PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code：869)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS

The directors of Playmates Toys 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 2011 as follows:

Consolidated Income Statement

For the year ended 31 December 2011

	Note	**2011** ***US$'000*** *(Note 10)*	**2011** ***HK$'000***	2010 *HK$'000*
Revenue	2	**5,762**	**44,947**	148,219
Cost of sales		**(4,115)**	**(32,095)**	(86,080)
Gross profit		**1,647**	**12,852**	62,139
Marketing expenses		**(3,210)**	**(25,040)**	(55,057)
Selling and distribution expenses		**(261)**	**(2,034)**	(7,345)
Administration expenses		**(9,245)**	**(72,112)**	(89,720)
Operating loss		**(11,069)**	**(86,334)**	(89,983)
Other income		**193**	**1,503**	203
Finance costs		**(289)**	**(2,256)**	(1,458)
Change in fair value of derivative financial instrument		**1**	**10**	-
Share of loss of an associated company		**(414)**	**(3,231)**	(2,360)

	Note	**2011**	**2011**	2010
		US$'000	***HK$'000***	*HK$'000*
		(Note 10)		
Loss before income tax	3	**(11,578)**	**(90,308)**	(93,598)
Income tax expense	4	**(27)**	**(213)**	(2,085)
Loss for the year attributable to equity holders of the Company		**(11,605)**	**(90,521)**	(95,683)
		US cents	***HK cents***	*HK cents*
Loss per share	6			
Basic		**(1.11)**	**(8.67)**	(11.39)
Diluted		**(1.11)**	**(8.67)**	(11.39)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011	**2011**	2010
	US$'000	***HK$'000***	*HK$'000*
	(Note 10)		
Loss for the year	**(11,605)**	**(90,521)**	(95,683)
Other comprehensive income:			
Release of reserve upon winding up of a subsidiary	**-**	**-**	(23)
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(42)**	**(328)**	-
Total comprehensive income for the year attributable to equity holders of the Company	**(11,647)**	**(90,849)**	(95,706)

Consolidated Balance Sheet

As at 31 December 2011

	Note	**2011** **US$'000** *(Note 10)*	**2011** **HK$'000**	2010 HK$'000
Non-current assets				
Property, plant and equipment		**226**	**1,767**	2,913
Interest in an associated company		**2,205**	**17,198**	20,429
Deferred tax assets		**16**	**125**	72
		2,447	**19,090**	23,414
Current assets				
Inventories		**273**	**2,127**	5,404
Trade receivables	7	**916**	**7,144**	10,642
Deposits paid, other receivables and prepayments		**906**	**7,065**	9,007
Taxation recoverable		**27**	**216**	16
Cash and bank balances		**26,765**	**208,766**	172,787
		28,887	**225,318**	197,856
Current liabilities				
Trade payables	8	**405**	**3,160**	7,076
Deposits received, other payables and accrued charges		**8,196**	**63,933**	25,809
Derivative financial instrument	9	**441**	**3,437**	-
Provisions		**660**	**5,147**	9,403
Taxation payable		**-**	**-**	310
		9,702	**75,677**	42,598
Net current assets		**19,185**	**149,641**	155,258
Total assets less current liabilities		**21,632**	**168,731**	178,672
Non-current liabilities				
Convertible bond	9	**9,545**	**74,447**	-
Net assets		**12,087**	**94,284**	178,672
Equity				
Share capital		**1,341**	**10,463**	10,433
Reserves		**10,746**	**83,821**	168,239
Total equity		**12,087**	**94,284**	178,672

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with 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 financial statements have been prepared under the historical cost basis except for derivative financial instrument (including conversion options embedded in convertible bond) which is stated at fair value.

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 2010, except 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 2011:

HKAS 24 (Revised)	Related Party Disclosures
Various	Improvements to HKFRSs 2010

The adoption of the new HKFRSs had no impact on how the results and financial position for the current and prior periods have been prepared and presented.

At the date of authorisation of these financial statements, certain new or amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new or amended HKFRSs that are expected to have impact on the Group's financial statements is provided below. Certain other new or amended HKFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statements or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

2. Revenue and segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products. Turnover of the Group is the revenue from these activities.

Revenue recognised during the year ended 31 December 2011 from sales of toys was HK$44,947,000 (2010: HK$148,219,000).

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior executive management of the Group that are used to make strategic decision, the only operating segment of the Group is design, development, marketing and distribution of toys and family entertainment activity products. No separate analysis of the reportable segment profit/loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue and (ii) the Group's property, plant and equipment, and interest in an associated company ("specified non-current assets"). The geographical location of revenue 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 property, plant and equipment, and the location of operation in case of interest in an associated company.

	Revenue		**Specified non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**-**	-	**17,836**	21,747
Americas				
- U.S.A.	**36,170**	65,109	**1,129**	1,595
- Others	**127**	13,296	**-**	-
Europe	**7,104**	62,350	**-**	-
Asia Pacific other than Hong Kong	**655**	6,371	**-**	-
Others	**891**	1,093	**-**	-
	44,947	148,219	**1,129**	1,595
	44,947	148,219	**18,965**	23,342

Major customers

The Group's customer base is diversified and includes three (2010: three) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK$8.4 million, HK$8.3 million and HK$7.5 million (2010: HK$25 million, HK$21 million and HK$17 million) respectively.

3 Loss before income tax

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

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**20,092**	71,692
(Reversal of provision)/Write-down of inventories	**(31)**	297
Product development costs	**7,843**	3,195
Royalties paid	**11,517**	22,512
Provision for customer concession	**390**	2,327
Reversal of unutilised provision for customer concession	**(185)**	(639)
Provision for customer returns, cooperative advertising and cancellation charges	**1,776**	4,595
Reversal of unutilised provision for customer returns, cooperative advertising and cancellation charges	**(3,867)**	(6,033)
Depreciation of property, plant and equipment	**1,484**	2,367
Employee benefit expense, including directors' remuneration	**44,362**	59,152
Operating leases expense on office and warehouse facilities	**5,113**	11,613
Loss on disposal of property, plant and equipment	**65**	1,097
Net foreign exchange gain	**(520)**	(59)
Interest on convertible bond	**1,172**	178
Bank interest income	**(1,503)**	(203)

4 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Overseas, mainly the U.S., taxation is provided on the estimated assessable profits of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate. Subsidiaries operating in the U.S. are subject to U.S. federal and state tax on its assessable profits. The tax rate for federal tax is 34% (2010: 34%) whilst the tax rate for state tax of California, the principal place of business of the Company's major subsidiary is 8.84% (2010: 8.84%).

	2011	2010
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**291**	148
Over provision in prior years – Hong Kong	**(25)**	(36)
Under provision in prior years – overseas	**-**	1,713
	266	1,825
Deferred taxation		
Origination and reversal of temporary differences	**(53)**	260
Income tax expense	**213**	2,085

5 Dividend

The directors do not recommend the payment of a dividend.

6 Loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$90,521,000 (2010: HK$95,683,000) and on the weighted average number of ordinary shares of 1,044,487,000 (2010: 840,026,000) in issue during the year.

Diluted loss per share for the year ended 31 December 2011 and 2010 equals to the basic loss per share as the potential ordinary shares (share options, warrants and convertible bond) were not included in the calculation of diluted loss per share because they are anti-dilutive.

7 Trade receivables

The normal trade terms with customers are letters of credit at sight or usance or on open accounts with credit term of 60 days on average. The following is an aging analysis of trade receivables at the balance sheet date:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**7,087**	10,186
31 – 60 days	**52**	220
Over 60 days	**5**	236
	7,144	10,642

8 Trade payables

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

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**2,531**	6,169
31 – 60 days	**247**	512
Over 60 days	**382**	395
	3,160	7,076

9 Convertible bond and derivative financial instrument

The Company issued a US$10 million (equivalent to HK$77.5 million) 2% per annum convertible bond to its immediate holding company, PIL Toys Limited ("PIL Toys") on 31 March 2011. The bond matures in five years from the issue date at its nominal value of US$10 million or can be converted into shares of the Company at the holder's option at any time from the date of issue and up to the maturity date of the bond at the rate of 1 share per US$0.0875.

The carrying values of the liability component and derivative component of the convertible bond as at 31 December 2011 were as follows:

	HK$'000
Liability component – classified as non-current liability	
Net carrying amount on initial recognition	**74,053**
Interest expense	**394**
Net carrying amount at 31 December 2011	**74,447**

The initial carrying amount of the liability component was the residual value after deducting the fair value of the derivative component as at 31 March 2011, and was subsequently carried at amortised cost.

Interest expense on the bond is calculated using the effective interest method by applying the effective interest rate of 2.09% to the liability component.

	HK$'000
Derivative component – classified as current liability	
Net carrying amount on initial recognition	**3,447**
Change in fair value recognised in profit or loss	**(10)**
Net carrying amount at 31 December 2011	**3,437**

The conversion option derivative component was stated at fair value at date of initial recognition and at 31 December 2011.

10 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 2011.

11 Events after the balance sheet date

11.1 Exercise of warrants

On 27 February 2012, PIL Toys exercised 65,000,000 warrants at subscription price of HK$0.45 per share totaling HK$29.3 million and on 28 February 2012, the Company issued 65,000,000 ordinary shares with an aggregate nominal value of HK$650,000 to PIL Toys.

11.2 Repayment of convertible bond

On 27 February 2012, the Company repaid US$5 million (equivalent to HK$38.8 million) being part of the principal amount of the convertible bond to PIL Toys together with US$50,000 (equivalent to HK$387,900), a sum equal to 1% of the principal amount so early repaid in accordance with the terms and conditions of the convertible bond.

MANAGEMENT DISCUSSION AND ANALYSIS

Playmates Toys group worldwide turnover for the year ended 31 December 2011 was HK$45 million (2010: HK$148 million); reflected a decrease of 69.7% compared to the prior year. The group reported an operating loss of HK$86 million (2010: HK$90 million) and net loss attributable to shareholders of HK$91 million (2010: HK$96 million). Basic loss per share was HK cents 8.67 (2010: HK cents 11.39).

Gross profit ratio on toy sales was 28.6% (2010: 41.9%). The decrease was attributable to significant upfront expenses on product design and development for new products to be launched in 2012.

Operating expenses were managed to 34.8% less than last year with decrease in advertising and promotional spending, as well as decrease in sales and distribution expenses. The reported net loss attributable to shareholders also included write off of minimum guarantees associated with non-performing licenses.

In 2011, the toy industry as a whole reported a 2% decrease in US retail dollar sales compared to 2010. In the fourth quarter, historically representing about half of the total for the year, US retail dollar sales decreased by 3% while unit sales decreased by 7%. In Europe, the 3 top markets, the UK, France and Germany reported better toy sales than in 2010 while Italy and Spain recorded declines.

We expect our operating environment to remain challenging in 2012, as profit margins continue to come under pressure between customer pricing resistance and input costs inflation, especially attributable to OEM suppliers operating in the PRC, and the lingering Euro zone debt crisis threatens the fragile economic recovery in the developed economies. During 2011 Playmates Toys completed the realignment of our product portfolio and focused on rebuilding the business by selective investments in quality opportunities reflecting our core competence. While significant challenges and uncertainties remain, we are cautiously optimistic that new product launches starting in the second half of 2012 will begin to make noticeable and positive impacts on the performance of the Group.

Playmates Toys will continue to pursue a focused operating strategy, diligent risk management and sustained costs and expenses controls.

Brand Overview

After more than two years of meticulous preparation and joint development with Nickelodeon©, the all new line of ***Teenage Mutant Ninja Turtles***© ("***TMNT***") toys were unveiled in major toy fairs held earlier this year and were met with enthusiastic and unanimous trade support. The production of the CGI animated TV show currently underway in Nickelodeon's© studio is on schedule and the series is expected to premiere as planned in the US in Fall 2012, followed by a major feature film from Paramount Pictures™ & © produced by Michael Bay. Playmates' core ***TMNT*** toy line will launch in tandem with Nickelodeon's© multimedia, multi-platform marketing and promotion campaign to augment TV programming and movie events. Distribution partners have been appointed for major markets around the world and each market will have its individual launch plan in sync with the global rollout of the TV show. The next waves of ***TMNT*** product line extensions for 2013 and beyond are already under active development.

During 2011, the Boys collector brands made limited contributions as stagnant economic conditions negatively impacted collector purchases. The line of ***Michael Jackson***© figures was discontinued after two series were released. The line of ***Family Guy***™ & © figures and playsets modeled after the TV show did not perform to expectation and will not be offered in 2012. ***Lucha Libre USA: Masked Warriors***©, a line of figures and role play accessories based on traditional Mexican wrestling, recorded limited initial sales and further distribution is contingent on the future broadcast plans of the Lucha Libre USA© televised matches.

The continuing Girls brands, including the line of gadgets and dolls inspired by the ***iCarly***© TV show, performed at a lower level in 2011 compared to 2010. Those brands will not continue into 2012.

Hearts For Hearts Girls© ("***H4HG***"), the multiple award-winning line of beautiful dolls, matching fashions and accessories with a philanthropic theme, rolled out nationwide in the US in 2011 supported by all major traditional as well as online retailers. The launch collection consists of 6 multicultural dolls representing girls from different parts of the world. Each doll comes with a booklet which tells her story and how she strives to make a difference and to "change the world one heart at a time™". The ***H4HG*** message of empathy empowers girls to become advocates of change to help others who are in less fortunate conditions. A portion of sales proceeds goes to World Vision©, a leading global humanitarian organisation that helps people in over 100 countries. The brand is supported by an interactive website (www.Hearts4HeartsGirls.com) that features games and activities along with real stories inspired by real girls. Consumers responded to the brand message with strong approval, and positive endorsements are spreading among online bloggers and social media groups with gathering momentum. More ***H4HG*** dolls are planned for 2012 together with new fashions and accessories.

Playmates Toys created a line of mini-dolls and playsets inspired by ***Build-A-Bear Workshop***©, "*the leading and only global company that offers an interactive make-your-own stuffed animal retail-entertainment experience [sic]*. This top plush brand in the US claims a 96% brand awareness factor among girls and their website (www.Bearville.com) has nearly 50 million registered users and over 2 million unique visitors each month. Playmates' collectible character line, set to launch in June 2012, brings the friends from Bearville© to life with figures, fashions and play environments. Playmates Toys is also bringing back in 2012 ***Waterbabies***©, the classic water-filled baby doll line with over 15 million dolls sold, featuring a fresh new look.

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 2011, trade receivables were HK$7,144,000 (2010: HK$10,642,000) and inventories were at a seasonal low level of HK$2,127,000 or 4.7% of turnover (2010: HK$5,404,000 or 3.6% of turnover).

The current ratio, calculated as the ratio of current assets to current liabilities, was 3.0 at 31 December 2011 compared to 4.6 at 31 December 2010.

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 2011, the Group's cash and bank balances were HK$208,766,000 (2010: HK$172,787,000).

The Group is exposed to foreign currency risk primarily through sales that are denominated in United States dollar. The Group does not hedge its foreign currency risks, as the rate of exchange between Hong Kong dollar and the United States dollar is controlled within a tight range. Long-term changes in foreign exchange rates would have an impact on consolidated earnings.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2011 except in respect of one code provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals.

Under the management structure, the Chairman focuses on Group strategy and is responsible for ensuring all key issues are considered by the board in a timely manner; whereas the executive directors supported by the senior executives are responsible for running the business operations of the Group. The board considers that this structure is effective in facilitating the operations and business development of the Company and maintaining the checks and balances between the board and the management of the business of the Group. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

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 consolidated financial information for the year ended 31 December 2011.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 23 March 2012

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

Mr. Chan Chun Hoo, Thomas *(Chairman)*, Mr. Cheng Bing Kin, Alain *(Executive Director)*, Mr. Chow Yu Chun, Alexander *(Independent Non-executive Director)*, Mr. Lee Ching Kwok, Rin *(Independent Non-executive Director)*, Mr. To Shu Sing, Sidney *(Executive Director)* and Mr. Yang, Victor *(Independent Non-executive Director)*