PLAYMATES HOLDINGS LIMITED
彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)

ANNOUNCEMENT OF ANNUAL RESULTS YEAR ENDED 31 DECEMBER 2008

RESULTS

The directors of Playmates Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 as follows:

Consolidated Income Statement
For the year ended 31 December 2008

	Note	**2008** *US$'000* (Note 9)	**2008** *HK$'000*	2007 *HK$'000*
Turnover	2	**102,787**	**801,739**	996,049
Cost of sales		**(57,784)**	**(450,710)**	(519,888)
Gross profit		**45,003**	**351,029**	476,161
Marketing expenses		**(27,733)**	**(216,319)**	(245,976)
Selling and distribution expenses		**(7,134)**	**(55,647)**	(71,391)
Administration expenses		**(21,865)**	**(170,546)**	(187,035)
Revaluation (deficit)/surplus on investment properties		**(15,088)**	**(117,687)**	329,637
Restructuring expenses		**–**	**–**	(18,950)
Operating (loss)/profit		**(26,817)**	**(209,170)**	282,446
Non-operating income/(expenses)				
Interest expense and bank charges		**(1,455)**	**(11,350)**	(10,440)
Other income		**1,607**	**12,537**	15,906
Net (loss)/gain on financial assets at fair value through profit or loss		**(39,206)**	**(305,806)**	55,288
		(65,871)	**(513,789)**	343,200
Share of profit of an associated company		**67**	**523**	3,426
Share of loss of a jointly controlled entity		**(168)**	**(1,313)**	–

	Note	2008 US$'000 (Note 9)	2008 HK$'000	2007 HK$'000
(Loss)/profit before taxation	3	**(65,972)**	**(514,579)**	346,626
Taxation charge	4	**(3,523)**	**(27,480)**	(30,340)
(Loss)/profit for the year		**(69,495)**	**(542,059)**	316,286
Attributable to:				
Equity holders of the Company		**(58,304)**	**(454,773)**	315,853
Minority interest		**(11,191)**	**(87,286)**	433
		(69,495)	**(542,059)**	316,286
Dividends	5	**3,429**	**26,748**	229,006
		US$	HK$	HK$
(Loss)/earnings per share	6			
Basic		**(0.26)**	**(2.04)**	1.50
Diluted		**N/A**	**N/A**	1.49

Consolidated Balance Sheet
As at 31 December 2008

	Note	2008 US$'000 (Note 9)	2008 HK$'000	2007 HK$'000
Non-current assets				
Fixed assets				
– Investment properties		**182,833**	**1,426,100**	1,539,800
– Other property, plant and equipment		**6,263**	**48,848**	38,149
– Prepaid premium on leasehold land held for own use under an operating lease		**8,239**	**64,267**	48,597
		197,335	**1,539,215**	1,626,546
Goodwill		**766**	**5,976**	5,976
Interest in an associated company		**3,284**	**25,613**	25,090
Interest in a jointly controlled entity		**1,094**	**8,534**	–
Deferred tax assets		**5,924**	**46,202**	91,976
		208,403	**1,625,540**	1,749,588
Current assets				
Inventories		**2,519**	**19,647**	33,368
Trade receivables	*7*	**10,115**	**78,900**	179,792
Other receivables, deposits and prepayments		**13,950**	**108,808**	80,172
Taxation recoverable		**514**	**4,011**	3,177
Financial assets at fair value through profit or loss		**23,719**	**185,012**	567,943
Cash and bank balances		**38,887**	**303,316**	375,215
		89,704	**699,694**	1,239,667
Current liabilities				
Bank loans		**25,861**	**201,721**	160,275
Trade payables	*8*	**12,527**	**97,709**	76,027
Other payables and accrued charges		**10,812**	**84,331**	160,415
Provisions		**3,785**	**29,520**	35,798
Taxation payable		**468**	**3,651**	5,856
		53,453	**416,932**	438,371
Net current assets		**36,251**	**282,762**	801,296
Total assets less current liabilities		**244,654**	**1,908,302**	2,550,884
Non-current liabilities				
Deferred tax liabilities		**16,511**	**128,785**	154,109
Net assets		**228,143**	**1,779,517**	2,396,775
Capital and reserve				
Share capital		**2,805**	**21,880**	222,523
Reserves		**219,154**	**1,709,400**	1,987,780
Proposed dividends		**–**	**–**	184,502
Declared dividends		**561**	**4,376**	–
Equity attributable to the Company's equity holders		**222,520**	**1,735,656**	2,394,805
Minority interests		**5,623**	**43,861**	1,970
Total equity		**228,143**	**1,779,517**	2,396,775

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. These financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, except that investment properties and financial assets at fair value through profit or loss are stated at fair value.

The accounting policies adopted in current year are consistent with those of the previous year except the Group has adopted HK (IFRIC) – Int 11: HKFRS 2: Group and Treasury Share Transactions and HKAS 39 & HKFRS 7 (Amendments): Reclassification of Financial Assets. The adoption of these amendments did not have significant effects on the financial statements of the Group and the Company.

2. Turnover and segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, property investment and management and restaurant operation. Revenue recognised during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sales of toys	**703,596**	909,030
Rental income from investment properties	**62,465**	52,701
Property management income	**11,052**	10,092
Restaurant income	**24,626**	24,226
	801,739	996,049

Business segments

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

	Year ended 31 December 2008			
	Toy business *HK$'000*	**Property investment and associated business** *HK$'000*	**Elimination** *HK$'000*	**Group** *HK$'000*
Revenue				
Turnover	**703,596**	**98,143**	**–**	**801,739**
Inter-segment revenue *(Note (iii))*	**–**	**889**	**(889)**	**–**
	703,596	**99,032**	**(889)**	**801,739**
Results				
Segment results	**(136,533)**	**(64,545)**	**–**	**(201,078)**
Inter-segment transactions *(Note (iii))*	**(889)**	**889**	**–**	**–**
	(137,422)	**(63,656)**	**–**	**(201,078)**
Unallocated costs				**(8,092)**
Operating loss				**(209,170)**

	Year ended 31 December 2007			
	Toy business *HK$'000*	Property investment and associated business *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
Revenue				
Turnover	909,030	87,019	–	996,049
Inter-segment revenue *(Note (iii))*	–	360	(360)	–
	909,030	87,379	(360)	996,049
Results				
Segment results	(68,385)	365,206	–	296,821
Inter-segment transactions *(Note (iii))*	(360)	360	–	–
	(68,745)	365,566	–	296,821
Unallocated costs				(14,375)
Operating profit				282,446

Notes:

(i) **Toy business** refers to the design, development, marketing and distribution of toys and family entertainment activity products.

(ii) **Property investment and associated business** refers to the leasing of commercial, industrial and residential premises to generate rental income, the provision of property management services and the operation of restaurants.

(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.

Geographical segments

The geographical analysis of the Group's turnover is as follows:

	2008	2007
	HK$'000	*HK$'000*
Americas		
– U.S.A.	**458,776**	607,169
– Others	**50,021**	62,395
Europe	**165,603**	203,291
Asia Pacific	**115,397**	121,454
Others	**11,942**	1,740
	801,739	996,049

3. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging/(crediting) the following:

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**382,747**	434,258
Write-down of inventories	**3,803**	3,288
Product development costs	**15,798**	24,668
Royalties paid	**74,204**	93,370
Direct operating expenses arising from investment properties that generate rental income	**1,944**	2,490
Direct operating expenses arising from investment properties that did not generate rental income	**1,404**	2,193
Provision for customer concession	**5,380**	12,304
Unutilised provision for customer concession	**(1,761)**	(1,301)
Reversal of provision for doubtful debts	**–**	(1,591)
Provision for customer and supplier claims	**28,346**	42,661
Unutilised provision for customer and supplier claims	**(6,328)**	(2,097)
Depreciation of fixed assets	**8,212**	8,196
Staff costs, including directors' remuneration	**107,432**	106,925
Operating leases expense on office and warehouse facilities	**8,562**	9,991
Loss on disposal of fixed assets	**55**	97
Interest on bank loans and overdrafts, wholly repayable within five years	**7,093**	5,488
Bank interest income	**(5,427)**	(13,045)
Dividend income from financial assets at fair value through profit or loss	**(7,110)**	(2,861)
Net realised loss/(gain) on financial assets at fair value through profit or loss	**225,889**	(28,269)
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	**79,917**	(27,019)

4. Taxation charge

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Overseas taxation is provided on the profits/losses of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate.

The amount of taxation (charged)/credited to the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**(7,018)**	(7,135)
Overseas tax refunded *(Note)*	**–**	22,879
(Under)/over provision in prior years	**(12)**	2,111
	(7,030)	17,855
Deferred taxation		
Decrease in tax rate	**8,767**	–
Origination and reversal of temporary differences	**(29,217)**	(48,195)
	(20,450)	(48,195)
	(27,480)	(30,340)

Note: This relates to the examination by the U.S. Tax Authority, the California Franchise Tax Board ("FTB") of certain state tax returns of the U.S. subsidiaries of the group for the tax years 1988 through 1990 of the Group. The Group settled all the tax liabilities regarding the tax case in 2006. However, the Group pursued refund claim through litigation with the FTB. In 2007, the Group and FTB agreed in principle to an out-of-court settlement which resulted in a refund of approximately HK$22,879,000.

5. Dividends

	2008	2007
	HK$'000	*HK$'000*
First interim dividend paid of HK$0.10 (2007: HK$0.20) per share	**22,372**	44,504
Second interim dividend declared of HK$0.02 (2007: HK$nil) per share	**4,376**	–
	26,748	44,504
Final dividend proposed of HK$nil (2007: HK$0.25) per share	**–**	55,931
Special dividend in specie proposed of HK$nil (2007: HK$0.57) per share	**–**	128,571
	–	184,502
	26,748	229,006

At a meeting held on 13 March 2009, the directors declared a second interim dividend of HK$0.02 per share on the basis of 218,800,000 shares in issue as at the date of the meeting. These declared dividends are not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2009.

6. (Loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$454,773,000 (2007: profit of HK$315,853,000) and on the weighted average of 223,239,000 (2007: 210,842,400) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2008 was not presented because the impact of the exercise of the share options was anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit attributable to equity holders of the Company for the year ended 31 December 2007 of HK$315,853,000 and the weighted average number of ordinary shares of 212,214,300 shares, adjusted for the effects of 1,371,900 dilutive potential shares.

7. Trade receivables

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, and restaurant operations, no credit term is granted to tenants and customers. The following is an aging analysis of trade receivables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**71,659**	178,256
31 – 60 days	**1,986**	261
Over 60 days	**5,255**	1,275
	78,900	179,792

8. Trade payables

The following is an aging analysis of trade payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**74,527**	34,166
31 – 60 days	**20,385**	41,391
Over 60 days	**2,797**	470
	97,709	76,027

9. 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 2008.

10. Comparative figures

Certain comparative figures of selling, distribution and administration expenses have been re-classified to conform to current year's presentation. Management believes that the reclassification of these operating expenses is a fairer presentation of the Group's activities.

11. Post balance sheet event

In order to enable Playmates Toys Limited ("PTL", together with its subsidiaries, collectively called "PTL Group") to renew the relevant expiring banking facilities given to PTL Group and/or allow PTL Group to continue utilising the relevant subsisting banking facilities given to PTL Group, the Company and PTL entered into a conditional agreement on 4 February 2009 under which the Company agreed to procure its subsidiary to provide the charge on deposit ("Charge on Deposit") to the relevant bankers in connection with the banking facilities of PTL Group. The maximum amount of deposits to be charged pursuant to the Charge on Deposit shall be up to HK$80 million. The Company shall charge PTL a fee equivalent to 1% per annum on the amount of HK$80 million for the provision of the Charge on Deposit. The provision of the Charge on Deposit by the Company has been approved by the shareholders of the Company pursuant to an ordinary resolution passed on 3 March 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Group turnover for the year ended 31 December 2008 was HK$802 million (2007: HK$996 million). Operating loss was about HK$209 million (2007: operating profit HK$282 million), and net loss attributable to shareholders was HK$455 million (2007: net profit HK$316 million). Basic loss per share was HK$2.04 (2007: basic earnings per share HK$1.50).

Property Investments and Associated Businesses

For the year under review, each of the property investment and associated business segments including (a) leasing, (b) property management and (c) food and beverage recorded growth despite the economic downturn triggered by the unprecedented global financial crisis. Turnover increased by approximately 13% over that of last year to about HK$98 million (2007: about HK$87 million). Operating profit before property revaluation increased by approximately 47% to about HK$53 million (2007: about HK$36 million). The Group's property investments were revalued by an independent professional surveyor as at the end of the year at the fair value of about HK$1.55 billion (2007: about HK$1.65 billion). The deficit arising from the revaluation of the investment properties of approximately HK$118 million (2007: surplus of approximately HK$330 million) was reported in the consolidated income statement of the Group. After accounting for the effect of the property revaluation deficit, the property investments and associated businesses reported an operating loss of approximately HK$64 million for the year under review (2007: operating profit of about HK$366 million after revaluation surplus).

(a) Property Investments

The Group's major investment properties include (i) The Toy House at 100 Canton Road, (ii) a number of properties at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road.

(i) The Toy House

Rental income generated by The Toy House before intra-group elimination was about HK$45 million, an increase of 18% over that of last year (2007: about HK$38 million). The increment was mainly attributable to the overall higher rental levels for both new leases and lease renewals entered into during the year. Two new tenants, namely an up-market beauty spa and a luxury wine bar club as previously reported, commenced business as scheduled in the third quarter of the year. During the year, a number of major tenancies, including food and beverage, retail and office tenancies were renewed at higher rental rates.

(ii) Hillview

Rental income generated by the residential properties at Hillview was about HK$14 million, an increase of 27% over that of last year (2007: about HK$11 million). The considerable growth was primarily driven by higher rental levels for new leases entered into in the first three quarters of the year when demands for luxury apartments were strong.

(iii) Playmates Factory Building

Rental income generated by Playmates Factory Building was about HK$8.7 million, an increase of 7% over that of last year (2007: about HK$8.1 million). The increment was primarily driven by renewals with rental increases although demand for industrial premises started to show signs of softening from the last quarter of 2008.

(b) Property Management

The property management business of the Group is operated through Prestige Property Management Limited, a wholly-owned subsidiary of the Group. Prestige Property Management Limited is engaged in managing The Toy House, Playmates Factory Building and Hillview, and provides comprehensive property management services which include attending to repair and maintenance, providing building security and general cleaning for common areas, attending to hand-over and take-over of premises and monitoring the reinstatement and refurbishment works.

Income generated from the property management business segment before intra-group elimination for the year was about HK$12.8 million, an increase of 9% over that of last year (2007: about HK$11.7 million).

(c) Food & Beverage Business

Income generated from the food and beverage business for the year was about HK$24.6 million, approximately 2% over that of last year (2007: about HK$24.2 million). Despite the negative impact on consumer spending caused by the global economic downturn, our food and beverage business managed to generate a moderate income growth for the whole year which was largely attributable to the high quality reputation the restaurants have established among a growing customer base, and their favourable location on Canton Road, Tsimshatsui, a major leisure and recreational destination for up-market visitors and local consumers.

In 2009, the outlook of the property investments and associated businesses has become uncertain as the global recession worsens and the local economic activities continued to slow down. Nevertheless, barring any further significant deterioration of the operating environment, management expects rental income to remain stable in 2009 on the strength of the quality and composition of the tenants.

Playmates Toys

As anticipated in the management discussion and analysis in the Company's 2008 Interim Report, the negative macroeconomic environment in which Playmates Toys operated, persisted in the second half of 2008 and in fact worsened towards the end of the third quarter, exacerbated by a series of high profile failures of a number of major U.S. and European financial institutions. By the end of the year, the economic slowdown which started in the U.S. had spread to Europe and other regions of the world, deteriorating into a deepening recession on a global scale.

Reacting to the rapid economic downturn in the third quarter, major mass retailers further tightened inventory and purchasing policies in anticipation of weak consumer demands in the 2008 holiday season. Nevertheless the retail sector reported early casualties: a major U.S. national toy specialty retail chain and a century-old U.K. national high street merchant filed for bankruptcy just weeks before Christmas. Industry statistics reported that in 2008 year-on-year U.S. toy retail sales were down about 3% in dollar terms with a corresponding decrease in unit sales of about 5%.

In this challenging environment, Playmates Toys' worldwide turnover for the year ended 31 December 2008 was HK$704 million (2007: HK$909 million). Despite decreased sales, Playmates Toys recorded a clean retail sell through for its major brands and managed its yearend inventory to the lowest level in recent years. Playmates Toys reported an operating loss of HK$139 million (2007: HK$69 million).

Year-on-year sales in the U.S. decreased by 24%, and in all other markets decreased by 19%. The sales decreases in developed markets, notably the U.S. and the E.U. countries, reflected the difficult economic environment. On the other hand, Playmates Toys continued to achieve sales growth in 2008 in a number of emerging markets, including Russia and many other Eastern European countries.

Gross profit ratio on toy sales was 38% (2007: 45%). Lower gross profit percentage was attributable to increase in closeout sales, higher development expenses as a percent of sales, lower margins on electronic toy products and reduced pricing on non-continuing brands. On a positive note, gross margins on continuing brands were maintained at 2007 levels as a result of price increases compensating for higher input costs. Input costs in China began to stabilize during the fourth quarter of 2008. The increase in closeout sales was a direct result of the legislation of more stringent safety standards in the U.S. for materials acceptable in the manufacture of toys, and retailers' accelerated adoption of these standards prior to the enforcement date of the new standards. In anticipation of this action by retailers, Playmates Toys moved early to conform to the new standards and disposed of excess inventory. Product development expenses, although lower in 2008 compared to 2007, were higher as a percentage of sales, due to lower sales. Operating expenses were managed to a level below last year, with reductions in advertising expenditures and professional fees.

In 2009, the operating environment for the toy industry is expected to continue to be difficult. As of yet there is no sign of an economic recovery and consumer confidence remains depressed. To prevail in this difficult environment and exploit available new opportunities, Playmates Toys is re-doubling its risk management efforts, while simultaneously pursuing its long term growth strategy with a commitment to its core competency. Expenses are being tightly controlled and cost cutting measures have been implemented to reduce overall operating costs. Targeted new property acquisitions are focused on Boy's action and Girl's doll categories, which are Playmates Toys' strong suits. While the economies in the emerging markets will be affected by the global recession in the short run, there remains significant opportunities for long term growth and Playmates Toys will continue to nurture and expand its distribution network in those markets.

In spite of the prevailing difficult macroeconomic environment, Playmates Toys enters 2009 with cautious optimism. While fully cognizant of the economic and financial challenges and uncertainties confronting its suppliers, customers and consumers around the world, Playmates Toys expects to achieve sales growth and improved operating results in 2009 on the strength of its product portfolio and streamlined operating structure. Two major marquee brands supported by worldwide theatrical releases, "***Terminator Salvation™***" and "***Star Trek™***", will be launched in the first half of the year. Preliminary indications in terms of customer feedback support these expectations.

Portfolio Investments

The Group engages in portfolio investments as part of its treasury activities which involve investing in various types of securities instruments. On 14 November 2008, the Company issued a profit warning statement to announce that the Group had incurred a net loss from investments for the ten-month period ended 31 October 2008 of approximately HK$272 million and forewarned that the adverse condition in the global financial markets might persist through the end of 2008 and accordingly the Group might record further losses from investments during the remaining months of the year. For the year ended 31 December 2008, the Group incurred a net loss from investments of about HK$306 million (including realized losses of about HK$226 million and unrealized losses of about HK$80 million). In comparison, in 2007 net gain from investments was about HK$55 million (including realized gains of about HK$28 million and unrealized gains of HK$27 million). As at 31 December 2008, the aggregate value of securities instruments in the Group's investment portfolio was about HK$185 million (2007: about HK$568 million).

The turmoil in the global financial and investment markets has not abated and significant market volatility may persist throughout the year 2009.

FINANCIAL ANALYSIS

The toy business is inherently seasonal in nature. In general, sales in the second half-year are much higher than those 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 2008, trade receivables related to toy operation were HK$77,240,000 (2007: HK$179,272,000) and inventories related to toy operation were at a seasonal low level of HK$19,469,000 or 2.8% of turnover (2007: HK$33,274,000 or 3.7% of turnover).

The property investment and associated business generated a relatively steady income stream throughout the year. Approximately 86% of the total gross floor area of the Group's investment properties were leased out as at 31 December 2008. Accounts 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 2008 was 8.7% compared to 5.4% at 31 December 2007. The current ratio, calculated as the ratio of current assets to current liabilities, was 1.7 at 31 December 2008 compared to 2.8 at 31 December 2007.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 31 December 2008, the Group's cash and bank balances were HK$303,316,000 (2007: HK$375,215,000), and the amount invested in various securities was HK$185,012,000 (2007: HK$567,943,000).

BONUS WARRANTS

In order to be able to enhance the working capital and the net asset position of the Company as well as the equity base of the Company, the Directors have resolved 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 5 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 and to whom the grant of the Bonus Warrants will, in the view of the Directors after having made reasonable enquiries, be unlawful or impractical in the absence of compliance with relevant registration or other special formalities in other territories.

Subscription Price

The Bonus Warrants will entitle holders to subscribe for Shares at the initial subscription price of HK$0.90 per Share in cash, subject to adjustments (such adjustment events include alteration of the nominal amount of the Shares by reason of consolidation or sub-division, capitalisation issue and capital distribution). The initial subscription price of HK$0.90 per Share represents a discount of approximately 4.26% to the closing price per Share of HK$0.94 on 13 March 2009 and represents the average closing price per Share of HK$0.90 for the 10 trading days ended on 13 March 2009.

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 Wednesday, 15 April 2009, and expiring 18 months thereafter, which is expected to be 14 October 2010, 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 43,760,000 new Shares (based on the 218,800,000 Shares in issue as at the date of this Announcement and on the assumptions that (i) no outstanding share options will be exercised prior to the Record Date; and (ii) no further Shares will be repurchased prior to the Record Date), representing 20% of the issued share capital of the Company as at 13 March 2009 and approximately 16.67% of the issued share capital of the Company as at 13 March 2009 as enlarged by the allotment and issue of new Shares upon full exercise of the Bonus Warrants. If 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 45,006,018 new Shares, representing 20% of the issued share capital of the Company as at the Record Date as enlarged by the allotment and issue of such new Shares upon full exercise of the outstanding share options which are eligible to be exercised prior to the Record Date, and approximately 16.67% of the issued share capital of the Company, as enlarged by the allotment and issue of such new Shares upon full exercise of the outstanding share options which are eligible to be exercised prior to the Record Date, and the Bonus Warrants.

The Bonus Warrants will be issued pursuant to the general mandate granted to the Directors to issue Shares during the relevant period up to a maximum of 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the annual general meeting of the Company on 5 May 2008.

Reasons for the Issue of Bonus Warrants

The Directors believe that the issue of Bonus Warrants will be able to enhance the working capital and the net asset position of the Company as well as the equity base of the Company.

The issue of Bonus Warrants provides an opportunity for the Group to raise funds to strengthen its financial position and capability to develop and expand its business. The proceeds, if all of the Bonus Warrants to be issued are exercised in full, will be approximately HK$39,384,000, before expenses, which will enhance the working capital and the net asset position of the Company. The Directors believe that the issue of Bonus Warrants is beneficial to the Company and the Shareholders as a whole.

As the amount that may be raised from the exercise of the Bonus Warrants to be issued cannot be determined until the expiry of the Bonus Warrants, the Directors have not earmarked any amount for any specific purposes.

Condition

The issue of the Bonus Warrants is conditional upon 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 Wednesday, 1 April 2009. The register of members of the Company will be closed from Monday, 30 March 2009 to Wednesday, 1 April 2009 (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 share registrars, Tricor Abacus Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 March 2009.

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 condition referred to above and subject to compliance with the stock admission requirements of HKSCC, 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 HKCSS 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 HKCSS.

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, subject to compliance with the relevant requirements (if any) of the Listing Rules. Overseas Shareholders may not be entitled to the Bonus Warrants, and Bonus Warrants may not be issued to those Overseas Shareholders if the grant of the Bonus Warrants to such Overseas Shareholders would or might, in the view of the Directors after having made reasonable enquiries, 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 those Overseas Shareholders who will not be issued with Bonus Warrants 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 Thursday, 9 April 2009 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 condition of the Bonus Warrants as referred to in the paragraph headed “Condition” above, dealings in the Bonus Warrants on the Stock Exchange are expected to commence on Wednesday, 15 April 2009.

General

The Circular containing details of the issue of the Bonus Warrants will be despatched to Shareholders as soon as practicable.

Expected Timetable for issue of the Bonus Warrants

25 March 2009, 4:00 p.m.	Wednesday	Latest time for dealing in Shares cum entitlements to the Bonus Warrant issue
26 March 2009	Thursday	First day of dealings in Shares ex entitlements to the Bonus Warrant issue
27 March 2009, 4:30 p.m.	Friday	Latest time for lodging share transfers to qualify for the Bonus Warrant issue
From 30 March 2009 to 1 April 2009	Monday Wednesday	Register of members closed (both days inclusive)
1 April 2009	Wednesday	Record date for determination of entitlements to the Bonus Warrant issue
2 April 2009	Thursday	Expected day for the despatch of the Circular
9 April 2009	Thursday	Despatch of Bonus Warrant certificates
15 April 2009, 9:30 a.m.	Wednesday	First day of dealings in Bonus Warrants

DEFINITIONS

"Bonus Warrant(s)"	not less than 43,760,000 warrants resolved 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 18 months thereafter, both days inclusive, up to an aggregate amount of approximately HK$39,384,000 for new Shares at an initial subscription price of HK$0.90 per Share
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the circular to be issued by the Company to give details of the issue of the Bonus Warrants
"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
"HKSCC"	Hong Kong Securities Clearing Company Limited
"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
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"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 issue of the Bonus Warrants, which is 1 April 2009
"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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, 4,924,956 shares of HK$0.10 each were repurchased by the Company at prices ranging from HK$0.74 to HK$0.81 per share through The Stock Exchange of Hong Kong Limited.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and ensuring high standards of corporate governance. The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2008 except for the deviation from provision A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

The chairman and chief executive officer of the Company is Mr. Chan Chun Hoo, Thomas. This deviates from provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board comprises three executive directors (one of whom is the chairman) and five non-executive directors. Of the five non-executive directors, three are independent non-executive directors. Mr. Chan Chun Hoo, Thomas focuses on Group strategy and is responsible for chairing and managing the efficient operation of the Board and ensuring that all key issues are considered by the Board in a timely manner; whereas responsibilities for running of the business operation of the Group are delegated to different designated senior executives. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive directorship element on the Board and a clear division of responsibility in running the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

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 financial statements for the year ended 31 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 30 March 2009 to 1 April 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared dividend and the Bonus Warrants, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. on 27 March 2009.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 13 March 2009

As at the date hereof, the board of directors of the Company comprises the following directors:

Mr. Chan Chun Hoo, Thomas *(Chairman and Executive Director)*, Mr. Cheng Bing Kin, Alain *(Executive Director)*, Mr. Ip Shu Wing, Charles *(Non-executive Director)*, Mr. Lee Peng Fei, Allen *(Independent Non-executive Director)*, Mr. Lo Kai Yiu, Anthony *(Independent Non-executive Director)*, Mr. To Shu Sing, Sidney *(Executive Director)*, Mr. Tsim Tak Lung *(Deputy Chairman and Non-executive Director)* and Mr. Yu Hon To, David *(Independent Non-executive Director)*

* *For identification purpose only*