PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code：869)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 as follows:

Consolidated Income Statement

For the year ended 31 December 2012

	Note	**2012** *US$'000* *(Note 10)*	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*2*	**47,950**	**371,615**	44,947
Cost of sales		**(19,041)**	**(147,571)**	(32,095)
Gross profit		**28,909**	**224,044**	12,852
Marketing expenses		**(9,794)**	**(75,902)**	(25,040)
Selling and distribution expenses		**(2,505)**	**(19,420)**	(2,034)
Administration expenses		**(9,872)**	**(76,505)**	(72,112)
Operating profit / (loss)		**6,738**	**52,217**	(86,334)
Other income		**202**	**1,568**	1,503
Finance costs		**(569)**	**(4,407)**	(2,256)
Change in fair value of derivative financial instrument		**-**	**-**	10
Share of loss of an associated company		**(709)**	**(5,497)**	(3,231)
Profit / (Loss) before income tax	*3*	**5,662**	**43,881**	(90,308)
Income tax expense	*4*	**(62)**	**(486)**	(213)

	Note	**2012**	**2012**	2011
	Note	***US$'000***	***HK$'000***	*HK$'000*
		(Note 10)		
Profit / (Loss) for the year attributable to equity holders of the Company		**5,600**	**43,395**	(90,521)
		US cents	***HK cents***	*HK cents*
Earnings / (Loss) per share	*6*			
Basic		**0.50**	**3.87**	(8.67)
Diluted		**0.50**	**3.85**	(8.67)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012	**2012**	2011
	US$'000	***HK$'000***	*HK$'000*
	(Note 10)		
Profit / (Loss) for the year	**5,600**	**43,395**	(90,521)
Other comprehensive income:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**91**	**703**	(328)
Total comprehensive income for the year attributable to equity holders of the Company	**5,691**	**44,098**	(90,849)

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 US$'000 (Note 10)	2012 HK$'000	2011 HK$'000
Non-current assets				
Property, plant and equipment		**164**	**1,274**	1,767
Interest in an associated company		**1,510**	**11,701**	17,198
Deferred tax assets		**18**	**136**	125
		1,692	**13,111**	19,090
Current assets				
Inventories		**2,811**	**21,783**	2,127
Trade receivables	*7*	**22,878**	**177,304**	7,144
Deposits paid, other receivables and prepayments		**852**	**6,601**	7,065
Taxation recoverable		**22**	**173**	216
Cash and bank balances		**20,832**	**161,452**	208,766
		47,395	**367,313**	225,318
Current liabilities				
Trade payables	*8*	**5,983**	**46,367**	3,160
Deposits received, other payables and accrued charges		**16,642**	**128,979**	63,933
Derivative financial instrument	*9*	**-**	**-**	3,437
Provisions		**1,720**	**13,330**	5,147
Taxation payable		**50**	**390**	-
		24,395	**189,066**	75,677
Net current assets		**23,000**	**178,247**	149,641
Total assets less current liabilities		**24,692**	**191,358**	168,731
Non-current liabilities				
Convertible bond	*9*	**-**	**-**	74,447
Net assets		**24,692**	**191,358**	94,284
Equity				
Share capital		**1,488**	**11,533**	10,463
Reserves		**23,204**	**179,825**	83,821
Total equity		**24,692**	**191,358**	94,284

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 disclosure 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 the consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011, 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 2012:

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 2012 from sales of toys was HK$371,615,000 (2011: HK$44,947,000).

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**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**41**	-	**12,167**	17,836
Americas				
- U.S.A.	**302,528**	36,170	**808**	1,129
- Others	**19,945**	127	**-**	-
Europe	**36,381**	7,104	**-**	-
Asia Pacific other than Hong Kong	**12,698**	655	**-**	-
Others	**22**	891	**-**	-
	371,574	44,947	**808**	1,129
	371,615	44,947	**12,975**	18,965

Major customers

The Group's customer base is diversified and includes three (2011: 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$108.2 million, HK$83.3 million and HK$74.0 million (2011: HK$8.4 million, HK$8.3 million and HK$7.5 million) respectively.

3. Profit / (Loss) before income tax

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

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**126,566**	20,092
Write-down / (Reversal of write-down) of inventories	**130**	(31)
Product development costs	**4,377**	7,843
Royalties paid	**45,997**	11,517
Provision for customer concession	**1,319**	390
Reversal of unutilised provision for customer concession	**-**	(185)
Provision for customer returns, cooperative advertising and cancellation charges	**13,671**	1,776
Reversal of unutilised provision for customer returns, cooperative advertising and cancellation charges	**(1,854)**	(3,867)
Depreciation of property, plant and equipment	**668**	1,484
Employee benefit expense, including directors' remuneration	**42,131**	44,362
Operating leases expense on office and warehouse facilities	**3,693**	5,113
Loss on disposal of property, plant and equipment	**-**	65
Net foreign exchange loss / (gain)	**1,696**	(520)
Interest on convertible bond	**883**	1,172
Bank interest income	**(1,568)**	(1,503)

4. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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% (2011: 34%) whilst the tax rate for state tax of California, the principal place of business of the Company's major subsidiary is 8.84% (2011: 8.84%).

	2012	2011
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**118**	291
Overseas taxation	**390**	-
Over provision in prior years – Hong Kong	**(12)**	(25)
	496	266
Deferred taxation		
Origination and reversal of temporary differences	**(10)**	(53)
Income tax expense	**486**	213

5. Dividend

The board of directors does not recommend the payment of a dividend.

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$43,395,000 (2011: loss of HK$90,521,000) and the weighted average number of ordinary shares of 1,121,800,000 (2011: 1,044,487,000) in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2012 is based on the profit attributable to equity holders of the Company of HK$43,395,000 and the weighted average number of ordinary shares of 1,127,379,000 in issue during the year, adjusted for the effects of 5,579,000 dilutive potential shares on exercise of share options and warrants.

Diluted loss per share for the year ended 31 December 2011 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:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**175,472**	7,087
31 – 60 days	**1,523**	52
Over 60 days	**309**	5
	177,304	7,144

8. Trade payables

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

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**37,368**	2,531
31 – 60 days	**7,525**	247
Over 60 days	**1,474**	382
	46,367	3,160

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.

During the year ended 31 December 2012, the Company fully repaid US$10 million (equivalent to HK$77.8 million) to PIL Toys together with US$100,000 (equivalent to HK$778,000), a sum equals to 1% of the early repaid amount in accordance with the terms and conditions of the convertible bond.

10. US dollar 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 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Playmates Toys group worldwide turnover for the year ended 31 December 2012 was HK$372 million (2011: HK$45 million), an increase of 727% compared to the prior year. The majority of our new products launched in the second half of 2012, notably the ***Teenage Mutant Ninja Turtles***© line of toys, performed well at retail and achieved intended sales results. The group reported an operating profit of HK$52 million (2011: operating loss HK$86 million) and net profit attributable to shareholders of HK$43 million (2011: net loss HK$91 million). Basic earnings per share was HK Cents 3.87 (2011: basic loss per share HK Cents 8.67). The Board does not recommend the payment of a dividend for 2012 but will consider dividend distribution in 2013 depending on the performance of the Group.

Gross profit ratio on toy sales was 60.3% (2011: 28.6%). The improvement in gross profit ratio was attributable to a significant increase in sales volume of products with higher margin and more efficient utilization of investments in product design, development and tooling. Recurring operating expenses were higher than last year, reflecting increases in marketing, selling and distribution expenses to support the significantly higher sales volume, yet administration expenses were managed to similar level as in 2011.

Brand Overview

Hearts For Hearts Girls©, the line of beautiful award-winning dolls with a philanthropic theme, continued to steadily build upon its base of consumers and social media supporters with its positive message of empowerment. With the addition of *Mosi*, an American Indian, and *Shola* from Afghanistan in 2013, a total of 10 ***Hearts For Hearts Girls***©, each representing a different culture and ethnicity from different parts of the world, will champion their individual good causes.

The ***Build-A-Bear Workshop***© line of collectible characters was discontinued after recording limited sales.

In 2012 Playmates successfully re-launched ***Waterbabies***©, the classic water-filled baby doll line, with a fresh new look. The brand is expected to further grow in 2013 with a substantial expansion in distribution and the introduction of a series of collectible *Wee Waterbabies* in a brand new size.

Nickelodeon's ground breaking CGI animated ***Teenage Mutant Ninja Turtles***© ***("TMNT")*** TV series premiered as planned in September 2012. It was an immediate hit – scoring top ratings with its core kids' audience from the first episode and has consistently rated among the top 3 kids shows in the US. With Season 2 currently in production Nickelodeon© has already announced the Season 3 pick up of the ***TMNT*** TV series and the release date of the Michael Bay produced live-action movie by Paramount Pictures™ & © in 2014.

In tandem with the popularity of the TV show, Playmates' ***TMNT*** toys performed well at retail, quickly becoming a top selling brand and winning multiple awards and accolades from the trade. Retail shelves were clean at the end of the year, setting the stage for even stronger support for the brand in 2013. NPD, the leading provider of consumer market research data, reported ***TMNT*** Figures ranked number one among sales of all action figures in the US in 2012. At the 2013 Toy of the Year Awards ceremony of the US Toy Industry Association, Nickelodeon's © ***Teenage Mutant Ninja Turtles***© won Property of the Year award and Playmates' ***TMNT Shellraiser*** vehicle won Boy Toy of the Year.

In the few International markets that already have ***TMNT*** toys on retail shelves, including Canada, the UK and Australia, similarly rapid rises in ratings and popularity were experienced. Distribution partners reported ***TMNT*** became the number one best selling action figure brand in Australia and ***TMNT*** Figure was the number one best selling item among all action figures in the UK after less than 2 months on shelf in those markets.

Playmates' 2013 ***TMNT*** toy line will triple in size with line extensions and expansions into new categories. Distribution is expected to reach over 60 countries before the end of the year. Successive waves of new products planned for 2014 and beyond are under active development.

Based on the sustained positive market response to our program in the beginning months of this year, management is optimistic that the Group can achieve further improvement in operating results in 2013.

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 2012, trade receivables were HK$177,304,000 (2011: HK$7,144,000) and inventories were at a seasonal low level of HK$21,783,000 or 5.9% of turnover (2011: HK$2,127,000 or 4.7% of turnover).

The current ratio, calculated as the ratio of current assets to current liabilities, was 1.9 at 31 December 2012 compared to 3.0 at 31 December 2011.

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 2012, the Group's cash and bank balances were HK$161,452,000 (2011: HK$208,766,000).

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

During the year, 98,751 shares of HK$0.01 each were repurchased by the Company at a price of HK$0.46 per share through the Stock Exchange.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code provisions ("Code Provisions") of the former Code on Corporate Governance Practices (effective until 31 March 2012) and the new Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2012, 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.

In respect of the segregation of the roles of the chairman and chief executive officer, the Group's practice is that the Chairman also acts as chief executive officer. This allows him to focus on Group strategy and at the same time ensure that all key issues are considered by the board in a timely manner. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is suitable and 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 2012.

On behalf of the Board
CHAN Chun Hoo, Thomas
Chairman

Hong Kong, 28 March 2013

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)*