



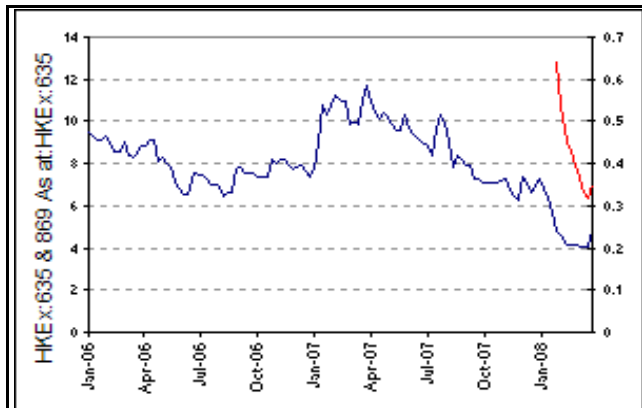
THE COMPANY

Headquartered in Kowloon, Hong Kong, Playmates Holdings is a global designer, distributor and manufacturer of children's toys. Toy lines include The Teenage Mutant Ninja Turtles, Amazing Amanda, and Strawberry Shortcake. The Company owns over 460,000 sq. feet of commercial and residential real estate. At the end of 2006, Playmates had revenues of HK\$1.3 billion and a real estate portfolio valued at HK\$1.2 billion.

FINANCIAL DATA

	2004	2005	2006
Earnings per Share (\$)	0.16	0.11	0.14
Price to Earnings (times)	6.4	9.7	7.6
Dividend (\$)	0.05	0.05	0.06
Dividend Yield (%)	5.00	5.00	6.00
Net Asset Value (\$)	0.76	0.90	1.00
Price to Net Asset Value (times)	1.38	1.17	1.05

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT PLAYMATES

After its founding in 1966, Playmates quickly established itself as a key outsourcing partner for toy doll manufacturers located around the world. Not content to be solely a behind-the-scenes manufacturer, the Company aimed to transform itself into a developer, marketer, and distributor of a diversified portfolio of toy lines. However, it wasn't until the 1980's that the Company signaled that it was ready to take on the largest global toy companies. In 1984, Playmates became the first toy company to list on the Hong Kong Stock Exchange. Armed with cash from its successful IPO, and eager to expand its action figure portfolio, Playmates sought a meeting with Massachusetts-based comic book publisher Mirage Studios. Sufficiently impressed with Mirage's quirky comic books, Playmates launched a full line of Teenage Mutant Ninja Turtles toys. The Turtles became a global phenomenon, leading Forbes to label Playmates as the most profitable toy company in the world.

As the Turtles phenomenon slowly faded away in the late 1990's, so did investor enthusiasm for Playmates' stock. The 1990's toy industry entered into a rocky transitional period. As young children gravitated towards interactive toys, traditional toy companies such as Playmates found themselves behind the curve. The 9/11 terrorist attacks further compounded the Company's problems and pushed the industry into recession. Retailers were stuck with excess inventory and purchase orders were cancelled. Playmates stock price, reaching HK\$3.50 in 1995, trades at around HK\$1.00 today.

To reduce the volatility of its toy business, in 2001 the Company decided to gradually deploy its excess cash into Hong Kong real estate. The first purchase was its headquarters, The Toy House, located in Kowloon, Hong Kong for roughly HK\$520 million. This transaction was followed by the purchase of its factory in 2002 and apartment buildings in 2005 and 2006. The timing of these purchases was fortuitous. The Toy House, purchased during a time of depressed rental rates, is now a retail landmark. Lease rates across both apartment and retail assets are being raised to take advantage of tight occupancy rates. Since 2002, the portfolio's value has increased by HK\$420 million. At the end of 2006, the Company's real estate had an appraised value of HK\$1.2 billion.

With its current property portfolio, it could be said that Playmates is a real estate company with a toy business thrown in for free (or at least very cheaply). The Company's cash, financial investments, and real estate currently totals HK\$1.7 billion. Considering its total market capitalization of HK\$1.9 billion, one could sell the real estate and effectively pay only HK\$200 million for the toy business. While it is true that Turtles popularity will never reach the highs of the 90's, the brand is still among the top five highest selling toy brands in North America. Additionally, a new CGI movie, DVDs, and television show should reinvigorate the brand. Apart from the Turtles, Playmates distributes and markets over ten toy lines. Key lines include Disney Princesses and Fairies (in 2002 Playmates became Walt Disney's top doll licensee), Land Before Time, Strawberry Shortcake, and Amazing Amanda (nominated Toy of the Year in 2005). Since 2003, the toy business has averaged HK\$105 million in pre tax operating profit.

Valuing the property portfolio and toy businesses separately, we arrive at a sum-of-the-parts value of HK\$1.50. Playmates management has signaled its intention to unlock the value of both businesses. In an April 27th press release, the Company announced it was considering a separate listing for its real estate assets. With over 55% insider ownership, management could

WHY ABC FUNDS BOUGHT PLAYMATES (CONT'D)

explore selling both businesses outright. A typical scenario could see a Hong Kong REIT purchasing the real estate assets and a US-based toy company buying the toy business. A larger toy company could add Playmates' top lines to their portfolio and spread the costs across a larger platform or eliminate the Hong Kong based operation entirely. Looking ahead we expect the market to gradually close the gap between the Company's value and depressed stock price.

ABC Funds
May 18, 2007

UPDATES

On August 17th, Playmates announced results for the first six months of 2007. Total revenue increased to HK\$376 million from HK\$339 million. Gross profit was 22% lower compared to last year due to a large revaluation gain on investment properties recorded in the first half of 2006. The toy division's sales increased 9% to HK\$348 million, benefiting from renewed interest in the Teenage Mutant Ninja Turtles. The division recorded an operating loss of HK\$10 million, an improvement over a loss of HK\$22 million for the same period in 2006. It is important to note that the first six months of the year are very volatile due to the seasonal nature of toy sales. Geographically, Latin America and Eastern Europe continue to be the Company's fastest growing markets. Expansion in these two markets propelled International sales higher by 42% compared to last year. Looking at second half 2007/2008 the toy portfolio is positioned well. The next six months will see the expansion of the Company's best selling Amazing Amanda line, new Disney Princess dolls, and the reintroduction of Popples. In 2008, the Company will introduce new action figures and expand its offering of electronic toys under the Playmates Electronics banner.

Despite a positive outlook for the remainder of the year, the industry is currently clouded by Mattel's recall of several million toys after discovering dangerous levels of lead paint on toys manufactured by its Chinese supplier, Early Light Industrial. While Playmates has not officially addressed the issue, in an interview with the Wall Street Journal, executive Sidney To stressed that the Company does not source from Early Light Industrial. However, Early Light uses several subcontractors and it is impossible, at this point, to determine whether or not the same subcontractors are used by other manufacturers. Additionally, the scandal could hurt Playmates' and other toy companies even if Mattel proves to be an isolated case. Several industry analysts are concerned that overly cautious North American and European parents may avoid Chinese-sourced toys altogether. We expect, however, that the commotion will be forgotten by this holiday season and, as a result, do not expect a significant impact on Playmates' sales.

Playmates' property investments continue to perform well. Rental income for the period was HK\$29 million, 34% higher over last year. Occupancy across the portfolio remains high and the Company is exploring ways to improve tenant mix to drive higher rental yields. The refurbishment programs underway at the MacDonnell Road residences lead to an 85% increase in rental income for the period. As discussed in our last update, Playmates' Board of Directors has decided that a separate listing of its real estate and toy divisions would maximize value. The Hong Kong Stock Exchange has granted approval of such an arrangement. There has been no recent news regarding the spin-off but we expect a decision within the coming months.

ABC Funds
August 24, 2007

On January 3rd, Playmates Holdings Limited (PHL) announced the details of its expected spin-off of Playmates Toys. Under the arrangement, PHL will retain a 55% ownership of Playmates Toys with the remaining interest distributed to current PHL shareholders by way of distribution. The spin-off is expected to be completed before February 1st. PHL shares will be consolidated 10-for-1 in conjunction with the spin-off. After the spin-off, the principal business of PHL will be property ownership and management. Currently, PHL's HK\$1.3 billion property portfolio includes commercial, retail, and residential real estate. In addition to running the property division, PHL will also manage over HK\$800 million of cash and investments. Playmates Toys will focus on its licensed toy portfolio, expanding into new markets, and developing new traditional and electronic toys.

As stated in our previous updates, we believe this transaction will surface value for PHL. The current market value of PHL clearly suggests investors are not giving the Company any credit for its toy division. In fact, PHL's current enterprise value (market capitalization plus net debt) is less than the market value of the Company's cash and property portfolio. As separate entities, each business will attract its own shareholder base. Certain shareholders will be attracted to Playmates Toys' high growth (but more cyclical) profile while a different shareholder base will desire the steady, predictable cash flow produced by the property business. Additionally, each entity will have the ability to raise capital that is aligned with its underlying business. For example, PHL will seek longer term financing that matches the tenant lease terms of its commercial and retail properties. On the other hand, Playmates Toys will require shorter term financing for working capital purposes.

Unfortunately, the news comes during a period of extreme volatility for the Hong Kong market. While PHL's shares spiked after the announcement, investor nervousness about a possible US recession, global slowdown, and rising energy prices have taken

UPDATES (cont'd)

center stage. The Hang Seng Composite Index is down approximately 10% for the first 3 trading weeks of 2008. Since October, the market has declined more than 20%. Using a sum-of-parts valuation, we arrive at a net asset value of between HK\$1.35-\$1.45 for PHL. Based on current trading prices of around HK\$0.70, PHL's stock price represents an approximate 50% discount to NAV. We suspect that as the current market turmoil subsides, investors will revisit PHL and appreciate the value that its shares represent.

ABC Funds

January 18, 2008

On February 1st, Playmates Toys commenced trading as a standalone entity. Trading under the ticker symbol 869, the stock closed at HK\$0.64 on the Hong Kong Stock Exchange after the first day of trading. Playmates Holdings (PHL) shares, now consolidated 10-for-1, trade under the new ticker symbol 2909. As of February 1st, PHL will have approximately 222.5 million shares outstanding compared to 495.0 million for Playmates Toys. Based on recent share prices, PHL and Playmates Toys will have a combined market capitalization of HK\$1.4 billion.

The real work begins for both PHL and Playmates Toys. The management teams of both companies need to prove to the market that spinning out the toy division can surface value for both entities. For PHL, the management teams need to demonstrate that they can unlock the value of their current portfolio (which has appreciated by more than HK\$450 million over the last four years) and add new properties in an accretive fashion. Playmates Toys will continue to benefit from the rising popularity of Ninja Turtles, continued strength of Disney licensed dolls, and recently signed licensing agreements. While a slowing US retail sales environment will provide headwinds for the toy division in 2008, increased sales to Eastern Europe and developing countries should provide a buffer.

While it is too early to value each entity separately as it is unclear how the assets will be divided between them, our net asset value (NAV) calculation remains unchanged at approximately HK\$2.5 billion for the two combined entities. Based on the recent market capitalization of the two divisions, PHL & Playmates Toys trade at discount of 50% to our calculation of net asset value.

ABC Funds

February 1, 2008

On March 11th, Playmates Holdings Limited (PHL) and Playmates Toys Limited (PTL) announced their first annual results as two separately traded securities. Playmates Holdings, which owns and operates residential and commercial real estate, manages a portfolio of securities, and owns 55% of PTL, continues to benefit from Hong Kong's strong real estate market. While property related revenue rose 25% to HK\$87 million, total revenue decreased to HK\$996 million due to lower revenues from the Toy Division. During the year, PHL recorded a property valuation increase of HK\$329.6 million, adding to the HK\$450 million recorded over the last five years. Cash & financial assets increased to \$943 million from \$501 million. PHL's book value per share is now \$11.29, an increase of 14% over last year.

Playmates Toys' reported a decline in revenues to HK\$909 million and an operating loss of HK\$69 million. PTL experienced two significant headwinds during 2007: a weakening US economy (which accounts for 60% of sales) and several high profile product recalls that resulted in consumer concern over product safety. Despite maintaining an excellent safety record since its founding in 1966 and having no association with the announced product recalls, costs and sales were negatively impacted. US retailers and government safety agencies have imposed more stringent safety guidelines. The new requirements have forced PTL to implement new testing procedures. Higher raw material and labour costs, combined with the new safety testing requirements, reduced gross margins to 47.8% from 49.9% in 2006. The balance sheet remains clean with no long term debt and a cash position of \$HK 82 million.

The near term outlook for PHL is positive. Management expects the local economy to remain strong and is actively looking for real estate opportunities. PHL has ample cash and remains debt free. The near term outlook for PTL is tempered by the ongoing weakness of the US economy. PTL will place emphasis on increasing its presence in China and Eastern Europe via new partnerships and distribution arrangements. For 2008, two new toys will be introduced in the electronics segment, a new strategic initiative for PTL. The product launches will be built around well known franchises such as Batman and Hello Kitty. New toy licenses built around 2008/2009 movies, such as Star Trek, Terminator, and Eon Kid should provide new sales momentum for several years.

The volatility of the Hong Kong market, coupled with the uncertainty over the US economy, has led to an extreme disconnect

UPDATES (cont'd)

between stock prices and fundamental valuations. Both PHL and PTL trade substantially below our calculation of net asset value and book value. Based on recent share prices, PHL and PTL trade at a discount to book value of 54% and 40%, respectively. We are confident that as market conditions improve the valuation gap between both PHL and PTL will narrow.

ABC Funds

March 28, 2008