adoption of a revised accounting standard in the current year as detailed in the annual report.

Notes:

1. Basis of preparation

During the year, the Group adopted the revised Statement of Standard Accounting Practice 12 “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003. Detailed changes to the Group’s accounting policy and effect of adopting this revised standard 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:

	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of toys	945,464	456,112
Rental income from investment properties	28,898	26,685
Property management income	3,402	2,464
	<u>977,764</u>	<u>485,261</u>

Business segments

An analysis of the Group’s turnover and results for the year by business segments is as follows:

	Year ended 31 December 2003			
	Toys HK\$'000	Property investment and management HK\$'000	Elimination HK\$'000	Group HK\$'000
Revenue				
Turnover	945,464	32,300	–	977,764
Inter-segment revenue (<i>Note (iii)</i>)	–	1,011	(1,011)	–
	<u>945,464</u>	<u>33,311</u>	<u>(1,011)</u>	<u>977,764</u>
Results				
Segment results	113,164	(25,979)	–	87,185
Inter-segment transactions	(1,011)	1,011	–	–
	<u>112,153</u>	<u>(24,968)</u>	<u>–</u>	<u>87,185</u>
Unallocated costs				(7,875)
Operating profit				<u>79,310</u>

Year ended 31 December 2002

(As restated)

Property
investment and

(As restated)

	Toys HK\$'000	management HK\$'000	Elimination HK\$'000	Group HK\$'000
Revenue				
Turnover	456,112	29,149	–	485,261
Inter-segment revenue (Note (iii))	–	1,534	(1,534)	–
	<u>456,112</u>	<u>30,683</u>	<u>(1,534)</u>	<u>485,261</u>
Results				
Segment results	3,785	17,053	–	20,838
Inter-segment transactions	(1,534)	1,534	–	–
	<u>2,251</u>	<u>18,587</u>	<u>–</u>	<u>20,838</u>
Unallocated costs				(8,873)
Operating profit				<u>11,965</u>

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 year amounted to HK\$194,000 (2002: HK\$4,729,000), which has not been included in the segment results shown above.

Geographical segments

A geographical analysis of the Group's turnover and segment results is as follows:

	Turnover		Segment results	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
North America	800,847	424,500	87,273	3,375
Europe	110,512	27,364	19,581	1,154
Asia Pacific	57,710	33,205	(21,420)	16,290
Others	8,695	192	1,751	19
	<u>977,764</u>	<u>485,261</u>	<u>87,185</u>	<u>20,838</u>

3. Profit before taxation

The profit before taxation is stated after charging/crediting the following:

	<i>(As restated)</i>	
	2003	2002
	HK\$'000	HK\$'000
Charging:		
Cost of inventories sold	373,034	183,972
Depreciation of fixed assets	29,055	30,100
Amortisation of goodwill	969	969
Loss on disposal of fixed assets	1	236
Outgoings in respect of investment properties	2,370	3,075
Interest on bank loans and overdrafts	9,347	9,846
Net unrealised loss on other investments	–	12,102
	<u> </u>	<u> </u>
Crediting:		
Net realised gain on other investments	2,811	17,001
Net unrealised gain on other investments	17,767	–
Interest income from bank deposits	2,625	2,647
Dividend income from other investments	1,284	1,080
	<u> </u>	<u> </u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government of Hong Kong enacted a change in the profits tax rate 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 amount of taxation charged to the consolidated profit and loss account represents:

	<i>(As restated)</i>	
	2003	2002
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	320	351
Overseas taxation	10,917	–
Under/(over) provision in prior years	55	(26)
	<u> </u>	<u> </u>
	11,292	325
Deferred taxation		
Origination and reversal of temporary differences	2,204	1,346
Deferred taxation resulting from an increase in tax rate	1,032	–
	<u> </u>	<u> </u>
	3,236	1,346
	<u> </u>	<u> </u>
	14,528	1,671
Share of taxation attributable to associated companies	579	636
	<u> </u>	<u> </u>
	15,107	2,307
	<u> </u>	<u> </u>

5. Dividends

	2003	2002
	HK\$'000	HK\$'000
Interim dividend paid of HK\$0.01 (2002: nil) per share	13,083	–
Final dividend proposed of HK\$0.02 (2002: nil) per share	30,928	–
	<u> </u>	<u> </u>
	44,011	–
	<u> </u>	<u> </u>

At a meeting held on 27 February 2004, the Directors proposed a final dividend of HK\$0.02 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2004.

6. Earnings/(loss) per share

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

	2003 HK\$'000	(As restated) 2002 HK\$'000
Profit/(loss) attributable to shareholders for the purpose of calculating basic and diluted earnings/(loss) per share	<u>71,649</u>	<u>(1,043)</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>1,286,206,635</u>	1,141,201,081
Number of potential ordinary shares issuable under share options and warrants	<u>19,367,184</u>	286,560
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<u>1,305,573,819</u>	<u>1,141,487,641</u>

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 ruling at 31 December 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Turnover for the year ended 31 December 2003 was HK\$977,764,000 compared to HK\$485,261,000 a year ago. Turnover from toy sales was HK\$945,464,000 compared to HK\$456,112,000 in 2002. Turnover from property investment and management (before inter-segment revenue elimination) was HK\$33,311,000 compared to HK\$30,683,000 in 2002. Gross profit improved by 123.5% over 2002. Operating profit before revaluation deficit on investment properties was HK\$128,610,000, compared to HK\$13,865,000 (as restated) for the year 2002. Net profit attributable to shareholders was HK\$71,649,000 compared to a (restated) net loss of HK\$1,043,000 a year ago. Basic earnings per share was HK cents 5.57 compared to a (restated) loss of HK cents 0.09 per share in last year.

Property Investments

Incomes from property rental and management (before inter-segment revenue elimination) grew by 8.6% to HK\$33,311,000 compared to last year. The increase reflected full year rental and management fee incomes from the building acquired in 2002. During 2003, despite difficult economic environment in Hong Kong, rental yield of investment properties during the period was maintained at 5.5%, the same as 2002. Independent valuation of the property portfolio as on 31 December 2003 resulted in a valuation deficit of HK\$49,300,000. Nevertheless, management maintains an optimistic outlook on the Group's portfolio of property investments in the coming year as sentiments in the local economy in general, and the property sectors in particular, gain positive momentum. Property rental and management will continue to provide the Group with a steady income stream and augment the Group's core toy business.

Toy Business

The successful introduction of two new brands and the growth of established businesses resulted in a doubling of toy sales in 2003. Playmates Toys continues to focus on the expansion of its core brands while actively developing several new licensed and proprietary product lines. Playmates Toys is now well positioned for future growth.

Teenage Mutant Ninja Turtles®

A new, contemporary line of *Teenage Mutant Ninja Turtles®* (TMNT) action figures and accessories was introduced in January 2003 and sales exceeded all initial expectations. In the U.S., the new animated TMNT television series premiered on the Fox Box® in February 2003 and instantly attracted new fans to this evergreen property.

U.S. retail support for the brand was exceptionally strong. Several of our customers positioned TMNT as the lead brand in the male action category. In store merchandising initiatives including the use of license counters supported their dedicated TMNT advertising campaigns. By year end, TMNT action figures ranked among the best selling boys toys and have been nominated for the Toy Industry of America's Boys' Toy of the Year award.

The launch of the TMNT brand in leading international markets has been very successful. The TMNT product line and animated TV series have translated well around the world and attracted a global following in the core boys target market. At year end, TMNT was among the top 3 boys action figure brands in the UK, France, Australia and Canada and recently won the prestigious Boys Toy of the Year Award from the British Association of Toy Retailers. The brand was launched and the TV series premiered in 15 international markets in 2003. Playmates Toys has partnered with over 30 leading distributors to insure that the TMNT brand is introduced in all major international markets throughout 2004 and 2005.

The universe of TMNT partners continues to expand. Over 40 U.S. licensees have been appointed to cover all key non-toy product categories. Lead non-toy licensees include Konami who launched the first TMNT video game with a national TV advertising campaign and is in active development of the second game, and Funimation who published the TMNT home video/DVD series. The broad marketing and promotional efforts of these partners will enhance the overall awareness of the brand in the year ahead.

The TMNT brand is off to a strong start in 2004 with a widely publicized, chain-wide promotion in Burger King restaurants throughout the U.S. and Canada and the announcement of a second U.S. broadcast home for the TV series on Time Warner's Cartoon Network™. The series will premier on the Cartoon Network™ in mid-April and will run daily, Monday through Friday, to compliment the continued broadcast of all new episodes in the FOX BOX® Saturday morning schedule. The combined strength of these two broadcast partners will substantially expand the viewing audience for the series.

Playmates Toys' TMNT product line will continue to expand in 2004 with the extension of established segments and the introduction of several new product categories.

Speedeez™

The Speedeez™ line of micro scaled vehicles and playsets was launched in the Spring of 2003. Competitive pricing supported by a strong national TV advertising campaign resulted in the expansion of retail distribution for the line in Fall 2003. Playmates' marketing message reinforces the attributes and appeal of the patented Turbo Ball propulsion system that differentiates this brand from all competitors in the category. Fall TV campaigns and other value driven promotions successfully spurred consumer demand and resulted in a complete sell out of the brand's lead promotional item, the Hummer® H2™ playset. This action packed playset has been nominated for the Vehicle Toy of the Year award by the Toy Industry of America.

In 2004, Playmates Toys will continue to emphasize the unique speed, action and racing attributes of this brand through comprehensive TV campaigns and consumer promotions.

The Simpsons™

As *The Simpsons*™ line of collectible figures and playsets entered its' fourth full year of U.S. distribution, Playmates Toys maintained collector interest while managing retailer expectations as the brand matured. At this stage in the brand's life cycle, Playmates Toys projects more limited retail distribution in the year ahead.

Waterbabies®

The Waterbabies® brand continued to expand in 2003. New character properties such as Care Bears™ were added to the licensed segment. The Disney® Waterbabies® assortment was expanded through the introduction of several new classic characters. "My First Waterbabies®" were introduced in the infant/juvenile market and the value priced "Sweet Cuddlers®" segment was extended through the addition of new themes and basic, special features.

This proprietary brand has built exceptional consumer goodwill during 15 years of uninterrupted distribution in the U.S.. No other baby doll brand can claim this legacy. This impressive history and the continued success of new product introductions have prompted Playmates Toys to update the Waterbabies® line look and launch a new promotional segment. In Fall 2004, Playmates Toys will launch a TV advertising campaign to introduce the new "Wiggly Waterbabies®" doll assortment. This campaign will reinforce the brand's core message; "Waterbabies® are the only dolls that move and feel just like real babies!".

Disney® Princesses

The highlight of Playmates girls' business in 2003 was the significant growth of the Disney® "Princess" large doll segment. Playmates "Little Princess" dolls were the best selling large dolls in the U.S.. This strong performance is testament to the Walt Disney Company's continued support of the classic Disney® "Princess" franchise. This support extends across all Disney® divisions and has successfully built a Disney® "Princess" brand foundation on which Playmates will continue to build its "Princess" business through 2004 and beyond.

The Disney® "Princess Nursery", an all new product segment, will be added to Playmates' Disney® "Princess" brand in Fall 2004. This segment will introduce little girls to an assortment of adorable dolls that are dressed and accessorized as "Baby Princesses". The Disney® "Princess Nursery" segment will introduce the perennial and proven nurturing play pattern to Playmates Toys' "Princess" brand and further expand the retail presence for this product line.

Playmates Toys has grown its Disney® "Princess" doll business each year for the past three years and continues to work closely with Disney® Consumer Products to develop character appropriate themes and innovative products that will extend this core brand for years to come.

New Opportunities

Playmates Toys is in active development of several new licensed and "home grown" product lines that will be introduced in late 2004 and 2005. Included among these initiatives are Nickelodeon's "Evergirl™", Autocannon's "Max Boost™" and a new interactive character product line.

Evergirl® is a broad based, aspirational lifestyle property that has been in development at Nickelodeon for the past three years. Nickelodeon will unveil this property in 2004 and aggressively promote the unique, positive "Evergirl™" message to girls with TV advertising, promotional and merchandising campaigns. Playmates will introduce an innovative, customizable doll and accessory product line to coincide with and capitalize upon Nickelodeon's promotional programs.

Following the enthusiastic response to the October 2003 Toy Fair presentation of Playmates Toys' Max Boost® product line, active development has begun on an animated TV series inspired by this trendy, character rich property. Playmates Toys is working closely with the property rights holder to insure that not only do the Max Boost® figures, vehicles and playsets reflect the hip attitude and tone of this series but also that these products are launched to coincide with the U.S. broadcast premier of the series.

Playmates Toys' focused brand management strategies have resulted in exceptional growth during the past year. These strategies coupled with selective investments in new product categories and licensed properties will guide Playmates Toys' efforts in the year ahead and have set the stage for continued profitable growth.

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. 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 31 December 2003, trade receivables related to toys operation were HK\$267,182,000 (2002: HK\$120,656,000) and inventories were at a seasonal low level of HK\$29,108,000 or 3.1% of turnover (2002: HK\$22,042,000 or 4.8% of turnover).

The property investment and management business generates a relatively steady income stream throughout the year. Approximately 88% of the total gross floor area of the Group's investment properties were leased out as at 31 December 2003. Account receivables were minimal as at the year end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2003 was 21.9% compared to 33.0% at 31 December 2002. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.1 at 31 December 2003 compared to 1.3 at 31 December 2002. As at 31 December 2003, the Group's cash and bank balances were HK\$471,457,000 compared to HK\$206,456,000 at 31 December 2002.

Secured and unsecured bank loan repayable within one year are HK\$133 million and HK\$25 million respectively.

Charges on group assets

As at 31 December 2003, the Group has banking facilities amounting to approximately HK\$511 million (2002: HK\$526 million), of which HK\$333 million (2002: HK\$378 million) were utilised. 80% (2002: 77%) of the total banking facilities are secured by pledged assets with a total value of HK\$703 million (2002: HK\$748 million).

Contingent Liabilities

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

Employees

As at 31 December 2003, the Group had a total of 108 employees in Hong Kong, the Mainland China and the United States of America. This compares to 97 employees as at 31 December 2002.

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

PROPOSED BONUS WARRANTS

In order to enhance the return on investment for Shareholders as well as the equity base of the Company, and improve the liquidity position of the Shares in the market, the Directors have proposed an issue of Bonus Warrants, the terms of which are summarised as follows:

Basis of Issue of Bonus Warrants

Bonus Warrants will be issued on the basis of one Bonus Warrant for every five Shares held by Shareholders whose names appear on the register of members of the Company as at the Record Date, but excluding Overseas Shareholders whose addresses on the register of members of the Company are outside Hong Kong as at the Record Date.

Subscription Price

The Bonus Warrants will entitle holders to subscribe for Shares at the initial subscription price of HK\$1.42 per Share in cash, subject to adjustments. The initial subscription price of HK\$1.42 per Share represents a premium of approximately 9 per cent. to the closing price per Share of HK\$1.30 on 27 February 2004 and represents a premium of approximately 15 per cent. to the average closing price per Share of approximately HK\$1.24 for the 10 trading days ended on 27 February 2004.

Subscription Period

The Bonus Warrants may be exercised at any time between the date when dealings in the Bonus Warrants on the Stock Exchange commence, which is expected to be on 24 May 2004, and expiring one year thereafter, which is expected to be 23 May 2005, both days inclusive.

Number of Bonus Warrants to be issued

Full exercise of the Bonus Warrants would result in the issue of a total of 309,816,968 new Shares (based on the 1,549,084,840 Shares in issue as at the date of this Announcement and on the assumptions that (i) no outstanding 2002 Warrants will be exercised prior to its expiry date on 12 May 2004; (ii) no outstanding share options will be exercised prior to the Record Date; and (iii) no further Shares will be repurchased prior to the Record Date), representing 20 per cent. of the issued share capital of the Company as at 27 February 2004 and approximately 16.67 per cent. of the issued share capital of the Company as at 27 February 2004 as enlarged by the allotment and issue of new Shares upon full exercise of the Bonus Warrants. If all outstanding 2002 Warrants are fully exercised prior to its expiry date on 12 May 2004 and all outstanding share options eligible to be exercised prior to the Record Date are fully exercised, full exercise of the Bonus Warrants would result in the issue of a total of 317,033,442 new Shares, representing 20 per cent. of the issued share capital of the Company as at 27 February 2004 as enlarged by the allotment and issue of such new Shares upon full exercise of the 2002 Warrants and the outstanding share options which are eligible to be exercised prior to the Record Date, and approximately 16.67 per cent. of the issued share capital of the Company, as enlarged by the allotment and issue of such new Shares upon full exercise of the 2002 Warrants, the outstanding share options which are eligible to be exercised prior to the Record Date, and the Bonus Warrants.

Reasons for the Proposed Issue of Bonus Warrants

The Directors believe that the proposed issue of the Bonus Warrants will enhance the return on investment for Shareholders as well as the equity base of the Company, and improve the liquidity position of its Shares in the market.

Assuming that the subscription rights attaching to all the 309,816,968 Bonus Warrants are exercised in full at the initial subscription price of HK\$1.42 per Share, it will provide the Group with additional general working capital of approximately HK\$439,940,094, before expenses, for its operation and future expansion, in particular, for potential acquisition opportunities for its core business. However, as the amount that may be raised from the Bonus Warrants is uncertain, and the Company has not identified any specific acquisition target at the time, the Directors therefore have not earmarked any amount for any specific purposes. The Directors believe that the proposed issue of the Bonus Warrants is beneficial to the Company and the Shareholders as a whole.

Conditions

The issue of the Bonus Warrants is conditional upon:

1. the passing by Shareholders at the Annual General Meeting of an ordinary resolution to approve the creation and issue of the Bonus Warrants and the issue of any new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants; and
2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Bonus Warrants, and the new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants.

Record Date and Closure of Register

The Record Date for ascertaining the entitlement to the Bonus Warrants shall be Friday, 14 May 2004. The register of members of the Company will be closed from Monday, 10 May 2004 to Friday, 14 May 2004 (both days inclusive).

Shareholders are reminded that in order to qualify for the Bonus Warrants, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's branch registrar in Hong Kong, Abacus Share Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 7 May 2004.

Listing and Board Lot

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Bonus Warrants and any Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants. The board lot for trading in Bonus Warrants is proposed to be 40,000 units. The Bonus Warrants are not proposed to be listed on any other stock exchange other than the Stock Exchange.

Subject to satisfaction of the conditions referred to above and subject to compliance with the stock admission requirements of Hongkong Clearing, the Bonus Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Warrants on the Stock Exchange or such other date(s) as determined by Hongkong Clearing.

2002 Warrants (Stock Code 1119)

As at the date of this Announcement, according to the register of holders of 2002 Warrants, there are 9,328,871 outstanding 2002 Warrants the subscription rights of which are eligible to be exercised on or before 12 May 2004 at the exercise price of HK\$0.30 per Share (the net asset value per Share by reference to the audited consolidated results of the Group for the year ended 31 December 2003 is HK\$0.57). Pursuant to the relevant terms of the 2002 Warrant Instrument, Shares falling to be issued upon exercise of the subscription rights attaching to the 2002 Warrants would be allotted and issued not later than 21 business days (or such shorter period as may from time to time be required by the Listing Rules or the applicable laws and regulations) after the date on which such subscription rights are exercised. Holders of 2002 Warrants are therefore reminded that if they want to be entitled to the Bonus Warrants, they should allow sufficient time for Shares to be issued upon exercise of the subscription rights attaching to their 2002 Warrants as it may take up to 21 business days according to the terms of the 2002 Warrant Instrument.

Overseas Shareholders

The documents to be issued in relation to the Bonus Warrants will not be registered under any securities legislation outside Hong Kong and Bermuda. Overseas Shareholders will not be entitled to the proposed Bonus Warrants whatsoever, and no Bonus Warrants will be issued to any Overseas Shareholders as the offering would or might, in the absence of compliance with relevant registration or other special formalities in other territories, be unlawful or impracticable.

Bonus Warrants which would otherwise have been issued to the Overseas Shareholders will be sold in the market as soon as practicable after dealings in the Bonus Warrants commence if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Overseas Shareholders at their own risk pro rata to their respective entitlements except that any amount of less than HK\$100 will be retained for the benefit of the Company.

Fractional Entitlements

Fractional entitlements to the Bonus Warrants will not be issued to Shareholders but will be aggregated and sold for the benefit of the Company. The net proceeds of sale will be retained for the benefit of the Company.

Status of Shares to be issued upon exercise of the Bonus Warrants

Shares which are allotted and issued on the exercise of the subscription rights attaching to the Bonus Warrants will rank pari passu in all respects with the then Shares in issue on the date of such allotment and issue.

Certificates for the Bonus Warrants

It is expected that certificates for the Bonus Warrants will be posted on or before 20 May 2004 at the risk of the persons entitled thereto to their respective addresses shown on the register of members of the Company.

Subject to the fulfilment of the conditions of the Bonus Warrants as referred to in the paragraph headed "Conditions" above, dealings in the Bonus Warrants on the Stock Exchange are expected to commence on Monday, 24 May 2004.

General

The Circular containing details of the proposed issue of the Bonus Warrants together with a notice convening the Annual General Meeting at which resolutions will be proposed to approve the issue of the Bonus Warrants and the issue of Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the Bonus Warrants, amendments to the Bye-laws of the Company (mentioned below) and the general mandates to the Directors to issue and to repurchase Shares of the Company will be despatched to Shareholders as soon as practicable.

Expected Timetable for issue of the Bonus Warrants

19 March 2004	Friday	Expected day for the despatch of the Circular
5 May 2004, 4:00 p.m.	Wednesday	Latest time for dealing in Shares cum entitlements to the Bonus Warrant issue
6 May 2004	Thursday	First day of dealings in Shares ex entitlements to the Bonus Warrant issue
7 May 2004, 4:00 p.m.	Friday	Latest time for lodging share transfers to qualify for the Bonus Warrant issue
From 10 May 2004 To 14 May 2004	Monday Friday	Register of members closed (both days inclusive)
12 May 2004, 9:00 a.m.	Wednesday	Latest time for lodging proxy forms for the Annual General Meeting
14 May 2004	Friday	Record date for determination of entitlements to the Bonus Warrant issue

14 May 2004, 9:00 a.m.	Friday	Annual General Meeting
20 May 2004	Thursday	Despatch of Bonus Warrant certificates
24 May 2004, 9:30 a.m.	Monday	First day of dealings in Bonus Warrants

AMENDMENTS TO THE BYE-LAWS

In order to bring the Bye-laws of the Company in line with certain changes to Appendix 3 of the Listing Rules which will come into effect on 31 March 2004, the Directors propose to recommend to the Shareholders of the Company to approve at the Annual General Meeting to amend clauses 76, 88 and 103 of the Company's Bye-laws. Details of the proposed resolutions for approving the amendments to the Bye-laws of the Company will be set out in the Circular to be despatched to the Shareholders as soon as possible.

DEFINITIONS

“Annual General Meeting”	the annual general meeting of the Company to be held at Centenary Room III, G/F., The Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong on 14 May 2004 at 9:00 a.m., notice of which will be despatched to Shareholders
“Bonus Warrant(s)”	not less than 309,816,968 warrants proposed to be issued by the Company in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash from the date on which trading in the same commences on the Stock Exchange and expiring one year thereafter, both days inclusive, up to an aggregate amount of approximately HK\$439,940,094 for new Shares at an initial subscription price of HK\$1.42 per Share
“Circular”	the circular to be issued by the Company to give details of the proposal of the issue of the Bonus Warrants, amendments to the Bye-laws and the general mandates to the Directors to issue and to repurchase Shares of the Company
“Company”	Playmates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company at the close of business on the Record Date, are outside Hong Kong
“Record Date”	the record date for the determination of entitlements to the proposed issue of the Bonus Warrants, which is currently proposed to be on 14 May 2004
“Share(s)”	share(s) of HK\$0.10 each in the authorised share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“2002 Warrant Instrument”

the deed poll dated 7 May 2002 constituting the 2002 Warrants

“2002 Warrants”

201,811,101 warrants issued by the Company in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash from 13 May 2002 and expiry 2 years thereafter, both days inclusive, up to an aggregate amount of approximately HK\$60,543,330 for new Shares at the exercise price of HK\$0.30 per Share in respect of each warrant

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10 May 2004 to 14 May 2004, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the final dividend, all completed transfers accompanied by the relevant share certificates 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 7 May 2004.

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
Thomas CHAN Chun Hoo
Chairman

Hong Kong, 27 February 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Centenary Room III, G/F., The Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong on Friday, 14 May 2004 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 2003;
2. To declare a final dividend;
3. To re-elect the retiring directors;
4. To fix the ordinary remuneration of the directors;
5. To appoint auditors and to authorise the board of directors to fix their remuneration;
6. To:
 - (A) fix the maximum number of directors at twenty and to authorise the directors to fill any vacancies on the board and to appoint additional directors up to such maximum number;
 - (B) approve bonus issue of warrants;
 - (C) grant an unconditional mandate to the directors to repurchase the Company’s own shares not exceeding 10% of the issued share capital of the Company;
 - (D) grant an unconditional mandate to the directors to issue and allot additional shares not exceeding 20% of the issued share capital of the Company;

(E) extend the mandate granted under resolution 6(D) by including the number of shares repurchased by the Company pursuant to resolution 6(C);

(F) amend clauses 76, 88 and 103 of the Bye-laws of the Company.

By order of the Board
Tracy Fong
Secretary

Hong Kong, 27 February 2004

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 G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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 10 May 2004 to 14 May 2004, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified for the final dividend and bonus warrants, all transfers accompanied by the relevant share certificates 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 not later than 4:00 p.m. on Friday, 7 May 2004.
- (4) The proposed resolutions 6(A) to 6(F) will be included in the Notice of Annual General Meeting in a circular to be despatched to members on or around Friday, 19 March 2004. The purpose of resolution 6(F) is to bring the Bye-laws of the Company in line with the changes to Appendix 3 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited which will come into effect on 31 March 2004.

* *for identification purpose only*