

## Results

The Directors of Playmates Holdings Limited (formerly known as Playmates Interactive Entertainment Limited) (the "Company") are pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 ("the period") as follows:

### Condensed consolidated profit and loss account

For the six months ended 30 June 2002

	Note	Unaudited Six months ended 30 June		
		2002 US\$'000 (Note 15)	2002 HK\$'000	2001 HK\$'000
<b>Turnover</b>	2	15,678	122,289	136,550
<b>Cost of sales</b>		<u>(8,913)</u>	<u>(69,521)</u>	<u>(92,408)</u>
<b>Gross profit</b>		6,765	52,768	44,142
<b>Operating expenses</b>				
Marketing		(3,759)	(29,317)	(30,698)
Selling, distribution and administration		<u>(8,991)</u>	<u>(70,135)</u>	<u>(79,219)</u>
<b>Operating loss</b>		<u>(5,985)</u>	<u>(46,684)</u>	<u>(65,775)</u>
<b>Non-operating income/(expenses)</b>				
Interest expense and bank charges		(827)	(6,450)	(10,087)
Other revenues		289	2,261	13,228
Net gain on investment in securities		<u>1,976</u>	<u>15,414</u>	<u>13,482</u>
		<u>(4,547)</u>	<u>(35,459)</u>	<u>(49,152)</u>
<b>Share of profits less losses of associated companies</b>		<u>(751)</u>	<u>(5,861)</u>	<u>4,517</u>
<b>Loss before taxation</b>	3	<u>(5,298)</u>	<u>(41,320)</u>	<u>(44,635)</u>
<b>Taxation</b>	4	<u>(20)</u>	<u>(158)</u>	<u>876</u>
<b>Loss attributable to shareholders</b>		<u>(5,318)</u>	<u>(41,478)</u>	<u>(43,759)</u>
		<u>US cents</u>	<u>HK cents</u>	<u>HK cents</u>
<b>Loss per share</b>	6	<u>(0.50)</u>	<u>(3.88)</u>	<u>(5.02)</u>

## Condensed consolidated balance sheet

As at 30 June 2002 and 31 December 2001

		Unaudited 30 June 2002 US\$'000 (Note 15)	Unaudited 30 June 2002 HK\$'000	Audited 31 December 2001 HK\$'000
<b>Non-current assets</b>				
Fixed assets		70,721	551,620	554,367
Investment in associated companies		5,089	39,693	45,554
Other investments		4,006	31,250	35,650
		<u>79,816</u>	<u>622,563</u>	<u>635,571</u>
<b>Current assets</b>				
Inventories		2,616	20,402	14,604
Trade receivables	7	2,832	22,092	45,460
Other receivables, deposits and prepayments		3,986	31,096	35,800
Taxation recoverable		36	280	318
Other investments		15,156	118,217	12,923
Cash and bank balances		18,107	141,234	230,233
		<u>42,733</u>	<u>333,321</u>	<u>339,338</u>
<b>Current liabilities</b>				
Trade payables	8	122	952	27,382
Bank loans	9	18,504	144,335	120,827
Other payables and accrued charges		13,969	108,958	128,242
Taxation payable		2,232	17,407	17,459
		<u>34,827</u>	<u>271,652</u>	<u>293,910</u>
<b>Net current assets</b>		<u>7,906</u>	<u>61,669</u>	<u>45,428</u>
<b>Total assets less current liabilities</b>		<u>87,722</u>	<u>684,232</u>	<u>680,999</u>
<b>Non-current liability</b>				
Bank loans	9	20,550	160,294	166,454
<b>Net assets</b>		<u>67,172</u>	<u>523,938</u>	<u>514,545</u>
Financed by:				
<b>Share capital</b>	10	15,524	121,087	100,906
<b>Reserves</b>		51,648	402,851	413,639
<b>Shareholders' funds</b>		<u>67,172</u>	<u>523,938</u>	<u>514,545</u>

## Condensed consolidated cash flow statement

For the six months ended 30 June 2002

	Unaudited		
	Six months ended 30 June		
	2002	2002	2001
	US\$'000	HK\$'000	HK\$'000
	(Note 15)		(As restated)
Net cash used in operating activities	(8,107)	(63,233)	(35,058)
Net cash used in investing activities	(12,049)	(93,984)	(226,746)
Net cash inflow from financing activities	8,746	68,218	110,535
Decrease in cash and cash equivalents	(11,410)	(88,999)	(151,269)
Cash and cash equivalents at 1 January	29,517	230,233	376,051
Effect of foreign exchange rate changes	—	—	(325)
Cash and cash equivalents at 30 June	18,107	141,234	224,457
<b>Analysis of balances of cash and cash equivalents:</b>			
Cash and bank balances	18,107	141,234	224,457

## Condensed consolidated statement of changes in equity

For the six months ended 30 June 2002

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Reserve on consolidation HK\$'000	Retained profits HK\$'000	
At 1 January 2002	100,906	81,863	582	21,082	310,112	514,545
Issue of shares	20,181	32,290	—	—	—	52,471
Share issuing expenses	—	(1,600)	—	—	—	(1,600)
Loss for the period	—	—	—	—	(41,478)	(41,478)
<b>At 30 June 2002</b>	<b>121,087</b>	<b>112,553</b>	<b>582</b>	<b>21,082</b>	<b>268,634</b>	<b>523,938</b>

	Unaudited							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Reserve on consolidation HK\$'000	Investment properties revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2001	67,270	10,374	582	20,964	1,718	(30,751)	437,159	507,316
2000 final dividend paid	—	—	—	—	—	—	(10,091)	(10,091)
Issue of shares	33,636	73,997	—	—	—	—	—	107,633
Share issuing expenses	—	(2,508)	—	—	—	—	—	(2,508)
Exchange differences	—	—	—	—	—	(326)	—	(326)
Loss for the period	—	—	—	—	—	—	(43,759)	(43,759)
Transfer between reserves	—	—	—	—	—	31,077	(31,077)	—
<b>At 30 June 2001</b>	<b>100,906</b>	<b>81,863</b>	<b>582</b>	<b>20,964</b>	<b>1,718</b>	<b>—</b>	<b>352,232</b>	<b>558,265</b>

## Notes to the condensed interim accounts

### 1. Basis of preparation and principal accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants ("HKSA").

These condensed interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2001 except that the Group has adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

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

(a) SSAP 11 (revised): Foreign currency translation

The balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss accounts of foreign enterprises were translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss accounts of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the accounts.

(b) SSAP 34: Employee benefits

(1) Employee leave entitlement

Employee entitlement to annual leave is recognised when it accrues to employees. This is a new policy applied upon the adoption of SSAP 34, however, the profit and loss account in prior periods has not been restated as the effect of this new policy is not material to the accounts.

(2) Equity compensation benefits

Share options are granted to directors and employees. If the options are granted at the market price of the shares on the date of the grant and are exercisable at that price, no compensation cost is recognised. If the options are granted at a discount on the market price, a compensation cost is recognised in the profit and loss account based on the discount. This is a new policy applied upon the adoption of SSAP 34, however, there is no effect to the accounts as all the options were not granted at a discount on the market price.

When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and share premium.

- (c) Certain presentational changes have been made upon the adoption of SSAP 1 (revised) "Presentation of financial statements" and SSAP 15 (revised) "Cash flow statements".

## 2. Segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, and property investment and management.

### Business segments

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

	Six months ended 30 June 2002			
	Toys	Property investment and management	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
Turnover	108,970	13,319	—	122,289
Inter-segment revenue (Note iii)	—	775	(775)	—
	<u>108,970</u>	<u>14,094</u>	<u>(775)</u>	<u>122,289</u>
<b>Results</b>				
Segment results	(50,125)	6,004	—	(44,121)
Inter-segment transactions	(775)	775	—	—
	<u>(50,900)</u>	<u>6,779</u>	<u>—</u>	<u>(44,121)</u>
Unallocated costs				(2,563)
Operating loss				<u>(46,684)</u>

**Six months ended 30 June 2001**

	<b>Property investment and management</b>		<b>Eliminations</b>	<b>Group</b>
	<b>Toys</b>	<b>management</b>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>				
Turnover	125,804	10,746	—	136,550
Inter-segment revenue ( <i>Note iii</i> )	<u>—</u>	<u>1,878</u>	<u>(1,878)</u>	<u>—</u>
	<u>125,804</u>	<u>12,624</u>	<u>(1,878)</u>	<u>136,550</u>
<b>Results</b>				
Segment results	(73,821)	9,144	—	(64,677)
Inter-segment transactions	<u>(1,878)</u>	<u>1,878</u>	<u>—</u>	<u>—</u>
	<u>(75,699)</u>	<u>11,022</u>	<u>—</u>	<u>(64,677)</u>
Unallocated costs				<u>(1,098)</u>
Operating loss				<u>(65,775)</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 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 tax of associated companies for the period amounted to HK\$5,861,000 (2001: net profit after taxation of HK\$4,071,000), which has not been included in the segment results shown above.

### Geographical segments

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

	Turnover		Segment results	
	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
North America	100,959	96,623	(45,878)	(57,101)
Europe	6,061	25,678	(2,207)	(14,088)
Asia Pacific	15,269	13,773	3,964	6,744
Others	—	476	—	(232)
	<u>122,289</u>	<u>136,550</u>	<u>(44,121)</u>	<u>(64,677)</u>

### 3. Loss before taxation

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

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
<b>Charging:</b>		
Cost of inventories sold	37,974	62,057
Staff costs ( <i>note i</i> )	37,637	39,017
Depreciation of fixed assets	13,583	5,156
	<u>89,194</u>	<u>106,230</u>
<b>Crediting:</b>		
Interest income from bank deposits	1,232	5,188
Dividend income from listed investments	1,029	142
Gain on disposal of fixed assets	70	—
	<u>2,331</u>	<u>5,330</u>

*Note i:* Staff costs include retirement benefit costs of HK\$991,000 for the Group's defined contribution schemes (2001: HK\$1,272,000).

#### 4. Taxation

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

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
Current period	<b>(176)</b>	(2,917)
Prior years	<b>18</b>	3,783
	<b>(158)</b>	866
Overseas taxation		
Current period	—	(6)
Prior years	—	462
	—	456
Share of taxation attributable to associated companies	—	(446)
	<b>(158)</b>	876

Hong Kong profits tax has been provided at the rate of 16% (2001: 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. Dividend

The Directors do not recommend the payment of an interim dividend in respect of the six months period ended 30 June 2002 (2001: HK\$ nil).

#### 6. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$41,478,000 (2001: HK\$43,759,000) and the weighted average number of 1,070,380,000 ordinary shares (2001: 871,541,000 ordinary shares) in issue during the period.

The basic loss per share for the prior period has not been adjusted as the rights issue completed on 7 May 2002 does not give rise to a bonus element.

Diluted loss per share has not been presented for both periods as the exercise of share options and warrants would be anti-dilutive.

#### 7. Trade receivables

As at 30 June 2002, 99.2% (31 December 2001: 88%) of the trade receivables net of provisions were current to 30 days, 0.1% (31 December 2001: 1%) were 31 to 60 days and the remaining were over 60 days.

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term of 60 days on average. For property investment and management business, no credit term is normally granted to tenants.

## 8. Trade payables

As at 30 June 2002, 7.6% (31 December 2001: 57%) of the trade payables were current to 30 days, 8.5% (31 December 2001: 37%) were 31 to 60 days and the remaining were over 60 days.

## 9. Bank loans

	<b>Unaudited 30 June 2002 HK\$'000</b>	Audited 31 December 2001 HK\$'000
Secured bank loans payable:		
Within one year	<b>129,905</b>	108,827
In the second year	<b>12,737</b>	12,326
In the third to fifth year	<b>43,151</b>	41,915
After the fifth year	<b>104,406</b>	112,213
	<b>290,199</b>	275,281
Unsecured bank loan payable within one year	<b>14,430</b>	12,000
	<b>304,629</b>	287,281
Current portion included in current liabilities	<b>(144,335)</b>	(120,827)
	<b>160,294</b>	166,454

As at 30 June 2002, the Group has banking facilities amounting to approximately HK\$569 million (31 December 2001: HK\$534 million), of which HK\$305 million (31 December 2001: HK\$287 million) were utilised.

The banking facilities of certain subsidiaries are secured by inventories of HK\$20 million (31 December 2001: HK\$14 million), gross trade receivables of HK\$34 million (31 December 2001: HK\$48 million), bank balances of HK\$39 million (31 December 2001: HK\$64 million), other investments of HK\$106 million (31 December 2001: HK\$ nil) and investment properties with aggregate net book value of HK\$538 million (31 December 2001: HK\$538 million) of the Group at 30 June 2002.

## 10. Share capital

	Authorised Ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000
<b>At 30 June 2002 and 31 December 2001</b>	<b>3,000,000,000</b>	<b>300,000</b>
	Issued and fully paid Ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 1 January 2001	672,703,673	67,270
Issue of shares	336,351,836	33,636
At 1 January 2002	1,009,055,509	100,906
Issue of shares ( <i>Note i</i> )	201,811,101	20,181
Exercise of warrants ( <i>Note ii</i> )	1,200	—
<b>At 30 June 2002</b>	<b>1,210,867,810</b>	<b>121,087</b>

### Notes:

- (i) The Group raised net proceeds of approximately HK\$51 million by way of a rights issue of one rights share at HK\$0.26 per share for every five existing shares held on 17 April 2002 (the "Rights Issue"). The issue became unconditional on 7 May 2002 and 201,811,101 shares were issued and allotted accordingly. The share capital and share premium were then increased by HK\$20 million and HK\$31 million respectively.
- (ii) As part of the Rights Issue, 201,811,101 warrants were issued on 7 May 2002 on the basis of one warrant for every one fully-paid rights share accepted. The warrants are exercisable from 13 May 2002 to 12 May 2004 at an initial subscription price of HK\$0.30 per share (subject to adjustment).

## 11. Contingent liabilities

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

## 12. Commitments

As at 30 June 2002, the Group had the following commitments:

### (a) Capital commitments

	<b>Unaudited 30 June 2002 HK\$'000</b>	Audited 31 December 2001 HK\$'000
Contracted but not provided for in respect of purchase of a subsidiary	<b>12,812</b>	—

### (b) 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 commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amount of financial commitments contracted but not provided for at 30 June 2002 were payable as follows:

	<b>Unaudited 30 June 2002 HK\$'000</b>	Audited 31 December 2001 HK\$'000
Within one year	<b>10,140</b>	7,457
In the second to fifth year inclusive	<b>13,260</b>	18,330
	<b>23,400</b>	25,787

## 13. Operating lease arrangements

The Group acts as lessee and lessor under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

### (a) Lessee

At 30 June 2002, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by the Group were as follows:

	<b>Unaudited 30 June 2002 HK\$'000</b>	Audited 31 December 2001 HK\$'000
Within one year	<b>10,951</b>	11,004
In the second to fifth year inclusive	<b>20,416</b>	25,458
After the fifth year	<b>3,151</b>	3,545
	<b>34,518</b>	40,007

The Group has a non-cancellable sublease with future minimum sublease receipts of HK\$10,644,000 (31 December 2001: HK\$12,180,000).

**(b) Lessor**

At 30 June 2002, the future aggregate minimum lease payments under non-cancellable operating leases for office and residential premises receivable by the Group were as follows:

	<b>Unaudited 30 June 2002 HK\$'000</b>	Audited 31 December 2001 HK\$'000
Within one year	<b>25,064</b>	24,704
In the second to fifth year inclusive	<b>9,178</b>	13,817
	<b><u>34,242</u></b>	<u>38,521</u>

**14. Subsequent event**

The Group entered into a Sale and Purchase Agreement to acquire the entire issued share capital of Bagnols Limited ("Bagnols") (formerly known as Rosy Way Company Limited) at a cash consideration of HK\$14.2 million. The principal asset of Bagnols is the whole of the factory buildings situated at No. 1 Tin Hau Road, Tuen Mun, New Territories, Hong Kong, which was agreed at a value of HK\$55.0 million. The major liability of Bagnols is a bank mortgage loan of HK\$38.5 million.

On 30 June 2002, a deposit of HK\$1.4 million was paid in respect of the acquisition, leaving a capital commitment of HK\$12.8 million. The acquisition was completed on 10 July 2002.

**15. 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 30 June 2002.

## Management Discussion and Analysis

### Business review and prospects

For the first half of 2002, the Group recorded a turnover of HK\$122,289,000, compared to HK\$136,550,000 a year ago. The turnover from toy sales was HK\$108,970,000, compared to HK\$125,804,000 a year ago and turnover from property investment and management (before inter-segment revenue eliminated) was HK\$14,094,000, an increase of 12 percent. Gross profit of the Group improved by 19.5 percent over the same period in 2001. Coupled with management focus on operation efficiencies, operating losses reduced by 29 percent to HK\$46,684,000. Net loss attributable to shareholders decreased by 5 percent to HK\$41,478,000 due to a share of losses from associated companies. Loss per share was reduced to HK cents 3.88 from a loss of HK cents 5.02 per share in the same period last year.

The results are in line with management's expectations and are tracking to the 2002 full year plan. These results validate Playmates Toys' strategy to reposition toy operations by focusing efforts on the establishment and growth of core, extendable, promotional brands with higher gross margin potential. Additionally, Playmates Toys decided to minimize its reliance on lower gross margin export shipments and maximize higher gross margin domestic U.S. shipments. This shift in shipping patterns has enabled Playmates Toys to meet retailers' inventory control objectives.

The implementation of Playmates Toys' strategy to improve supply chain efficiencies, reduce operating costs, grow profitable core brands, and realign its financial planning is delivering tangible, positive results. Playmates Toys continues to refine its product development and sourcing functions resulting in a marked increase in gross profit margin. As additional efforts are being made to rationalize operations and streamline organization structure, Playmates Toys has taken significant steps to strengthen its core management team with the addition of seasoned, industry professionals in senior sales, marketing and financial management positions. These efforts are laying the foundation for long-term growth.

Sales of the Disney® product line have grown 180% over 2001, exceeding early forecast. Continued growth is planned through 2003. For Holiday 2002, Playmates Toys will expand the Disney® lineup with the first extension to the "My Interactive Princess™" segment that was successfully introduced last year. This year's introduction, My Interactive Princess™ Belle (inspired by Disney's Beauty and the Beast), reached retailer shelves earlier in season and is already performing ahead of plan. Early sales of the "Before Once Upon a Time™..." assortment of Disney® Princess toddler dolls validate Playmates Toys' strategy to position this segment as a sustainable, staple addition to the Disney® business. Playmates Toys' new, TV advertised line of beautifully detailed, interactive "Magic Talk™" small dolls and playsets bring the Disney® Princesses to life with actual character voices and sound effects from Disney® feature films. Sales of all "Magic Talk™" products are tracking ahead of plan. The Disney® Waterbabies® business continues to grow with the timely addition of new, classic Disney® characters to this successful, basic segment.

“The Simpsons®” line of collectible products has maintained its positive momentum in 2002. New figures and playsets based on the 20th Century FOX prime time animated series, “The Simpsons®” will be released throughout 2002 and 2003. The Simpsons®, is currently entering its 14th season and will celebrate its 300th episode in February 2003.

Amazing Little Friends™ is the latest addition to Playmates’ acclaimed Amazing doll brand. Launched in Fall 2002, Amazing Little Friends™ is a truly interactive assortment of endearing and imaginative characters that will engage and amaze little girls.

Playmates Toys has partnered with Mirage Studios (creators of the Teenage Mutant Ninja Turtles®) and 4Kids Entertainment Inc. to launch a completely new, updated version of the classic Teenage Mutant Ninja Turtles® property. Earlier this year, Mirage and 4Kids announced that production has commenced on the first twenty-six of a planned fifty-two episodes of an entirely new, animated Teenage Mutant Ninja Turtles® television series. This new series is scheduled to premiere in the U.S. in the first quarter of 2003 on the FOX BOX, the 4Kids programmed, Saturday morning slate of boys action programs on the national Fox Network.

The Mirage/4Kids/Playmates Toys partnership has commenced development of comprehensive, national, child directed advertising, public relations and promotional campaigns in preparation for the Spring 2003 national, multimedia launch of this property. Additionally, Mirage and 4Kids will soon conclude negotiations with a major licensing partner for the development and worldwide distribution of Teenage Mutant Ninja Turtles® video games on all leading console and hand held platforms.

Playmates Toys’ is fully prepared for a broad, television advertised re-launch of the Teenage Mutant Ninja Turtles® toy line in Spring 2003. As the Master Toy Licensee, it will develop products in a wide range of categories to fully exploit the significant potential of this timeless property.

Other promising product line introductions in 2003 include Speedeez™, a new boys’ micro scale vehicle and playset brand that fulfills Playmates Toys’ objective of building a sustainable presence in the important vehicle category. Incorporating Playmates Toys’ proprietary Intelli-Tronic technology, Pro-Zone™ collectible sports figures and electronic environments will also launch in Spring 2003.

To capitalize on opportunities outside the U.S. market, Playmates Toys has formed strategic alliances with key, experienced, capable and financially strong European distributors. These reciprocal relationships will not only strengthen the worldwide distribution of Playmates Toys products but also facilitate the identification and joint development of new product lines.

The Group’s income from property rental and management (before inter-segment revenue eliminated) in the first half increased by 12 percent to HK\$14,094,000 compared to the same period last year. Despite the extremely soft property market in Hong Kong, we have been able to attract more quality tenants and achieve reduction in vacancy rates. Rental yield of investment properties during the period was 5.2 percent, compared to 5.03 percent during the same period last year. Property investment and management business will continue to provide the Group with a steady income stream and augment the Group’s core business.

## **Liquidity and financial resources**

The Group's toy business is inherently seasonal in nature. Generally speaking, sales in the second half-year are significantly higher than in the first half. As a result, a disproportionately high balance of trade receivables is generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling seasons. As at 30 June 2002, trade receivables related to toy operation were HK\$22,087,000 (31 December 2001: HK\$45,013,000) and inventories were HK\$20,402,000 (31 December 2001: HK\$14,604,000).

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 2002. Rental receivables were minimal as at period end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total assets, at 30 June 2002 was 31.9 percent compared to 29.5 percent at 31 December 2001. The ratio of current assets to current liabilities, i.e. current ratio, was 1.23 at 30 June 2002 compared to 1.15 at 31 December 2001.

During the period, the Group increased its short term Other Investments (liquid listed investments, bonds or unit trusts) to HK\$118,217,000 (31 December 2001: HK\$12,923,000) with a view to improve portfolio investment return. The Group's cash and bank balances as at 30 June 2002 were HK\$141,234,000 (31 December 2001: HK\$230,233,000). As at 30 June 2002, the Group's cash and bank balances and short term Other Investments were HK\$259,451,000 compared to HK\$243,156,000 as at 31 December 2001.

## **Charges on group assets**

Details of charges on group assets are set out in Note 9 to the interim accounts.

## **Employees**

As at 30 June 2002, the Group had a total of 99 employees world-wide.

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

## Share Options

The following shows the particulars of share options of the Company granted to directors of the Company and employees of the Group, pursuant to the share option plan adopted on 4 May 1998 (“Plan”), that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 41(2) of Appendix 16 of the Listing Rules:

Participant	Date of grant	Original Exercise Price HKS	Adjusted Exercise Price due to Rights Issue HKS	Number of share options			Balance at 30 June 2002
				Balance at 1 January 2002	Additions due to Rights Issue Adjustment	Lapsed during the period	
Ip Shu Wing,	20 October 1999	0.443	0.434	2,589,000	54,000	—	2,643,000
Charles	22 July 2000	0.639	0.626	1,080,000	22,000	—	1,102,000
<i>Director</i>	21 May 2001	0.304	0.297	2,000,000	47,000	—	2,047,000
To Shu Sing,	26 August 1998	0.543	0.532	518,000	11,000	—	529,000
Sidney	27 May 1999	0.517	0.506	518,000	11,000	—	529,000
<i>Director</i>	20 October 1999	0.443	0.434	647,000	13,000	—	660,000
	22 July 2000	0.639	0.626	540,000	11,000	—	551,000
	21 May 2001	0.304	0.297	1,000,000	24,000	—	1,024,000
Cheng Bing Kin,	27 May 1999	0.517	0.506	432,000	9,000	—	441,000
Alain	20 October 1999	0.443	0.434	432,000	9,000	—	441,000
<i>Director</i>	22 July 2000	0.639	0.626	540,000	11,000	—	551,000
	21 May 2001	0.304	0.297	1,000,000	24,000	—	1,024,000
Lam Yin Shing,	21 May 2001	0.304	0.297	1,000,000	24,000	—	1,024,000
Donald							
<i>Director</i>							
<i>Continuous Contract</i>	15 May 1998	0.543	0.532	7,705,000	153,000	531,000	7,327,000
	27 May 1999	0.517	0.506	2,617,000	55,000	281,000	2,391,000
<i>Employees, excluding Directors</i>	17 August 1999	0.428	0.419	6,477,000	139,000	—	6,616,000
	22 July 2000	0.639	0.626	5,250,000	107,000	406,000	4,951,000
	21 May 2001	0.304	0.297	10,120,000	225,000	765,000	9,580,000
	28 August 2001	0.300	0.294	8,000,000	163,000	—	8,163,000

The above share options are exercisable in stages in accordance with the terms of the Plan within ten years after the date of grant. The addition in the number of share options and adjustment in option price are due to the rights issue which was completed on 7 May 2002. No share options were granted, exercised or cancelled under the Plan during the period.

At a Special General Meeting held on 28 June 2002, a new share option scheme (“Scheme”) was approved and adopted by the shareholders of the Company. Up to 30 June 2002, no share options have been granted to any eligible participants under the Scheme.

The share options granted under the Plan and the Scheme are not recognised in the financial statements until they are exercised.

Apart from the aforesaid and other than the warrants mentioned in the section headed “Directors’ and Chief Executive’s Interests in Securities”, 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 2002, 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 of Hong Kong Limited (“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:

<b>Name of Company</b>	<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of shares/ warrants held</b>
Playmates Holdings Limited	Chan Chun Hoo, Thomas	Other ( <i>Note (a)</i> )	600,000,000 ordinary shares 100,000,000 warrants
Playmates Holdings Limited	Ip Shu Wing, Charles	Personal	21,200,000 ordinary shares
Playmates Holdings Limited	To Shu Sing, Sidney	Personal	1,300,000 ordinary shares 216,000 warrants
Playmates Holdings Limited	Cheng Bing Kin, Alain	Personal	360,000 ordinary shares 60,000 warrants
Playmates Holdings Limited	Lee Peng Fei, Allen	Personal	517,500 ordinary shares
Playmates Holdings Limited	Lo Kai Yiu, Anthony	Personal	1,200,000 ordinary shares 200,000 warrants
Playmates Holdings Limited	Tsim Tak Lung	Personal Family	360,000 ordinary shares 60,000 warrants 20,000 ordinary shares
Playmates Holdings Limited	Yu Hon To, David	Corporate ( <i>Note (b)</i> )	3,500,000 ordinary shares
Nippon Toys Limited	Ip Shu Wing, Charles	Personal ( <i>Note (c)</i> )	1 share

*Notes:*

- (a) 600,000,000 ordinary shares and 100,000,000 warrants of the Company were beneficially owned by Angers Investments Limited ("AIL"). All the issued share capital of AIL is beneficially wholly-owned by a private company which is in turn 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 ordinary 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 one share in Nippon Toys Limited, an associated company of the Group. The one share owned by Mr. Ip represents 50 percent of the issued share capital of that company.

The warrants are exercisable at any time from 13 May 2002 to 12 May 2004, both dates inclusive, at an initial subscription price of HK\$0.30 per share (subject to adjustment) and subject to the terms and conditions under the Warrant Instrument dated 7 May 2002.

### **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 2002 had been notified by Mr. Chan Chun Wai and a company controlled by him that he was interested, in aggregate, in 123,079,201 ordinary 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**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange during the six months ended 30 June 2002, with the exception that all non-executive directors of the Company were not appointed for a specific term. Pursuant to article 87(1) of the Bye-laws of the Company, non-executive directors are subject to retirement by rotation and re-election (if they offer themselves for re-election) at the Company's annual general meetings.

## **Audit Committee**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed interim accounts for the six months ended 30 June 2002.

On behalf of the Board  
**Chan Chun Hoo, Thomas**  
*Chairman*

Hong Kong, 10 September 2002