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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 2009

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 2009 as follows:

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 US\$'000 (Note 9)	2009 HK\$'000	2008 HK\$'000
Revenue	2	95,566	740,635	813,207
Cost of sales		(46,379)	(359,435)	(450,710)
Gross profit		49,187	381,200	362,497
Marketing expenses		(23,456)	(181,786)	(216,319)
Selling and distribution expenses		(7,037)	(54,535)	(55,647)
Administration expenses		(16,294)	(126,276)	(170,546)
Net gain/(loss) on financial assets at fair value through profit or loss		5,482	42,484	(305,806)
Revaluation surplus/(deficit) on investment properties		29,740	230,488	(117,687)
Gain on disposal of an investment property		1,250	9,686	–
Operating profit/(loss)		38,872	301,261	(503,508)
Other income		18	142	1,069
Finance costs		(1,202)	(9,317)	(11,350)
Share of profit of an associated company		15	116	523
Share of loss of a jointly controlled entity		(510)	(3,950)	(1,313)
Profit/(loss) before income tax	3	37,193	288,252	(514,579)
Income tax expense	4	(11,359)	(88,034)	(27,480)
Profit/(loss) for the year		25,834	200,218	(542,059)

	<i>Note</i>	2009 <i>US\$'000</i> <i>(Note 9)</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit/(loss) for the year attributable to:				
Equity holders of the Company		30,891	239,408	(454,773)
Minority interests		(5,057)	(39,190)	(87,286)
		-----	-----	-----
		25,834	200,218	(542,059)
		=====	=====	=====
		<i>US\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings/(loss) per share				
	6			
Basic		0.14	1.09	(2.04)
		=====	=====	=====
Diluted		0.13	1.04	N/A
		=====	=====	=====

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 <i>US\$'000</i> <i>(Note 9)</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit/(loss) for the year	25,834	200,218	(542,059)
Other comprehensive income:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(69)	(533)	–
Total comprehensive income/(loss) for the year	25,765	199,685	(542,059)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	30,853	239,116	(454,773)
Minority interests	(5,088)	(39,431)	(87,286)
	25,765	199,685	(542,059)

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 US\$'000 (Note 9)	2009 HK\$'000	2008 HK\$'000
Non-current assets				
Fixed assets				
– Investment properties		233,323	1,808,250	1,426,100
– Other property, plant and equipment		7,307	56,628	48,848
– Prepaid premium on leasehold land held for own use under an operating lease		10,806	83,751	64,267
		----- 251,436	----- 1,948,629	----- 1,539,215
Goodwill		771	5,976	5,976
Interest in an associated company		3,320	25,729	25,613
Interest in a jointly controlled entity		-	-	8,534
Deferred tax assets		87	678	46,202
		----- 255,614	----- 1,981,012	----- 1,625,540
Current assets				
Inventories		1,398	10,835	19,647
Trade receivables	7	10,060	77,964	78,900
Other receivables, deposits and prepayments		3,773	29,243	108,808
Taxation recoverable		816	6,320	4,011
Financial assets at fair value through profit or loss		32,338	250,621	185,012
Interest in a jointly controlled entity		408	3,162	-
Cash and bank balances		39,582	306,764	303,316
		----- 88,375	----- 684,909	----- 699,694
Current liabilities				
Bank loans		43,226	335,000	201,721
Trade payables	8	2,895	22,434	97,709
Other payables and accrued charges		11,353	87,991	84,331
Provisions		3,213	24,904	29,520
Taxation payable		340	2,637	3,651
		----- 61,027	----- 472,966	----- 416,932
Net current assets		----- 27,348	----- 211,943	----- 282,762
Total assets less current liabilities		282,962	2,192,955	1,908,302
Non-current liabilities				
Bank loans		7,742	60,000	-
Deferred tax liabilities		21,666	167,909	128,785
		----- 29,408	----- 227,909	----- 128,785
Net assets		=====	=====	=====

	2009 <i>US\$'000</i> <i>(Note 9)</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Equity			
Share capital	2,898	22,462	21,880
Reserves	237,955	1,844,155	1,709,400
Declared dividends	12,292	95,262	4,376
	-----	-----	-----
Equity attributable to the equity holders of the Company	253,145	1,961,879	1,735,656
Minority interests	409	3,167	43,861
	-----	-----	-----
Total equity	253,554	1,965,046	1,779,517
	=====	=====	=====

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 (“HKICPA”), and the requirements of the Hong Kong Companies Ordinance. These financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and financial assets at fair value through profit or loss which are stated at fair values.

The accounting policies used in the preparation of this consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008, except that the Group has applied for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various – Annual Improvements to HKFRSs 2008	

Other than as noted below, the adoption of these new HKFRSs had no material impact on how the results and financial position for the current and prior period have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and presentation of some items within the primary financial statements. A third balance sheet as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'.

Comparatives have been restated to conform with the revised standard. However, the changes to the comparatives have not affected the consolidated or parent company balance sheet at 1 January 2008 and accordingly the third balance sheet as at 1 January 2008 is not presented.

HKFRS 8 Operating Segments

Upon the adoption of HKFRS 8, reportable segment information is now based on internal management reporting information that is regularly reviewed by the Group's senior executive management. In the previous annual financial statements, according to the predecessor standard, HKAS 14 "Segment Reporting", "business segments" were identified by reference to the nature of the products and services provided by the Group. Comparatives have been restated on a basis consistent with the new standard.

HKFRS 7 (Amendments) Improving Disclosures about Financial Instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the balance sheet. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of these new requirements.

Annual Improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first Annual Improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to HKAS 28 Investments in Associates has changed the Group's accounting policies on allocation of impairment losses of investments in associates and jointly controlled entities accounted for under the equity method. The amendment to HKAS 38 Intangible Assets has changed the Group's accounting policies on advertising and marketing expenses.

- (i) *Impairment of investment in associate and jointly controlled entity accounted for under equity method*

The amendment clarifies that an investment in associate and jointly controlled entity accounted for under the equity method is a single asset for the purposes of impairment testing. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. The new accounting policy has been applied prospectively as permitted by the amendment. The amendment did not have any impact on the current period results and financial position.

(ii) *Advertising and marketing expenses*

The adoption of the amendment to HKAS 38 has changed the Group's accounting policies on advertising and marketing expenses. In previous years, production costs of commercials and related programme costs are deferred and expensed in the year the commercial is first aired. Under the amendment, an asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services, all the advertising and marketing expenses are therefore expensed as incurred. This amendment has been applied retrospectively but did not have material impact on the results and financial position for any period presented.

Certain new and amended HKFRSs that have been published but are not yet effective have not been adopted early by the Group. The Group is currently assessing the impact of these new and amended HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's consolidated financial statements.

2. **Revenue and segment information**

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, property investment, property management, restaurant operation, securities and other investments. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of toys	636,440	703,596
Rental income from investment properties	67,587	62,465
Property management income	10,856	11,052
Restaurant income	20,159	24,626
Dividend income	4,890	7,110
Interest income	703	4,358
	-----	-----
Total revenue	740,635	813,207
	=====	=====

Segment results, assets and liabilities

The Group manages its business by operating divisions, which are organised by services, products and investments. In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments.

Property investments and associated businesses: this segment invests and leases commercial, industrial and residential premises for rental income, to gain from the appreciation in properties' values in the long term and to provide property management services for property management fee income, and operates restaurants.

Investment business: this segment invests in financial instruments including listed equity and managed funds for interest income and dividend income and to gain from the appreciation in instruments' values.

Toy business: this segment engages in the design, development, marketing and distribution of toys and family entertainment activity products.

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment to assess segment performance and allocate resources between segments.

Inter-segment revenue represents inter-company rental charges on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

The segment results for the year ended 31 December 2009 are as follows:

	Property investments and associated businesses HK\$'000	Investment business HK\$'000	Toy business HK\$'000	Total HK\$'000
Gross segment revenue	108,945	5,593	636,440	750,978
Inter-segment revenue	(10,343)	-	-	(10,343)
Revenue from external customers	<u>98,602</u>	<u>5,593</u>	<u>636,440</u>	<u>740,635</u>
Segment profit before depreciation and amortisation	301,297	48,077	(31,767)	317,607
Depreciation and amortisation	(3,680)	-	(3,164)	(6,844)
Segment operating profit/(loss)	<u>297,617</u>	<u>48,077</u>	<u>(34,931)</u>	<u>310,763</u>
Other income	5	-	137	142
Finance costs	(2,650)	(102)	(6,509)	(9,261)
Share of profit of an associated company	-	-	116	116
Share of loss of a jointly controlled entity	-	-	(3,950)	(3,950)
	<u>(2,645)</u>	<u>(102)</u>	<u>(10,206)</u>	<u>(12,953)</u>
Segment profit/(loss) before income tax	<u>294,972</u>	<u>47,975</u>	<u>(45,137)</u>	<u>297,810</u>
Unallocated corporate expenses				(9,558)
Profit before income tax				<u>288,252</u>
Bank interest income	5	703	137	
Revaluation surplus on investment properties	230,488	-	-	
Net unrealised gain on financial assets at fair value through profit or loss	-	36,238	-	
Impairment of a jointly controlled entity	-	-	(1,720)	

The segment results for the year ended 31 December 2008 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross segment revenue	106,417	11,468	703,596	821,481
Inter-segment revenue	(8,274)	–	–	(8,274)
	-----	-----	-----	-----
Revenue from external customers	98,143	11,468	703,596	813,207
	=====	=====	=====	=====
Segment loss before depreciation and amortisation	(55,675)	(294,338)	(135,929)	(485,942)
Depreciation and amortisation	(4,773)	–	(2,765)	(7,538)
	-----	-----	-----	-----
Segment operating loss	(60,448)	(294,338)	(138,694)	(493,480)
	-----	-----	-----	-----
Other income	225	–	844	1,069
Finance costs	(5,026)	(1,209)	(5,058)	(11,293)
Share of profit of an associated company	–	–	523	523
Share of loss of a jointly controlled entity	–	–	(1,313)	(1,313)
	-----	-----	-----	-----
	(4,801)	(1,209)	(5,004)	(11,014)
	-----	-----	-----	-----
Segment loss before income tax	(65,249)	(295,547)	(143,698)	(504,494)
	=====	=====	=====	=====
Unallocated corporate expenses				(10,085)

Loss before income tax				(514,579)
				=====
Bank interest income	225	4,358	844	
Revaluation deficit on investment properties	(117,687)	–	–	
Net unrealised loss on financial assets at fair value through profit or loss	–	(79,917)	–	

The segment assets and liabilities as at 31 December 2009 are as follows:

	Property investments and associated businesses HK\$'000	Investment business HK\$'000	Toy business HK\$'000	Total HK\$'000
Reportable segment assets	1,961,415	430,491	229,695	2,621,601
Interest in an associated company	-	-	25,729	25,729
Interest in a jointly controlled entity	-	-	3,162	3,162
	-----	-----	-----	-----
Total reportable segment assets	<u>1,961,415</u>	<u>430,491</u>	<u>258,586</u>	2,650,492
	=====	=====	=====	
Inter-segment elimination	-	-	(489)	(489)
Deferred tax assets				678
Taxation recoverable				6,320
Unallocated assets				8,920

Total assets				<u>2,665,921</u>
				=====
Reportable segment liabilities	<u>424,095</u>	-	<u>103,773</u>	527,868
	=====	=====	=====	
Inter-segment elimination	(489)	-	-	(489)
Deferred tax liabilities				167,909
Taxation payable				2,637
Unallocated liabilities				2,950

Total liabilities				<u>700,875</u>
				=====
Capital expenditure	211,582	-	1,365	

The segment assets and liabilities as at 31 December 2008 are as follows:

	Property investments and associated businesses <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Toy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,545,312	455,361	233,344	2,234,017
Interest in an associated company	–	–	25,613	25,613
Interest in a jointly controlled entity	–	–	8,534	8,534
	-----	-----	-----	-----
Total reportable segment assets	1,545,312	455,361	267,491	2,268,164
	=====	=====	=====	
Inter-segment elimination	(505)	–	(355)	(860)
Deferred tax assets				46,202
Taxation recoverable				4,011
Unallocated assets				7,717

Total assets				2,325,234
				=====
Reportable segment liabilities	189,586	–	222,012	411,598
	=====	=====	=====	
Inter-segment elimination	(355)	–	(505)	(860)
Deferred tax liabilities				128,785
Taxation payable				3,651
Unallocated liabilities				2,543

Total liabilities				545,717
				=====
Capital expenditure	30,187	–	7,295	

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, goodwill and interests in an associated company and a jointly controlled entity ("specified non-current assets"). The geographical location of customers is based on the country in which the customer is located. The geographical location of the specified non-current assets is based on the physical location of the assets in case of fixed assets, the location of operation to which they are allocated in case of goodwill, and the location of operation in case of interests in an associated company and a jointly controlled entity.

	Revenue from external customers		Specified non-current assets	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong (place of domicile)	101,584	106,348	1,977,535	1,564,671
Americas				
– U.S.A.	425,278	460,203	2,799	14,515
– Others	35,588	50,641	-	-
Europe	131,894	166,199	-	-
Asia Pacific other than Hong Kong	44,686	17,867	-	152
Others	1,605	11,949	-	-
	639,051	706,859	2,799	14,667
	740,635	813,207	1,980,334	1,579,338

Major customer

The Group's customer base is diversified and includes three (2008: two) customers of the toy business with each of whom transactions have exceeded 10% of the Group's total revenue. Aggregate revenue from sales to these customers amounted to approximately HK\$324 million (2008: HK\$239 million).

3. Profit/(loss) before income tax

Profit/(loss) before income tax is stated after charging/(crediting) the following:

	2009	2008
	HK\$'000	<i>HK\$'000</i>
Cost of inventories sold	302,019	382,747
Write-down of inventories	4,862	3,803
Product development costs	13,927	15,798
Royalties paid	94,783	74,204
Direct operating expenses arising from investment properties that generate rental income	3,142	1,944
Direct operating expenses arising from investment properties that did not generate rental income	1,727	1,404
Provision for customer concession	10,824	5,380
Reversal of unutilised provision for customer concession	(1,240)	(1,761)
Provision for customer returns, cooperative advertising and cancellation charges	26,728	28,346
Reversal of unutilised provision for customer returns, cooperative advertising and cancellation charges	(3,039)	(6,328)
Depreciation and amortisation of fixed assets	7,571	8,212
Employee benefit expense, including directors' remuneration	88,819	107,432
Operating leases expense on office and warehouse facilities	7,764	8,562
Loss on disposal of other property, plant and equipment	3,416	55
Interest on bank loans and overdrafts, wholly repayable within five years	5,174	7,093
Bank interest income	(845)	(5,427)
Net realised (gain)/loss on financial assets at fair value through profit or loss	(6,246)	225,889
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	(36,238)	79,917
	=====	=====

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	7,546	7,018
(Over)/under provision in prior years	(3,866)	12
	-----	-----
	3,680	7,030
	-----	-----
Deferred taxation		
Origination and reversal of temporary differences	84,354	29,217
Decrease in tax rate	-	(8,767)
	-----	-----
	84,354	20,450
	-----	-----
Income tax expense	88,034	27,480
	=====	=====

5. Dividends

(a) Dividends attributable to the year

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
First interim dividend of HK\$0.05 (2008: HK\$0.10) per share	11,095	22,372
Second interim dividend of HK\$0.05 (2008: HK\$0.02) per share	11,341	4,376
Special interim dividend in specie of HK\$0.37 (2008: HK\$nil) per share	83,921	-
	-----	-----
	106,357	26,748
	=====	=====

At a meeting held on 21 August 2009, the directors declared a first interim dividend of HK\$0.05 (2008: HK\$0.10) per share, which was paid on 22 September 2009.

At a meeting held on 26 March 2010, the directors declared:

- (i) a second interim dividend of HK\$0.05 per share on the basis of 226,814,751 shares in issue as at the date of the meeting; and
- (ii) a special interim dividend in specie of the shares of Playmates Toys Limited (“PTL Shares”), a subsidiary of the Company and the holding company of the Group’s toy business, in the proportion of one PTL Share for every two shares of Company held by the shareholders of the Company. 113,407,375 PTL Shares will be distributed on the basis of 226,814,751 shares of the Company in issue as at the date of the meeting, and based on the closing price per PTL Share as traded on the Stock Exchange on 25 March 2010 of HK\$0.74, the total amount of the distribution is approximately HK\$83,921,000, which represents a distribution of approximately HK\$0.37 per share.

The second and special interim dividends declared after the balance sheet date have not been recognised as liabilities in the financial statements, but reflected as an appropriation of retained profits for the year ended 31 December 2009.

(b) *Dividends attributable to previous year and paid during the year*

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Final dividend of HK\$nil (2008: HK\$0.25) per share	-	55,931
Special dividend in specie of HK\$nil (2008: HK\$0.57) per share	-	128,571
Second interim dividend of HK\$0.02 (2008: HK\$nil) per share	4,376	-
	-----	-----
	4,376	184,502
	=====	=====

6. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK\$239,408,000 (2008: loss of HK\$454,773,000) and on the weighted average number of ordinary shares of 220,557,000 (2008: 223,239,000) in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity holders of the Company for the year ended 31 December 2009 of HK\$239,408,000 and the weighted average number of ordinary shares of 229,865,000 shares in issue during the year, adjusted for the effects of 9,308,000 dilutive potential shares.

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.

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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 30 days	75,937	71,659
31 – 60 days	632	1,986
Over 60 days	1,395	5,255
	-----	-----
	77,964	78,900
	=====	=====

8. Trade payables

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	18,334	74,527
31 – 60 days	2,083	20,385
Over 60 days	2,017	2,797
	-----	-----
	22,434	97,709
	=====	=====

9. US dollars equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK\$7.75 to US\$1 ruling at 31 December 2009.

10. Comparative figures

As a result of the application of HKAS 1 (Revised 2007) “Presentation of Financial Statements” and HKFRS 8 “Operating Segments”, certain comparative figures have been adjusted to conform to current year’s presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009.

11. Event after balance sheet date

Disposal of interest in a jointly controlled entity

The Group’s interest in the jointly controlled entity was ceased on 1 January 2010. The recoverable amount recorded as at 31 December 2009 has been fully settled in February 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Group revenue for the year ended 31 December 2009 was HK\$741 million (2008: HK\$813 million). Operating profit was about HK\$301 million (2008: operating loss HK\$504 million), and net profit attributable to shareholders was HK\$239 million (2008: net loss HK\$455 million). Basic earnings per share was HK\$1.09 (2008: basic loss per share HK\$2.04).

Property Investments and Associated Businesses

The property investments and associated businesses remained stable as compared to that of last year despite the economic uncertainty following the unprecedented global financial crisis in the second half of 2008. Revenue from the property investments and property management businesses before intra-group elimination increased by 9% to approximately HK\$89 million (2008: HK\$81 million), while revenue from the food and beverage business decreased by 20% to about HK\$20 million (2008: HK\$25 million). Aggregate turnover before intra-group elimination slightly increased by approximately 3% over that of last year to about HK\$109 million (2008: about HK\$106 million). Operating profit before intra-group elimination and property revaluation increased by approximately

17% to about HK\$67 million (2008: about HK\$57 million). The Group's investment properties were revalued by an independent professional surveyor as at the end of the year and reported a fair market value of about HK\$1.81 billion (2008: about HK\$1.43 billion). The surplus arising from the revaluation of the investment properties of approximately HK\$230 million (2008: deficit of approximately HK\$118 million) was reported in the consolidated income statement of the Group. After accounting for the effect of the property revaluation surplus, the property investments and associated businesses segment reported an operating profit of approximately HK\$298 million for the year under review (2008: operating loss of about HK\$60 million after revaluation deficit).

(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. Rental income generated from the investment properties before intra-group elimination rose by 10% to HK\$76 million (2008: HK\$69 million). The increase in rental income was mainly attributable to leases taken up by new tenants and as a result, the overall occupancy rate of the investment properties significantly improved to 98% as at the year end compared to 86% of last year.

(i) The Toy House

Rental income generated by The Toy House before intra-group elimination was about HK\$52 million, an increase of 16% over that of last year (2008: about HK\$45 million). The increment was primarily driven by rental income generated from new leases entered into during the year. Three new tenants, namely a renowned infant and baby care retail shop as previously reported, a leading photo-shooting and wedding-related retail shop and an upscale Spanish restaurant, commenced business during the year. With the establishment of Canton Road as a luxury shopping landmark on the Kowloon side and the commencement of operation of the Austin MTR station in the second half of 2009, the management expects that the traffic in the area will be further improved and the tenant mix of the building will also be strengthened.

(ii) Hillview

Rental income generated by the residential properties at Hillview remained steady at about HK\$14 million (2008: HK\$14 million). Although demand for luxury residential properties from expatriates weakened in the first half of 2009, the proactive measures that we took in finding replacement tenants during the year proved to be successful. We achieved the target of full occupancy as at the year end as compared to 85% of last year. As the economic conditions have begun to stabilise, there are signs of improving demand for luxury residential properties from expatriates and the management is optimistic on the luxury and high-end residential market.

(iii) Playmates Factory Building

Rental income generated by Playmates Factory Building before intra-group elimination was about HK\$9 million, an increase of 3% over that of last year (2008: about HK\$8.7 million). The increment was mainly attributable to the new lettings during the year. A reputable logistic company chose the property as its logistic centre during the year and

committed to occupy over 20% of the rentable gross floor area of the property. The property was substantially fully let as at the end of the year.

(b) Property Management

The property management business of the Group is operated through Prestige Property Management Limited, an indirectly wholly owned subsidiary of the Group. It manages The Toy House, Playmates Factory Building and Hillview, providing comprehensive property management services which include attending to repair and maintenances, 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 remained at about HK\$12.8 million, the same level as previous year.

(c) Food & Beverage Business

Income generated from the food and beverage business for the year dropped by 20% to about HK\$20 million (2008: about HK\$25 million). Owing to the adverse impact of the financial crisis, consumers curtailed spending in up-market restaurants. However, as there were signs of the economy stabilising in the second half of 2009, the Group opened a Spanish restaurant in The Toy House with the aim of bringing more variety of specialty restaurants in the building. With the high quality, good reputation established among a growing customer base and the favourable location of the restaurants, the management is optimistic about the prospect of the business.

In 2010, barring any significant risk of economic uncertainty, management expects steady growth in this segment in the medium to long term when consumer sentiment and the retail market improves and further stabilises. We will continue to pursue our strategy of seeking growth in terms of capital appreciation and recurring income.

Playmates Toys

Playmates Toys group worldwide turnover for the year ended 31 December 2009 of US\$82 million (HK\$636 million) reflects a decrease of 9.6% compared to the prior year's turnover of US\$90 million (HK\$704 million). Playmates Toys reported an operating loss of HK\$35 million (2008: HK\$139 million). Gross profit ratio on toy sales was 45.9% (2008: 38.3%). The increase was attributable to: a mix of higher margin product for 2009 compared to 2008 and a decrease in closeout sales, which were partially offset by an increase in development expenses and tooling costs as a percentage of turnover.

Recurring operating expenses were managed to a level below last year with lower advertising and promotional spending (down 16.0%), and a reduction in general and administrative expenses (down 34.7%) due to extensive cost cutting measures in both the US and Asian operations. Playmates Toys recorded higher than usual licensing expenses due to the write off of minimum guarantees associated with non performing licenses.

In 2009 the toy industry experienced another year of challenges and negative growth. Traditional toys sales worldwide declined 3%. Economies in the developed markets remained sluggish throughout most of the year negatively impacting consumer spending in our most significant markets. Retailers remained cautious on inventory replenishment and weak consumer demand necessitated heavy promotional activity during the holiday season, which resulted in unit movement, but adversely affected dollar volume. US retailers continued to pursue a strategy of tight inventory control, brand and SKU reduction, and consolidation of vendor base. In the US overall retail toy sales were down by 1%.

Playmates Toys US turnover decreased by 7.6% compared to 2008 due primarily to disappointing performance of both the *Star Trek*^{™ & ©} and *Terminator: Salvation*^{™ & ©} movie brands, decreased sales of *Teenage Mutant Ninja Turtle*[®] products, in a year that did not have new entertainment and the discontinuation of the *Disney*[®] Princess license; partially offset by the introduction of the *iCarly*[®] brand which performed well. International turnover decreased by 13.1% compared to 2008 for similar reasons.

Playmates Toys enters 2010, recognising the uncertainty of the global economic recovery and facing continued challenges in the operating environment, retailer consolidation of toy shelf space with a preference to support larger established brands and the expanding strength and dominance of its major competitors. To prevail in this difficult environment and to selectively exploit available new opportunities, Playmates Toys continues to pursue a focused operating strategy and diligent risk management. New property acquisitions will be highly selective and focused on Playmates Toys' core competency: the Boy's action and Girl's doll categories. Restructuring, cost reduction initiatives and sustained expenses control are expected to further reduce overall operating costs.

Portfolio Investments

The Group engages in portfolio investments which involve investing in listed shares and managed funds. The investment policy provides for a set of prudent guidance and control framework to achieve the objective of managing a portfolio that is highly liquid and offers reasonable risk-adjusted returns through capital appreciation and dividend income.

As at 31 December 2009, fair market value of the Group's investment portfolio was HK\$251 million (2008: HK\$185 million). The Group reported a net gain from investments of approximately HK\$42 million. In comparison, a net loss from investments of approximately HK\$306 million was incurred for the same period in 2008. In 2009, dividend and interest income generated from portfolio investments were HK\$6 million (2008: HK\$11 million) and has been included in the revenue of the Group.

The Group will remain vigilant in monitoring and balancing the investment portfolio amid continued market uncertainties.

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 2009, trade receivables related to toy operation were HK\$76,562,000 (2008: HK\$77,240,000) and inventories related to toy operation were at a seasonal low level of HK\$10,181,000 or 1.6% of turnover (2008: HK\$19,469,000 or 2.8% of turnover).

The property investment and associated business generated a relatively steady income stream throughout the year. Approximately 98% of the total gross floor area of the Group's investment properties were leased out as at 31 December 2009. 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 2009 was 14.8% compared to 8.7% at 31 December 2008. The current ratio, calculated as the ratio of current assets to current liabilities, was 1.4 at 31 December 2009 compared to 1.7 at 31 December 2008.

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 2009, the Group's cash and bank balances were HK\$306,764,000 (2008: HK\$303,316,000), and the amount invested in various securities was HK\$250,621,000 (2008: HK\$185,012,000).

DISTRIBUTION IN SPECIE OF SHARES IN PLAYMATES TOYS LIMITED

The Distribution and its effects

At a meeting held on Friday, 26 March 2010, the directors of the Company (the "Directors") declared a special interim dividend to be effected by way of a distribution in specie (the "Distribution") of shares of HK\$0.01 each (the "PTL Shares") in the share capital of Playmates Toys Limited ("PTL") in the proportion of one PTL Share for every two shares of HK\$0.1 each in the share capital of the Company (the "Shares") held by holders of Shares (the "Shareholders") whose names appear on the register of members of the Company as at the close of business on the record date for determination of entitlements to the Distribution, which is Tuesday, 20 April 2010 (the "Record Date"), other than the Overseas Shareholders (as defined below) (the "Qualifying Shareholders"). No fraction of a PTL Share will be distributed but fractional entitlements will be aggregated and disposed of for the benefit of the Company.

As at the date of this announcement, there are 226,814,751 Shares in issue and the Company owns an aggregate of 471,275,044 PTL Shares, representing approximately 67.76% of the issued share capital of PTL.

On the assumption that there is no change in the respective issued share capital of the Company and PTL up to the Record Date and none of the outstanding warrants of the Company were exercised before the Record Date, a maximum of 113,407,375 PTL Shares will be distributed pursuant to the Distribution, and immediately after the Distribution, the number of PTL Shares and the percentage of the issued share capital of PTL held by the Group will be reduced from 471,275,044 PTL Shares to 357,867,669 PTL Shares and from approximately 67.76% to approximately 51.45%. If all the outstanding warrants of the Company were exercised before the Record Date, a maximum of 130,000,000 PTL Shares will be distributed pursuant to the Distribution, and immediately after the Distribution, the Group will hold 341,275,044 PTL Shares, representing approximately 49.07% of the issued share capital of PTL.

On the assumption that an aggregate of 113,407,375 PTL Shares will be distributed and based on the closing price per PTL Share as traded on The Stock Exchange of Hong Kong Limited on Thursday, 25 March 2010 (the date prior to the date of this announcement) of HK\$0.74, the aggregate market value of the PTL Shares to be distributed under the Distribution is approximately HK\$83,921,000, which represents a distribution of approximately HK\$0.37 per share.

Upon the above dividend settlement, a gain or loss on disposal of partial interest in a subsidiary arising from the Distribution, calculated as the difference between the fair value and the carrying amount of the PTL Shares to be distributed on the settlement date, will be accounted for in the Group's result in the accounting period in which the settlement date falls into. Assuming the actual number of Distribution Shares is 113,407,375, the closing price of the PTL Shares on Thursday, 25 March 2010 as the estimated fair value of the Distribution Shares at the dividend settlement date and the net asset value per PTL Share on 31 December 2009 together with the effect of the convertible bond converted on 22 January 2010 as the carrying amount of each Distribution Share on the settlement date, a gain of approximately HK\$57 million will be recognized by the Group in the first half of the current financial year.

All PTL Shares held by the Company to be distributed by the Company under the Distribution (the "Distribution Shares") are fully-paid and will rank pari passu in all respects with all other PTL Shares in issue and with each other. The Company will bear the stamp duty which may be payable as a result of the transfer of the Distribution Shares by the Company.

Overseas Shareholders

Distribution Shares will not be transferred to, and certificates in respect of the Distribution Shares will not be despatched to, Shareholders whose addresses as shown in the register of members of the Company at the close of business on the Record Date are in places outside of Hong Kong (the "Overseas Shareholders") in the event that the board of directors of the Company, upon making reasonable enquiry, considers distribution to the Overseas Shareholders would or might, in the absence of compliance with relevant registration or other special formalities in other territories, be unlawful or impracticable and compliance with the registration or other special formalities in these jurisdictions could be both costly and time-consuming, and therefore inexpedient to do so.

Accordingly, certain Overseas Shareholders will not receive the PTL Shares pursuant to the Distribution. Instead, arrangements will be made for the PTL Shares which would otherwise have been transferred to those Overseas Shareholders to be sold in the market as soon as reasonably practicable on or after the date of posting of the share certificates for the Distribution Shares (which date is currently expected to be on or about Wednesday, 28 April 2010) at such price(s) as may reasonably be obtained in the market. The net proceeds of sale, after deduction of the expenses in relation to the sale thereof (including brokerage, trading fee and transaction levy payable in respect of such sale) will be paid in Hong Kong dollars to such Overseas Shareholder(s) pro rata to their entitlements in full satisfaction of their rights to the Distribution Shares to which they would have been entitled under the Distribution (except that amounts of less than HK\$100 will be retained for the benefit of the Company). Cheques representing such net proceeds, if any, will be sent to the relevant Overseas Shareholders at their own risk after the sale of all such PTL Shares.

Tentative timetable

Last day of dealings in the Shares on a cum-entitlement basis	Tuesday, 13 April 2010
Commencement of dealings in the Shares on an ex-entitlement basis	Wednesday, 14 April 2010
Latest time for lodging transfer of the Shares in order to qualify for entitlement pursuant to the Distribution	4:30 p.m., Thursday, 15 April 2010
Latest time for lodging the subscription forms accompanied by the relevant warrant certificates and the exercise money to qualify for entitlement pursuant to the Distribution	4:30 p.m., Thursday, 15 April 2010
Closure of the register of members of the Company	Friday, 16 April to Tuesday, 20 April 2010
Record Date	Tuesday, 20 April 2010
Re-opening of the register of members of the Company	Wednesday, 21 April 2010
Completion of transfer of Distribution Shares to Qualifying Shareholders and Qualifying Shareholders become shareholders of PTL	on or about Wednesday, 28 April 2010
Posting of the share certificates of the Distribution Shares	on or about Wednesday, 28 April 2010

Note: The above tentative timetable is an indication only. Should there be any changes to the above tentative timetable, further announcement will be made by the Company as and when necessary.

Information on PTL

PTL is a subsidiary of the Company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The principal activities of PTL and its subsidiaries are design, development, marketing and distribution of toys and family entertainment activity products.

Share certificates of the Distribution Shares

Definitive certificates for the Distribution Shares are expected to be despatched by ordinary mail to the respective addresses of the Qualifying Shareholders, at their own risk, by no later than Wednesday, 28 April 2010 (subject to change).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, 2,560,000 shares of HK\$0.10 each were repurchased by the Company at prices ranging from HK\$1.80 to HK\$2.37 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 2009 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 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 16 April 2010 to Tuesday, 20 April 2010, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the declared second interim dividend and special interim dividend, 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 Thursday, 15 April 2010.

In the case of holders of warrants of the Company, in order to be qualified for the declared second interim dividend and special interim dividend, all subscription forms accompanied by the relevant warrant certificates and the exercise money must be lodged for registration 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 Thursday, 15 April 2010.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 26 March 2010

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*