

Results

The Directors of Playmates Interactive Entertainment Limited (the "Company") announce that the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2000, together with the comparative figures for the corresponding period in 1999, are as follows:-

	Six months ended		
	30 June 2000	30 June 1999	
	<i>US\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	31,569	245,607	299,654
Cost of sales	(19,662)	(152,970)	(148,490)
Gross profit	11,907	92,637	151,164
Operating expenses			
Marketing	(10,159)	(79,037)	(82,274)
Selling, distribution and administration	(13,082)	(101,778)	(111,926)
Operating loss	(11,334)	(88,178)	(43,036)
Non-operating income/(expenses)			
Interest expense and bank charges	(741)	(5,765)	(5,487)
Other income	1,702	13,242	9,285
Gain/(loss) on disposal of long term investments, net	23,114	179,827	(6,665)
Profit/(loss) from ordinary activities	12,741	99,126	(45,903)
Share of profit of an associated company	818	6,364	6,665
Profit/(loss) before taxation	13,559	105,490	(39,238)
Taxation (Note 1)	2,436	18,952	4,518
Profit/(loss) after taxation	15,995	124,442	(34,720)
Minority interests	—	2	—
Profit/(loss) attributable to shareholders	15,995	124,444	(34,720)
Earnings/(loss) per share (Note 2)	<i>US cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic	2.40	18.64	(5.25)
Diluted	2.38	18.54	N/A

Notes :

(1) Taxation

Taxation comprises the following credit and (charges) :-

	Six months ended 30 June	
	2000	1999
	HK\$'000	HK\$'000
Company and subsidiaries :		
Hong Kong profits tax	(335)	(6)
Overseas taxation	20,244	5,568
Deferred taxation	<u>—</u>	<u>(101)</u>
	19,909	5,461
Associated company :		
Hong Kong profits tax	(957)	(943)
	18,952	4,518

Hong Kong profits tax is calculated at the rate of 16% (1999: 16%) on the estimated assessable profits for the period. Overseas taxation is calculated on the results of the overseas operations in accordance with the tax laws of the relevant jurisdictions.

(2) Earnings/(loss) per share

The calculation of the basic and diluted earnings per share is based on the following data:-

	2000	1999
	HK\$'000	HK\$'000
Net profit/(loss) for the period for the purpose of basic and diluted earnings per share	124,444	(34,720)
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	667,457,288	661,065,673
Effect of dilutive potential ordinary shares - share options	3,631,694	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings per share	671,088,982	N/A

(3) US dollar equivalents

US dollar equivalents : These are shown for illustrative purposes only and have been derived at the rate of HK\$7.78 to US\$1 (1999: US\$1=HK\$7.75).

(4) Comparative figures

With the adoption of the revised SSAP 1 and SSAP 2 during the current period, the presentation of the Group's profit and loss account has been revised to comply with the new disclosure requirements. Accordingly, certain comparative figures have been extended to conform with the current period's presentation.

Dividend

The Directors have declared an interim dividend of 2 cents (1999: Nil) per share in respect of the year ending 31 December 2000 to be paid on 29 September 2000 to Shareholders on the Company's Register of Members on 21 September 2000. The total dividend payable will amount to HK\$13,454,073 (1999: Nil).

Closure of Register of Members

The Register of Members of the Company will be closed from 20 September 2000 to 21 September 2000, both days inclusive, during which period no transfer of shares will be effected. In order to qualify 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, 2401 Prince's Building, Central, Hong Kong not later than 4:00 p.m. on 19 September 2000.

Business Review

Turnover for the six months to 30 June 2000 was HK\$245,607,000, compared to HK\$299,654,000 of the corresponding period a year ago. The Group reported a profit attributable to Shareholder of HK\$124,444,000, or HK18.64 cents per share, in the first half year of 2000 as compared to a loss of HK\$34,720,000, or HK5.25 cents loss per share, for the same period last year. During the period the Group realized a portion of its investment in **ICG Asiaworks Limited** resulting in a gain which was included in the profit as reported above.

Contributing to the operating turnover volume for the period was a balanced mix of products. The two new action figure lines based on entertainment characters had performed well. Shipments of **Chicken Run™** merchandise were successfully completed in anticipation of the June U.S. and U.K. premieres of the **Dreamworks SKG** and **Aradman Studios'** animated motion picture. **The Simpsons™** maintained their long-running popularity on the airwaves and Playmates' interactive **Simpsons™** characters and playsets themed after the show were establishing a strong following.

In the interactive dolls arena, **Amazing Ally™** not only continued to be the favorite intelligent play-pal of little girls in North America; she also made her debut in the U.K. and was expected by the trade to be one of the top selling dolls of the year. Other large dolls that performed well during the period included **Waterbabies®** and **Sweet e Baby™**.

Playmates' two best performing electronic novelty toys during the period were **OOGlies™** and **Jumping Jam™**. Like their **Amazing** friends, the funky alien **OOGlies™** had travelled outside North America into the homes of little children all over the world.

Prospects

The development and introduction of the remaining new products for this year have been generally on time and proceeding according to plan. Most of the new products have been or will be shipped to the market during the third quarter. Barring uncontrollable externalities, not the least the continuance of the present global shortage in the supply of electronic IC chips, the Group expects a positive growth in terms of both revenue and income for the full year.

Multimedia Entertainment

The Group remains committed to be a major player in licensing and continues to actively seek out meaningful opportunities to exploit entertainment concepts with general toy or specific product category applications. For Holiday 2000, and in licensing partnership with **Universal Pictures**, Playmates will bring to life the beloved Christmas classic **Dr. Seuss' How The Grinch Stole Christmas®** with an exciting line-up of innovative toys and interactive products under the **Playmates®** and **Re:Play!™** labels. The lead character of this major event movie is played by the versatile star comedian **Jim Carrey**. Premiering this fall in the US on the **Kid's WB!** network from **Sony Pictures Family Entertainment** is the brand new animated TV series **Jackie Chan Adventures™** inspired by the popular international superstar. Under license from **Sony Pictures Consumer Products**, Playmates will launch a line of life-like figures and accessories in late 2000 capturing the essence of Jackie's action packed adventures. The Group is in negotiation with major studios for the merchandising rights to a number of other new entertainment properties.

Promotional Dolls

Interactive dolls will once again play a prominent part in the Group's product portfolio. Two major new dolls have been introduced in the second half of 2000. Development of the newest members of the **Amazing** family: the **Amazing Babies™** has been completed successfully and shipment to retail customers has begun in August. Shipment of the new **Talking Little T™** has also started. A number of other doll projects and exciting new concepts to enhance established product lines such as **Waterbabies®** are under development.

Interactive Electronic Products

Development is close to completion on **DotPals™** (previously named **e-Pals™**), the USB port connected characters that are programmed to interact with daily computer tasks and Web-surfing activities. Shipment of the first **DotPals™** in **Simpsons™** characters is expected to commence later in the second half of 2000. The Group will continue to exploit applications of interactive technologies not only to novelty toys, but also to toys of the so-called traditional categories. The decision was made during the period to merge the operations of the **NeXT Electronix™** unit with the other business units.

New Business Development

The Group will continue to identify and capture investment opportunities in new products, markets and businesses with specific strategic focus.

Directors' Rights to Acquire Shares

Details of share options granted to the Directors, pursuant to the Company's Share Option Plan, are as follows:-

Name of Directors	Date of Grant	Exercise Price HK\$	Number of shares under the options		
			At 1 Jan. 00	Exercised during the period	At 30 June 00
Ip Shu Wing, Charles	20 Oct. 1999	0.4780	3,000,000	600,000	2,400,000
To Shu Sing, Sidney	26 August 1998	0.5860	800,000	320,000	480,000
	27 May 1999	0.5580	600,000	120,000	480,000
	20 Oct. 1999	0.4780	750,000	150,000	600,000
Cheng Bing Kin, Alain	27 May 1999	0.5580	500,000	100,000	400,000
	20 Oct. 1999	0.4780	500,000	100,000	400,000

The options are exercisable in stages in accordance with the terms of the Share Option Plan after the date of granting and expire ten years after the date of granting.

Apart from the aforesaid, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Shares of the Company

As at 30 June 2000, the interests of Directors of the Company in the shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and other interests of Directors in the Company were as follows:-

Name of Directors	Personal interests	Number of shares held		
		Family interests	Corporate interests	Other interests
Chan Chun Hoo, Thomas	—	—	—	(Note a)
Ip Shu Wing, Charles	600,000	—	—	—
To Shu Sing, Sidney	600,000	—	—	—
Cheng Bing Kin, Alain	200,000	—	—	—
Yu Hon To, David	—	—	(Note b)	—
Lee Peng Fei, Allen	345,000	—	—	—
Lo Kai Yiu, Anthony	550,000	—	—	—
Tsim Tak Lung	200,000	20,000	—	—

Notes:

- (a) 312,107,572 shares of the Company were beneficially owned by Chansam Investments Limited ("CIL"). 85.19% of the issued share capital of CIL is beneficially owned by a private company, which is wholly owned by the trustees of a discretionary trust established for the benefit of Mr. Chan Chun Hoo, Thomas and his family.
- (b) 3,500,000 shares of the Company were held by a private company in which Mr. Yu Hon To, David and a member of his family have a controlling interest.

Apart from the above, none of the Directors (including their spouse and children under 18 years of age) had any beneficial interests or other interests in the shares of the Company.

Substantial Shareholders' Interest in the Share Capital of the Company

Other than the interests disclosed above in respect of Directors, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company at 30 June 2000 had been notified by Waddington Limited, a company incorporated in Bahamas, that it was interested in 121,599,201 shares of the Company through a company incorporated in the British Virgin Islands also known as Waddington Limited.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period, 2,350,000 shares have been repurchased by the Company on the Stock Exchange at a price range of HK\$0.64 to HK\$0.80 per share. The aggregate price paid for such repurchases amounted to HK\$1,731,513.

Compliance with the Code of Best Practice of the Listing Rules

The Code of Best Practice has been complied with by the Company except that Non-executive Directors are not appointed for a specific term as recommended under the Listing Rules Appendix 14 Guidelines. According to the by-laws of the Company, Non-executive Directors of the Company will retire by rotation on average every three years and their appointments will be reviewed when they are due for re-election. In the opinion of the Company this meets the same objective as the Code of Best Practice.

By Order of the Board
Chan Chun Hoo, Thomas
Chairman

Hong Kong, 28 August 2000