Results

The Directors of Playmates Interactive Entertainment Limited (the "Company") are pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 ("the period") as follows:—

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2001

		Unaudited		
		Six months ended 30 June		
		2001	**2001**	2000
	Note	***US$'000*** ***(Note 16)***	***HK$'000***	*HK$'000*
Turnover	*2*	**17,506**	**136,550**	245,607
Cost of sales		**(11,847)**	**(92,408)**	(152,970)
Gross profit		**5,659**	**44,142**	92,637
Operating expenses				
Marketing		**(3,935)**	**(30,698)**	(79,037)
Selling, distribution and administration		**(10,156)**	**(79,219)**	(101,778)
Operating loss		**(8,432)**	**(65,775)**	(88,178)
Non-operating income/ (expenses)				
Interest expense and bank charges		**(1,293)**	**(10,087)**	(5,765)
Other revenues		**1,696**	**13,228**	13,242
Net gain on investment in securities		**1,728**	**13,482**	179,827
		(6,301)	**(49,152)**	99,126
Share of profits less losses of associated companies		**579**	**4,517**	6,364
(Loss)/profit before taxation	*3*	**(5,722)**	**(44,635)**	105,490
Taxation	*4*	**112**	**876**	18,952
(Loss)/profit after taxation		**(5,610)**	**(43,759)**	124,442
Minority interests		**—**	**—**	2
(Loss)/profit attributable to shareholders		**(5,610)**	**(43,759)**	124,444
Proposed interim dividend	*5*	**—**	**—**	13,454
		US cents	***HK cents***	*HK cents*
(Loss)/earnings per share	*6*			
Basic		**(0.64)**	**(5.02)**	18.64
Diluted		**N/A**	**N/A**	18.54

Condensed Consolidated Balance Sheet

As at 30 June 2001 and 31 December 2000

	Note	**Unaudited 30 June 2001 *US$'000* *(Note 16)***	**Unaudited 30 June 2001 *HK$'000***	Restated 31 December 2000 *HK$'000* *(Note 1(i)(a))*
Non-current assets				
Fixed assets	*7*	**71,986**	**561,494**	49,429
Investment in associated companies		**5,744**	**44,804**	41,724
Other investments		**5,554**	**43,323**	50,473
		83,284	**649,621**	141,626
Current assets				
Inventories		**2,134**	**16,644**	19,211
Trade receivables	*8*	**15,462**	**120,603**	230,911
Deposit for purchase of investment property		**—**	**—**	3,617
Deposit for purchase of a subsidiary		**—**	**—**	25,300
Other receivables, deposits and prepayments		**5,171**	**40,334**	41,209
Taxation recoverable		**182**	**1,422**	2,668
Other investments		**2,774**	**21,638**	28,013
Cash and bank balances		**28,777**	**224,457**	376,051
		54,500	**425,098**	726,980
Current liabilities				
Bank loans	*14*	**43,282**	**337,596**	84,096
Trade payables	*9*	**4,138**	**32,281**	49,292
Other payables and accrued charges		**16,315**	**127,257**	207,170
Taxation payable		**2,477**	**19,320**	20,732
		66,212	**516,454**	361,290
Net current (liabilities)/ assets		**(11,712)**	**(91,356)**	365,690
Net assets		**71,572**	**558,265**	507,316
Financed by:				
Share capital	*10*	**12,937**	**100,906**	67,270
Reserves	*11*	**58,635**	**457,359**	429,955
Proposed dividends	*1(i)(a)*	**—**	**—**	10,091
Shareholders' funds		**71,572**	**558,265**	507,316

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2001

	Unaudited Six months ended 30 June 2001 *US$'000* *(Note 16)*	 2001 *HK$'000*
Net cash outflow from operating activities	(3,423)	(26,699)
Net cash outflow from returns on investments and servicing of finance	(1,873)	(14,612)
Net tax refunded	191	1,492
Net cash outflow from investing activities	(29,753)	(232,075)
Net cash outflow before financing	(34,858)	(271,894)
Net cash inflow from financing	13,478	105,125
Decrease in cash and cash equivalents	(21,380)	(166,769)
Cash and cash equivalents at 1 January	37,430	291,955
Effect of foreign exchange rate changes	(42)	(325)
Cash and cash equivalents at 30 June	16,008	124,861
Analysis of cash and cash equivalents		
Cash and bank balances	28,777	224,457
Bank loans with original maturity within 3 months	(12,769)	(99,596)
	16,008	124,861

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30 June 2001

	Unaudited		
	Six months ended 30 June		
	2001	**2001**	2000
	US$'000	***HK$'000***	*HK$'000*
	(Note 16)		
Exchange (loss)/gain arising on translation of accounts of foreign subsidiaries	**(40)**	**(315)**	1,071
Share of associated company's exchange loss	**(1)**	**(11)**	—
(Loss)/profit for the period	**(5,610)**	**(43,759)**	124,444
Total recognised (losses)/gains	**(5,651)**	**(44,085)**	125,515

Notes to the Condensed Interim Accounts

1. Principal accounting policies

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, except that in this first year of implementation of the Standard, as permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, no comparative figures are presented for the condensed consolidated cash flow statement.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2000 except that:—

(i) the Group has changed certain of its accounting policies following its adoption of the following SSAPs which are effective for accounting periods commencing on or after 1 January 2001:—

SSAP 9 (revised)	:	Events After 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

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:—

(a) SSAP 9 (revised): Events After Balance Sheet Date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 11, opening retained earnings at 1 January 2000 have increased by HK$206,214,000 which is the reversal of the provision for the 1999 proposed final and special dividends previously recorded as liabilities as at 31 December 1999 although not declared until after the balance sheet date. Opening retained earnings at 1 January 2001 have increased by HK$10,091,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31 December 2000 although not declared until after the balance sheet date.

A corresponding decrease in current liabilities by HK$10,091,000 has been reflected in the comparative 31 December 2000 balance sheet.

Changes to headings used in the previously reported 31 December 2000 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) SSAP 14 (revised): Leases

SSAP14 (revised) prescribes the accounting policies and disclosure requirements in relation to finance and operating leases. The adoption of SSAP 14 (revised) by the Group does not have any impact on the interim accounts except that certain comparative figures and disclosures in Note 15(b) have been adjusted and extended to conform with current period's presentation.

(c) SSAP 26: Segment Reporting

In Note 2, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information for geographical segments has been given but not comparative information for business segments as the Group has engaged in only one type of business in last period.

(d) SSAP 30: Business Combinations

Goodwill/negative goodwill

Goodwill/negative goodwill on acquisition of subsidiaries occurring on or after 1 January 2001 is included as intangible asset and amortised over its estimated useful life in accordance with the provisions of SSAP 30. For acquisitions prior to 1 January 2001, goodwill/negative goodwill was written off against/taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill/negative goodwill has not been retroactively restated.

(ii) effective from 1 January 2001, the estimated useful lives of certain machinery and equipment, office equipment, furniture and fixtures and computer equipment were changed. This change in accounting estimates has been made to accurately reflect the expected patterns of economic benefits from these assets. The effect of this change was not material to the current period.

The new annual rates used are as follows:—

	Percent
Machinery and equipment	10 to 13
Office equipment, furniture and fixtures	10
Computer equipment	20 to 25

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.

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

	Six months ended 30 June 2001 *HK$'000*			
	Toys	**Property Investment**	**Eliminations**	**Consolidated**
REVENUE				
Turnover	125,804	10,746	—	136,550
Inter-segment revenue *(Note ii)*	—	1,878	(1,878)	—
Total revenue	125,804	12,624	(1,878)	136,550
RESULTS				
Segment results	(73,821)	9,144		(64,677)
Unallocated costs				(1,098)
Operating loss				(65,775)

Notes:

(i) No business segment analysis is provided for the six months ended 30 June 2000 as there was only toy operation during that period.

(ii) Inter-segment revenue eliminated on consolidation represents inter-company rental charges on properties owned by the Group.

(iii) The Group's associated companies are engaged in toys business only and contributed HK$4,071,000 (share of net profit after taxation) to the toys results for the current period.

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

	Turnover Six months ended 30 June		**Operating (loss)/profit Six months ended 30 June**	
	2001 *HK$'000*	2000 *HK$'000*	**2001** *HK$'000*	2000 *HK$'000*
Geographical segment:				
North America	**96,623**	193,192	**(57,101)**	(88,435)
Europe	**25,678**	44,097	**(14,088)**	949
Asia Pacific	**13,773**	6,004	**5,646**	(1,128)
Others	**476**	2,314	**(232)**	436
	136,550	245,607	**(65,775)**	(88,178)

3. (Loss)/profit before taxation

The (loss)/profit before taxation is stated after charging and crediting the following:—

	Six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
Charging:		
Cost of inventories sold	**62,057**	116,988
Depreciation of fixed assets	**5,156**	5,653
Loss on disposal of fixed assets	**—**	1,223
Crediting:		
Interest income	**5,188**	11,502
Dividend income	**142**	844

4. Taxation

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

	Six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current period	**(2,917)**	(335)
Prior years	**3,783**	—
	866	(335)
Overseas taxation		
Current period	**(6)**	20,244
Prior years	**462**	—
	456	20,244
Share of taxation attributable to associated companies	**(446)**	(957)
	876	18,952

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Overseas taxation is provided on the profits/losses of the overseas subsidiaries and branch in accordance with the tax laws of the countries in which these entities operate.

5. Dividends

	Six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
2000 final dividend paid of HK$0.01 (1999: final and special dividends paid of HK$0.31) per share *(Note)*	**10,091**	206,214
Underprovision for 1999 final and special dividends	**—**	2,928
	10,091	209,142
Proposed interim dividend of HK$nil (2000: HK$0.02) per share	**—**	13,454

Note:

The previously recorded final and special dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31 December 1999 and 2000 amounted to HK$206,214,000 and HK$10,091,000 respectively. Under the Group's new accounting policy as described in Note 1(i)(a), these have been written back against opening reserves as at 1 January 2000 and 2001 in Note 11 and are now charged in the period in which they are proposed.

6. (Loss)/earnings per share

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

	Six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
(Loss)/profit attributable to shareholders for the purpose of calculating basic and diluted (loss)/earnings per share	**(43,759)**	124,444
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**871,541,499**	667,457,288
Number of potential ordinary shares issuable under share options	**N/A**	3,631,694
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**N/A**	671,088,982

No diluted loss per share has been presented for current period as the exercise of share options would be anti-dilutive.

The basic and diluted earnings per share for prior period has not been adjusted as the rights issue completed on 16 March 2001 does not give rise to a bonus element.

7. Fixed assets

The increase in fixed assets is mainly contributed by the acquisition of a wholly-owned subsidiary, Pretty Star Limited, whose principal asset is the entire commercial building situated at No. 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The value of the property was HK$498 million at acquisition (Note 12). The property with a net book value of HK$497 million as at 30 June 2001 was mortgaged to a bank to secure a short-term loan (Note 12). Another residential flat of HK$18 million, held for investment purpose was also purchased during the period. Both properties are held under medium term leases.

8. Trade receivables

As at 30 June 2001, 76% (31 December 2000: 98%) of the trade receivables net of provisions were current to 30 days, 6% (31 December 2000: 1%) were 31 to 60 days and the remaining were over 60 days.

The Group normally trades with its customers on letters of credit at sight or usance or on open accounts with credit term of 60 days on average.

9. Trade payables

As at 30 June 2001, 88% (31 December 2000: 25%) of the trade payables were current to 30 days, 3% (31 December 2000: 73%) were 31 to 60 days and the remaining were over 60 days.

10. Share capital

	Authorised Ordinary shares of HK$0.10 each	
	No. of shares	*HK$'000*
At 1 January 2000 and 2001	1,500,000,000	150,000
Increase in authorised ordinary share capital *(Note i)*	1,500,000,000	150,000
At 30 June 2001	**3,000,000,000**	**300,000**

	Issued and fully paid Ordinary shares of HK$0.10 each	
	No. of shares	*HK$'000*
At 1 January 2000	661,065,673	66,107
Exercise of options	13,988,000	1,398
Repurchase of shares	(2,350,000)	(235)
At 1 January 2001	672,703,673	67,270
Issue of shares *(Note ii)*	336,351,836	33,636
At 30 June 2001	**1,009,055,509**	**100,906**

Notes:

(i) By an ordinary resolution passed on 22 May 2001, the authorised share capital of the Company was increased from HK$150 million to HK$300 million through the creation of 1,500,000,000 ordinary shares of HK$0.10 each.

(ii) The Group raised net proceeds of approximately HK$105 million by way of a rights issue of one rights share at HK$0.32 per share for every two existing shares held on 26 February 2001. The exercise has become unconditional on 16 March 2001 and 336,351,836 shares were issued and allotted accordingly. The share capital and share premium were then increased by HK$34 million and HK$71 million respectively.

11. Reserves

Retained earnings

	30 June 2001	31 December 2000
	HK$'000	*HK$'000*
At beginning of period/year as previously reported	**427,068**	199,892
Effect of adopting SSAP 9 (revised)	**10,091**	206,214
At beginning of period/year as restated	**437,159**	406,106
1999 final and special dividends paid	**—**	(209,142)
2000 final dividend paid	**(10,091)**	—
Transfer from reserves, net	**—**	139,603
(Loss)/profit for the period/year	**(43,759)**	114,046
2000 interim dividend paid	**—**	(13,454)
At end of period/year	**383,309**	437,159
Retained in:		
Company and subsidiaries	**364,624**	421,565
Associated companies	**18,685**	15,594
	383,309	437,159
Retained earnings	**383,309**	437,159
2000 final dividend proposed	**—**	(10,091)
	383,309	427,068
Other reserves	**74,050**	2,887
Total reserves	**457,359**	429,955

12. Acquisition

On 16 January 2001 the Group acquired the entire share capital and shareholder's loan of Pretty Star Limited ("Pretty Star") which is engaged in property investment and is incorporated in Hong Kong (the "Acquisition"). The total consideration for the Acquisition was approximately HK$257 million and was satisfied by cash.

The assets and liabilities arising from the acquisition are as follows:—

	HK$'000
Investment property *(Note 7)*	498,000
Bank loan *(Note 7)*	(238,000)
Other liabilities less assets	(3,140)
Shareholder's loan	(203,602)
Fair value of net assets	53,258
Shareholder's loan acquired	203,602
Total consideration	256,860

During the period, Pretty Star contributed HK$12 million turnover and HK$2 million profit after tax to the Group. It also contributed HK$15 million net cash inflow from operating activities and HK$7 million net cash outflow from returns on investment and servicing of finance to the Group.

There were no other significant changes in the composition of the Group during the first half of 2001.

13. Contingent liabilities

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

14. Banking facilities

As at 30 June 2001, the Group had available banking facilities amounting to approximately HK$756 million (31 December 2000: HK$517 million), of which HK$338 million (31 December 2000: HK$84 million) were utilised. The amount utilised was secured by inventories of HK$17 million (31 December 2000: HK$19 million), trade receivables of HK$72 million (31 December 2000: HK$216 million), bank balance of HK$72 million (31 December 2000: HK$66 million) and certain investment property and land and building with a net book value of HK$497 million (31 December 2000: nil).

15. Commitments

As at 30 June 2001, the Group had the following commitments:—

(a) Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to create, develop and market certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitment by the Group to the licensors to be fulfilled during the terms of contract. The amount of financial commitment contracted but not provided for at 30 June 2001 were as follows:—

	Unaudited 30 June 2001 *HK$'000*	Audited 31 December 2000 *HK$'000*
Within one year	**15,127**	4,776
In the second to fifth year inclusive	**23,845**	3,313
After the fifth year	**1,560**	447
	40,532	8,536

(b) Lease commitments

At 30 June 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities as follows:—

	Unaudited 30 June 2001 *HK$'000*	Restated 31 December 2000 *HK$'000* *(Note 1(i)(b))*
Within one year	**12,298**	14,832
In the second to fifth year inclusive	**29,119**	32,393
After the fifth year	**4,944**	6,159
	46,361	53,384

The Group has a non-cancellable sublease with future minimum sublease receipts of HK$7,910,000 (31 December 2000: nil).

16. 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 30 June 2001.

17. Comparative amounts

Certain comparative amounts have been adjusted or reclassified, details of which are set out in Notes 1, 11, and 15(b).

Management Discussion and Analysis

Business review and prospects

The drop in turnover was attributable to a decrease in revenues from toy sales, the principal activity of the Group, by 48.8% compared to the same period last year. In response to uncertain economic conditions in the principal markets in North America and Europe, retail customers had been cautious in making inventory commitments during the period. The Group had anticipated the prospect of an economic slowdown and was thus able to adjust its business plans proactively. Despite the drop in toy revenues, the operating loss during the period was less than that of the same period last year as a result of persistent cost reduction exercises and rationalization measures.

A number of established product lines, including ***The Simpsons™***, ***Amazing Ally™*** and her family of interactive dolls, and the ***Waterbabies®*** continued to perform well. The first ***Waterbabies®*** sporting the magic of classic ***Disney©*** characters were introduced during the period to encouraging response. The line of action figures based on *Paramount Picture's* ***Tomb Raider™*** movie performed within expectation. Other lines based on movies or TV series had performed less satisfactorily due to generally weakened demands for entertainment-related merchandise.

In January 2001, the Group completed the acquisition of the commercial building at 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The building has been re-named *The Toy House*, as the seat of the Group's global headquarters. Rental income from property investments contributed to 8% of total revenue in the period and provides a stable income stream to the Group's core business.

The Group will continue to hone its business plans to adapt to the changing environment; to exploit new technologies in innovative toy applications; to seek out meaningful opportunities in entertainment concepts, and to maintain the position as a lead player in its key categories.

The developments of the remaining new products for this year have been on time and proceeding according to plan. Most of the new products have been or will be launched during the third quarter. Nevertheless, the full year results are expected to be overshadowed by weakening consumer confidence and other prevailing negative economic conditions in the principal markets.

Playmates will bring to life characters and scenes from the classic *J.R.R. Tolkien* trilogy ***The Lord of the Rings™*** in a complete line of interactive electronic construction toys. *New Line Cinema* will introduce the first episode of the trilogy, ***The Fellowship of the Ring***, to movie screens in December 2001. *Re:PLAY!'s* ***Armor Bots™*** are supported by all major US retailers. Shipment of this line of hip battling robots commenced in July.

For Holiday 2001, Playmates will present ***Cinderella™***, one of the best loved *Disney Princesses*, as the first entry in the ***My Interactive Princess™*** line. ***Snow White*** and other princesses will soon join *Cinderella™* to tell their stories and perform magical interactions with little girls. Also supported by all major US retailers, ***Totally Trolls™***, with their distinctive looks and crazy color hair, received immediate consumer recognition and response. Many more *Trolls* of unique characters and designs will be introduced to enhance their collectable attribute.

A number of major product and category concepts are under active development for 2002 and beyond. In the coming months, the Group will be presenting to the trade fresh line extensions to the established brands and franchises; new categories for the *Disney©* license; new entertainment-based merchandise, and last but not least, some major initiatives targeted at a wide audience of consumers.

Liquidity and financial resources

The Group's toy business is seasonal in nature. Sales in the second half-year are generally significantly higher than the first half. Accordingly, a disproportionately high balance of receivables is generated during the selling seasons in the fourth quarter of the year. Consistent with trade practices, a significant portion of the sales is not collected until the final weeks of the fourth quarter and the first quarter of the subsequent year, resulting in a seasonal demand for working capital for the peak selling seasons. As at 30 June 2001, trade receivables related to toy operation were HK$120,322,000 (31 December 2000: HK$230,911,000) and inventories were HK$16,644,000 (31 December 2000: HK$19,211,000).

The Group's property investment business generates stable monthly income over the period. Approximately 90% of the total gross floor area of the Group's investment properties were leased out as at 30 June 2001. Rental receivables were minimal at HK$281,000 as at period end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total assets, at 30 June 2001 was 31.4 percent compared to 9.7 percent at 31 December 2000. The ratio of current assets to current liabilities i.e. liquidity ratio was 0.8 at 30 June 2001 compared to 2.0 at 31 December 2000. As at 30 June 2001, the Group's cash and bank balances were HK$224,457,000 compared to HK$376,051,000 at 31 December 2000.

Contingent liabilities

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

Charges on group assets

Details of charges on group assets are set out in Note 14 to the interim accounts.

Employees

As at 30 June 2001, the Group had a total of 110 employees world-wide.

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

Directors' and Chief Executive's Benefits from Rights to Acquire Shares or Debentures

Pursuant to the Share Option Plan of the Company, the directors have been granted rights to acquire shares of the Company. Details of the share options granted are as follows:—

			Number of options				
Name of directors	Date of grant	Exercise Price (Adjusted Exercise Price) *HK$*	Balance at 1 January 2001	Granted/ *Addition during the period	Exercised during the period	Lapsed during the period	Balance at 30 June 2001
Ip Shu Wing, Charles	20 October 1999	0.478 (0.443)	2,400,000	*189,000	—	—	2,589,000
	22 July 2000	0.690 (0.639)	1,000,000	*80,000	—	—	1,080,000
	21 May 2001	0.304	—	2,000,000	—	—	2,000,000
To Shu Sing, Sidney	26 August 1998	0.586 (0.543)	480,000	*38,000	—	—	518,000
	27 May 1999	0.558 (0.517)	480,000	*38,000	—	—	518,000
	20 October 1999	0.478 (0.443)	600,000	*47,000	—	—	647,000
	22 July 2000	0.690 (0.639)	500,000	*40,000	—	—	540,000
	21 May 2001	0.304	—	1,000,000	—	—	1,000,000
Cheng Bing Kin, Alain	27 May 1999	0.558 (0.517)	400,000	*32,000	—	—	432,000
	20 October 1999	0.478 (0.443)	400,000	*32,000	—	—	432,000
	22 July 2000	0.690 (0.639)	500,000	*40,000	—	—	540,000
	21 May 2001	0.304	—	1,000,000	—	—	1,000,000

The options are exercisable in stages in accordance with the terms of the Share Option Plan within ten years after the date of granting. The addition in the number of options and adjustment in option price is due to the rights issue which was completed on 16 March 2001.

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 and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executive's Interests in Securities

As at 30 June 2001, the interests of the directors and chief executive in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under section 31, or Part I of the Schedule to, the SDI Ordinance), or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (together, "Discloseable Interests") were as follows:—

Name of company	Name of director	Type of interest	Number of ordinary shares held
Playmates Interactive Entertainment Limited	Chan Chun Hoo, Thomas	Other *(Note (a))*	500,000,000
Playmates Interactive Entertainment Limited	Ip Shu Wing, Charles	Personal	21,200,000
Playmates Interactive Entertainment Limited	To Shu Sing, Sidney	Personal	900,000
Playmates Interactive Entertainment Limited	Cheng Bing Kin, Alain	Personal	300,000
Playmates Interactive Entertainment Limited	Lee Peng Fei, Allen	Personal	517,500
Playmates Interactive Entertainment Limited	Lo Kai Yiu, Anthony	Personal	1,000,000
Playmates Interactive Entertainment Limited	Tsim Tak Lung	Personal Family	300,000 20,000
Playmates Interactive Entertainment Limited	Yu Hon To, David	Corporate *(Note (b))*	3,500,000
Nippon Toys Limited	Ip Shu Wing, Charles	Personal *(Note (c))*	1

Note:

(a) 500,000,000 shares of the Company were beneficially owned by Chansam Investments Limited ("CIL"). 85.19 percent 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.

(c) Mr. Ip Shu Wing, Charles has a personal interest of 1 share in Nippon Toys Limited, an associated company of the Group. The 1 share owned by Mr. Ip represents 50 percent of the issued share capital of that company.

Substantial Shareholders' Interest in the Share Capital of the Company

Other than the interests disclosed above in respect of directors and chief executive, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company at 30 June 2001 had been notified by Mr. Chan Chun Wai and a company controlled by him that he was interested, in aggregate, in 123,079,201 shares of the Company.

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 of Best Practice of the Listing Rules

The directors believe that the Code of Best Practice has been complied with by the Company during the period ended 30 June 2001 except that non-executive directors are not appointed for a specific term as recommended under the Listing Rules Appendix 14 Guidelines. According to the Bye-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.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements.

On behalf of the Board
Chan Chun Hoo, Thomas
Chairman

Hong Kong, 12 September 2001