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**PLAYMATES HOLDINGS LIMITED**

**彩星集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 635)**

**MAJOR TRANSACTION AND  
CONNECTED TRANSACTION  
IN RELATION TO  
SUBSCRIPTION OF CONVERTIBLE  
BONDS ISSUED BY  
PLAYMATES TOYS LIMITED  
AND  
RESUMPTION OF TRADING**



**PLAYMATES TOYS LIMITED**

**彩星玩具有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 869)**

**CONNECTED TRANSACTION  
IN RELATION TO  
ISSUE OF CONVERTIBLE BONDS  
AND  
RESUMPTION OF TRADING**

## **JOINT ANNOUNCEMENT**

On 29 October 2009, PIL Toys, an indirect wholly-owned subsidiary of PHL, and PTL entered into the Subscription Agreement in relation to the subscription by PIL Toys of the Convertible Bonds to be issued by PTL in an aggregate principal of US\$30 million at the Conversion Price of US\$0.10 per Conversion Share.

Pursuant to the Subscription Agreement, PTL will issue to PIL Toys, and PIL Toys will subscribe for: (i) the First Convertible Bond in the aggregate sum of US\$20 million; and (ii) the Second Convertible Bond in the aggregate sum of US\$10 million, subject to the terms and conditions contained therein.

Completion for the Convertible Bonds is subject to the conditions precedent as set out in the paragraph headed "Conditions Precedent to the Subscription Agreement" below.

Upon full conversion of the First Convertible Bond and assuming no adjustment to the Conversion Price of US\$0.10 per Conversion Share, an aggregate of 200 million Conversion Shares will be issued by PTL, representing approximately 40.40% of the number of PTL Shares in issue and approximately 28.78% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares.

Upon full conversion of the First Convertible Bond and the Second Convertible Bond and assuming no adjustment to the Conversion Price of US\$0.10 per Conversion Share, an aggregate of 300 million Conversion Shares will be issued by PTL, representing approximately 60.61% of the number of PTL Shares in issue and approximately 37.74% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares.

As at the date of this announcement, the total number of issued PTL Shares is 495,000,000, and the PHL Group holds 271,275,044 PTL Shares (or approximately 54.80% of the entire issued share capital of PTL). Assuming: (i) full conversion of the First Convertible Bond by the PHL Group at the Conversion Price of US\$0.10 per Conversion Share; and (ii) there is no further issue of the PTL Shares (other than the Conversion Shares), an aggregate of 471,275,044 PTL Shares will be held by the PHL Group, representing approximately 67.81% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares. Assuming: (i) full conversion of the First Convertible Bond and the Second Convertible Bond by the PHL Group at the Conversion Price of US\$0.10 per Conversion Share; and (ii) there is no further issue of the PTL Shares (other than the Conversion Shares), an aggregate of 571,275,044 PTL Shares will be held by the PHL Group, representing approximately 71.86% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares.

The PTL Group has committed to invest in the development of a number of new toy product brands to be launched during 2010, including *Shrek Forever After*<sup>TM & ©</sup>; *Lucha Libre AAA*; *Hero 108*<sup>©</sup>; *Inazuma-Oh*<sup>TM</sup> and *Rainbow Brite*<sup>©</sup>. The PTL Group will also increase investment in product line expansion for *iCarly*<sup>©</sup>, currently the highest rated show on Nickelodeon<sup>©</sup>.

Nickelodeon<sup>©</sup> recently announced that it has acquired the global rights to the *Teenage Mutant Ninja Turtles*<sup>®</sup>, including all broadcast rights and merchandising rights, and will continue to work with the PTL Group as the master toy licensee. Nickelodeon<sup>©</sup> also announced plans to develop a new CG-animated television series based on the popular superhero franchise, anticipated to premiere in 2012 and additionally, in partnership with Viacom's Paramount Pictures<sup>©</sup>, a new release of a new *Teenage Mutant Ninja Turtles*<sup>®</sup> feature film is also planned for 2012.

The directors of PTL consider that the acquisition of the *Teenage Mutant Ninja Turtles*<sup>®</sup> and the plans announced by Nickelodeon<sup>©</sup> represent significant new opportunities for the PTL Group. It is expected that the PTL Group will benefit from the broadening of the scope of creative inspiration to continue its long-standing commitment of making innovative, fun toys based on the legendary and new adventures of the *Teenage Mutant Ninja Turtles*<sup>®</sup>. It is anticipated that requirements in working capital funds will be needed in the near future to pursue the new opportunities. Moreover, as the availability of the Banking Facilities is subject to relevant renewal and other termination provisions by the Banks, the directors of PTL consider that the issue of the Convertible Bonds will provide a more stable source of finance so that the PTL Group can be better equipped with steady and strong working capital base.

Having regard to such new business opportunities and taking into account PHL's substantial investment in PTL, the directors of PHL consider that it is in the best interest of the PHL Group to subscribe for the Convertible Bonds to strengthen the financial position and capability of PTL and to provide additional working capital funds to PTL Group for such new business opportunities and other business operation needs of the PTL Group.

PTL shall within one month from the date of issue of the First Convertible Bond (or such other later time as PIL Toys may agree): (i) procure the discharge and release of the Charges on Deposits and (ii) enter into a cancellation agreement with PHL to terminate the agreement dated 4 February 2009 made between PHL and PTL in respect of the Charges on Deposits and the continuing connected transactions as contemplated therein between PHL and PTL. The proceeds from the issue of the Convertible Bonds will be applied by the PTL Group for working capital of the PTL Group which is to be used for the operation of its existing toy and related businesses and future development. Up to the date of this announcement, the Banking Facilities are still subsisting but not being utilized, as there is no immediate need for the PTL Group to draw down on the Banking Facilities.

Based on the applicable percentage ratios of PHL, the subscription of the Convertible Bonds and the exercise of the conversion rights attached thereto both constitute a major transaction for PHL under Chapter 14 of the Listing Rules. PHL indirectly owns and controls approximately 54.80% of PTL. Mr. Chan, being a director and the ultimate controlling shareholder (as such term is defined in the Listing Rules) of PHL and hence a connected person of PHL, holds indirectly through TGC an aggregate of approximately 15.47% of PTL, which results in PTL being a connected person of PHL. Accordingly, the subscription of the Convertible Bonds also constitutes a connected transaction for PHL pursuant to Chapter 14A of the Listing Rules and it is therefore subject to the approval of the PHL Independent Shareholders at the PHL SGM. PHL will put forward an ordinary resolution in the PHL SGM to seek PHL Independent Shareholders' approval of the subscription of the Convertible Bonds and the exercise of the conversion rights attached thereto.

PHL indirectly owns approximately 54.80% of PTL. Consequently, PHL is a connected person of PTL under the Listing Rules. The Proposed Issue constitutes a connected transaction for PTL pursuant to Chapter 14A of the Listing Rules and accordingly it is subject to the approval of the PTL Independent Shareholders at the PTL SGM. The Conversion Shares will be issued under a special mandate proposed to be sought from the PTL Independent Shareholders at the PTL SGM.

TGC and Mr. Chan, given their interests in PHL and PTL, are considered to have a material interest in the subscription of the Convertible Bonds. Accordingly, they and their respective associates will abstain from voting at the PHL SGM on the resolutions in relation to the subscription of the Convertible Bonds and the exercise of the conversion rights attached thereto.

The PHL Independent Board Committee comprises three independent non-executive directors, namely, Mr. Lee Peng Fei, Allen, Mr. Lo Kai Yiu, Anthony and Mr. Yu Hon To, David, has been constituted to advise the PHL Independent Shareholders as regards the terms of the subscription of the Convertible Bonds. An independent financial adviser will be appointed to advise the PHL Independent Board Committee as regards the terms of the Subscription Agreement and the transactions contemplated therein, including but not limited to the subscription of the Convertible Bonds and the exercise of the conversion rights attached thereto.

PHL, Mr. Chan and TGC, given their interests in PHL and PTL, are considered to have a material interest in the Proposed Issue and the transactions contemplated thereunder. Accordingly, they and their respective associates will abstain from voting at the PTL SGM on the resolutions in relation to the issue of the Convertible Bonds.

The PTL Independent Board Committee comprises three independent non-executive directors, namely, Mr. Chow Yu Chun, Alexander, Mr. Lee Ching Kwok, Rin and Mr. Yang, Victor, has been constituted to advise the PTL Independent Shareholders as regards the terms of the Proposed Issue. An independent financial adviser will be appointed to advise the PTL Independent Board Committee as regards the terms of the Subscription Agreement and the transactions contemplated therein, including but not limited to the Proposed Issue.

At the request of PHL, trading in the ordinary shares and warrants (Stock Code: 594) of PHL on the Stock Exchange was suspended with effect from 9:30 am on 29 October 2009 pending the publication of this announcement. Application has been made for the resumption of trading in the ordinary shares and warrants (Stock Code: 594) of PHL on the Stock Exchange from 9:30 am on 2 November 2009.

At the request of PTL, trading in the ordinary shares of PTL on the Stock Exchange was suspended with effect from 9:30 am on 29 October 2009 pending the publication of this announcement. Application has been made for the resumption of trading in the ordinary shares of PTL on the Stock Exchange from 9:30 am on 2 November 2009.

## **SUBSCRIPTION OF THE CONVERTIBLE BONDS**

### **1. Principal terms of the Subscription Agreement**

The principal terms of the Subscription Agreement are summarised as follows:

*Date:* 29 October 2009

*Parties:*

Issuer: PTL; and

Subscriber: PIL Toys, an indirect wholly-owned subsidiary of PHL.

*Conditions Precedent to the Subscription Agreement:*

Completion of the Subscription Agreement is conditional upon the satisfaction of the following conditions precedent:

- (i) the passing by the requisite majority required under the Listing Rules of the PHL Independent Shareholders in the PHL SGM of all necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, including the exercise of conversion rights attached to the Convertible Bonds;
- (ii) the passing by the requisite majority required under the Listing Rules of PTL Independent Shareholders in the PTL SGM of all necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, the issue of the Convertible Bonds and the issue of Conversion Shares which fall to be issued and allotted on exercise of conversion rights attached to the Convertible Bonds;

- (iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares; and
- (iv) (if required) the Bermuda Monetary Authority granting its consent to the issue of the Convertible Bonds and the allotment and issue, as well as the free transferability of the Convertible Bonds and the Conversion Shares.

None of the above conditions precedent can be waived. If any of the above conditions precedent cannot be fulfilled by 31 December 2009 (or such later date as PIL Toys and PTL may agree), the Subscription Agreement will lapse, and become null and void and the parties to the Subscription Agreement will be released from all obligations thereunder, save for the liabilities of any antecedent breaches thereof.

***Completion:***

*First Convertible Bond*

The Completion of the subscription for the First Convertible Bond shall take place on the third Business Day following the date of fulfilment of the conditions precedent stated in the section headed “Conditions Precedent to the Subscription Agreement” above, or such other date as PIL Toys and PTL may agree in writing.

Upon Completion of the subscription for the First Convertible Bond, PIL Toys shall deliver to PTL a banker’s draft or cashier order issued by a licensed bank in Hong Kong in the sum of US\$20,000,000 and made payable to PTL or as it may direct in writing.

*Second Convertible Bond*

Subject to the fulfilment of the conditions precedent stated in the section headed “Conditions Precedent to the Subscription Agreement” above, the Second Convertible Bond will be issued on 31 March 2011 and Completion of the subscription for the Second Convertible Bond shall take place on the same day.

Upon Completion of the subscription for the Second Convertible Bond, PIL Toys shall deliver to PTL a banker’s draft or cashier order issued by a licensed bank in Hong Kong in the sum of US\$10,000,000 and made payable to PTL or as it may direct in writing.

**2. Principal Terms of the Convertible Bonds**

The terms and conditions for the First Convertible Bond and the Second Convertible Bond are the same, save and except the principal amounts to be issued thereunder. The principal terms of the Convertible Bonds are summarised as follows:

Aggregate principal amount: US\$20 million for the First Convertible Bond; and

US\$10 million for the Second Convertible Bond.

Issue price: 100% of the aggregate principal amount of the relevant Convertible Bond.

Redemption price at maturity:	100% of the outstanding principal amount of the relevant Convertible Bond on the maturity date.
Conversion Price:	US\$0.10 per Conversion Share, subject to usual anti-dilution adjustments of the Conversion Price in favour of the holder of the Convertible Bonds in certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivatives issues.
Interest rate:	2% per annum, payable at the end of each 6-month period commencing on the date of the issue of the relevant Convertible Bond. All outstanding interest accrued shall be paid in full on the maturity date.
Default interest rate:	In the event that PTL shall be in arrears of any payment under the relevant Convertible Bond, a default interest at the rate of 8% per annum shall be payable by PTL.
Maturity:	The fifth anniversary from the date of issue of the relevant Convertible Bond.
Transferability:	The Convertible Bonds or any part thereof are freely transferable or assignable provided that they may not, without the prior written consent of PTL, be transferred or assigned to any person who is at the time of such transfer or assignment a connected person of PTL or a connected person of PHL.
Conversion Period:	The Convertible Bonds are convertible at any time from the date of issue and up to the maturity date of the Convertible Bonds.
Conversion Rights:	The holder of the Convertible Bonds shall have the right to convert all or part of the principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price of US\$0.10 per Conversion Share during the Conversion Period (as set out above) provided that any such conversion shall not result in the shareholding of PTL held by the public being less than the then minimum public float requirement as stipulated by the Listing Rules at the time of such conversion.

Conversion Shares: Upon full conversion of the First Convertible Bond and assuming no adjustment to the Conversion Price of US\$0.10 per Conversion Share and there is no further issue of the PTL Shares (other than the Conversion Shares), an aggregate of 200 million Conversion Shares with an aggregate nominal value of HK\$2,000,000 will be issued by PTL, representing approximately 40.40% of the number of PTL Shares in issue and approximately 28.78% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares.

Upon full conversion of the First Convertible Bond and the Second Convertible Bond and assuming no adjustment to the Conversion Price of US\$0.10 per Conversion Share and there is no further issue of the PTL Shares (other than the Conversion Shares), an aggregate of 300 million Conversion Shares with an aggregate nominal value of HK\$3,000,000 will be issued by PTL, representing approximately 60.61% of the number of PTL Shares in issue and approximately 37.74% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares.

Ranking of the Conversion Shares: The Conversion Shares, when allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds, shall rank pari passu in all respects with all other then issued PTL Shares at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.

Early repayment: PTL shall be entitled to request for early repayment of all or part of the outstanding sums under the Convertible Bonds at any time from the date of issue of the Convertible Bonds and provided that: (i) any early repayment shall be in a sum of not less than a whole multiple of US\$1 million; (ii) there is no occurrence of any event of default as set out in the Subscription Agreement and (iii) if any early repayment is made at any time during two years from the date of issue of the relevant Convertible Bond, PTL shall pay to the holder of such Convertible Bond each time upon any such early repayment a sum equal to 1% of the principal amount under the Convertible Bond so repaid.

- Redemption: PTL shall be required to redeem upon maturity of the 5-year term at 100% all or any part of the principal amount of the relevant Convertible Bond in respect of which the conversion rights have not been exercised.
- Voting: The holder of the Convertible Bonds will not be entitled to receive notice of, attend or vote at any general meetings of PTL by reason only of it being the holder of the Convertible Bonds.
- Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other securities exchange. An application will be made by PTL for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Bonds.

The Conversion Price of US\$0.10 per Conversion Share, which is equivalent to HK\$0.775 per Conversion Share based on the exchange rate of US\$1.00 = HK\$7.75 for the purpose of this announcement, represents:

- a premium of approximately 256% to the closing price of HK\$0.218 per PTL Share, as quoted on the Stock Exchange on 28 October 2009, being the last trading day immediately before the date of this announcement;
- a premium of approximately 256% over the average closing price of approximately HK\$0.218 per PTL Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 28 October 2009, being the last trading day immediately before the date of this announcement; and
- a premium of approximately 263% over the average closing price of approximately HK\$0.213 per PTL Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 28 October 2009, being the last trading day immediately before the date of this announcement.

The Conversion Price was determined after arm's length negotiations between PHL and PTL with reference to the prevailing market price of the PTL Shares prior to the signing of the Subscription Agreement.

### **3. Views of the Directors**

The terms of the Subscription Agreement and the transactions contemplated therein have been negotiated on arm's length basis between the parties and are on normal commercial terms and considered by the respective boards of directors of each of PHL and PTL (other than the PHL Independent Board Committee and the PTL Independent Board Committee) to be fair and reasonable and in the interests of PHL, PTL and their respective shareholders as a whole.



An independent financial adviser will be appointed to advise the PHL Independent Board Committee in respect of the Subscription Agreement and the transactions contemplated therein pursuant to the requirements under the Listing Rules. After the independent financial adviser to be appointed by PHL has advised them on the terms of the Subscription Agreement and the transactions contemplated therein, the independent non-executive directors of PHL will form a view as to whether the Subscription Agreement and the transactions contemplated therein are on normal commercial terms, fair and reasonable and in the interests of PHL and its shareholders as a whole.

An independent financial adviser will be appointed to advise the PTL Independent Board Committee in respect of the Subscription Agreement and the transactions contemplated therein pursuant to the requirements under the Listing Rules. After the independent financial adviser to be appointed by PTL has advised them on the terms of the Subscription Agreement and the transactions contemplated therein, the independent non-executive directors of PTL will form a view as to whether the Subscription Agreement and the transactions contemplated therein are on normal commercial terms, fair and reasonable and in the interests of PTL and its shareholders as a whole.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION AND USE OF PROCEEDS**

The principal activity of PTL is investment holding with its principal subsidiaries engaged in the design, development, marketing and distribution of toys and family entertainment activity products.

As disclosed in the circular of PHL dated 13 February 2009, in view of the unprecedented global financial crisis and recessionary economic environment ignited by the series of high profile failures of major U.S. and European financial institutions in 2008, and the resulting tightening of the availability of fund by banking institutions, PHL and PTL entered into an agreement whereby the Banking Facilities were made available to the PTL Group on the condition that the Charges on Deposits be executed as security. However, the availability of the Banking Facilities is subject to relevant renewal and other termination provisions by the Banks. The directors of PTL consider that it will be in the interests of the PTL Group to secure a more stable source of finance so that the PTL Group can be better equipped with steady and strong working capital base.

The PTL Group has committed to invest in the development of a number of new toy product brands to be launched during 2010, including *Shrek Forever After*<sup>TM & ©</sup>, the fourth and the latest in the series of *Shrek*<sup>TM & ©</sup> movies from DreamWorks Animation<sup>TM & ©</sup>; *Lucha Libre AAA*, Mexican wrestling league soon to be introduced in the U.S. market; *Hero 108*<sup>©</sup>, a new TV series to go on Cartoon Network<sup>TM</sup>; *Inazuma-Oh*<sup>TM</sup>, a vehicle concept; and *Rainbow Brite*<sup>©</sup>, a classic doll brand from Hallmark<sup>©</sup>. The PTL Group will also increase investment in product line expansion for *iCarly*<sup>©</sup>, currently the highest rated show on Nickelodeon<sup>©</sup>.

Nickelodeon<sup>©</sup> recently announced that it has acquired the global rights to the *Teenage Mutant Ninja Turtles*<sup>®</sup> from the Mirage Group, the original owner of the property, including all broadcast rights and merchandising rights, and will continue to work with the PTL Group as the master toy licensee. Nickelodeon<sup>©</sup> also announced plans to develop a new CG-animated television series based on the popular superhero franchise, anticipated to premiere in 2012 and additionally, in partnership with Viacom's Paramount Pictures<sup>©</sup>, a new release of a new *Teenage Mutant Ninja Turtles*<sup>®</sup> feature film is also planned for 2012.

The directors of PTL consider that the acquisition of the *Teenage Mutant Ninja Turtles*<sup>®</sup> and the plans announced by Nickelodeon<sup>®</sup> represent significant new opportunities for the PTL Group. It is expected that the PTL Group will benefit from the broadening of the scope of creative inspiration to continue its long-standing commitment of making innovative, fun toys based on the legendary and new adventures of the *Teenage Mutant Ninja Turtles*<sup>®</sup> to entertain generation after generation of kids around the world. It is anticipated that requirements in working capital funds will be needed in the near future to pursue the new opportunities.

The directors of PTL also consider that the issue of the Convertible Bonds will provide a more stable source of finance so that the PTL Group can be better equipped with steady and strong working capital base. The directors of PTL have considered other alternative means for fund raising such as rights issue, open offer and further debt financing. However, in view of the current financial environment ignited by the series of high profile failures of major U.S. and European financial institutions in the late third and fourth quarters of 2008, the directors of PTL are of the view that the Proposed Issue is a more practicable and appropriate means for fund raising, which can strengthen the financial position and capability of PTL and can raise additional working capital funds for the operation of its existing business and the pursuit of new opportunities, including those described above.

Having regard to such new business opportunities and taking into account PHL's substantial investment in PTL, the directors of PHL consider that it is in the best interest of the PHL Group to subscribe for the Convertible Bonds to strengthen the financial position and capability of PTL and to provide additional working capital funds to the PTL Group for such new business opportunities and other business operation needs of the PTL Group. Furthermore, the directors of PHL have also considered that the financial support currently given to the PTL Group in the form of the Charges on Deposits will be replaced by the proposed subscription of the Convertible Bonds.

Against the above background, PTL shall within one month from the date of issue of the First Convertible Bond (or such other later time as PIL Toys may agree): (i) procure the discharge and release of the Charges on Deposits; and (ii) enter into a cancellation agreement with PHL to terminate the agreement dated 4 February 2009 made between PHL and PTL in respect of the Charges on Deposits and the continuing connected transactions as contemplated therein between PHL and PTL. The proceeds from the issue of the Convertible Bonds will be applied by the PTL Group for working capital of the PTL Group which is to be used for the operation of its existing toy and related businesses and future development.

## **EFFECT ON SHAREHOLDING OF PTL FOLLOWING THE FULL CONVERSION OF THE CONVERTIBLE BONDS**

The shareholding structure of PTL as at the date of this announcement and the shareholding structure of PTL upon full conversion of: (i) the First Convertible Bond; and (ii) the First Convertible Bond and the Second Convertible Bond respectively are and will be as follows:

Shareholders	Shareholdings as at the date of this announcement		Shareholding after full conversion of : (i) the First Convertible Bond; and (ii) the First Convertible Bond and the Second Convertible Bond (assuming no adjustment to the Conversion Price and no further issue of PTL Shares as at the date of this announcement, save and except the Conversion Shares)	
	<i>No. of PTL Shares</i>	<i>%</i>	<i>No. of PTL Shares</i>	<i>%</i>
<b>PHL Group</b>	271,275,044	54.80	<b>(i)</b> 471,275,044	<b>(i)</b> 67.81
			<b>(ii)</b> 571,275,044	<b>(ii)</b> 71.86
<b>Mr. Chan and TGC</b>	76,600,000	15.47	<b>(i)</b> 76,600,000	<b>(i)</b> 11.02
			<b>(ii)</b> 76,600,000	<b>(ii)</b> 9.63
<b>Other Directors</b>	9,033,388	1.83	<b>(i)</b> 9,033,388	<b>(i)</b> 1.30
			<b>(ii)</b> 9,033,388	<b>(ii)</b> 1.14
<b>Public shareholders</b>	138,091,568	27.90	<b>(i)</b> 138,091,568	<b>(i)</b> 19.87
			<b>(ii)</b> 138,091,568	<b>(ii)</b> 17.37
<b>Total</b>	<u>495,000,000</u>	<u>100.00</u>	<u><b>(i)</b> 695,000,000</u>	<u><b>(i)</b> 100.00</u>
			<u><b>(ii)</b> 795,000,000</u>	<u><b>(ii)</b> 100.00</u>

*Notes:*

1. The above shareholding structures are based on the assumption that there is no exercise of the subscription rights attaching to the outstanding share options of PTL and there is no further issue of the PTL Shares (other than the Conversion Shares). As at the date of this announcement, PTL has outstanding share options granted by PTL to the directors of PTL, employees of the PTL Group and other participants pursuant to the share option scheme adopted on 25 January 2008, entitling the grantees to subscribe for a maximum of 11,362,000 PTL Shares. Such share options are exercisable in stages in accordance with the terms of the share option scheme within ten years from the date of the grant.

2. As at the date of this announcement, the total number of issued PTL Shares is 495,000,000, and the PHL Group holds 271,275,044 PTL Shares (or approximately 54.80% of the entire issued share capital of PTL). Assuming: (i) full conversion of the First Convertible Bond by the PHL Group at the Conversion Price of US\$0.10 per Conversion Share; and (ii) there is no further issue of the PTL Shares (other than the Conversion Shares), an aggregate of 471,275,044 PTL Shares will be held by the PHL Group, representing approximately 67.81% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares, and an aggregate of 547,875,044 PTL Shares will be held by the PHL Group, Mr. Chan, TGC and their respective associates, representing approximately 78.83% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares. Assuming: (i) full conversion of the First Convertible Bond and the Second Convertible Bond by the PHL Group at the Conversion Price of US\$0.10 per Conversion Share; and (ii) there is no further issue of the PTL Shares (other than the Conversion Shares), an aggregate of 571,275,044 PTL Shares will be held by the PHL Group, representing approximately 71.86% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares, and an aggregate of 647,875,044 PTL Shares will be held by the PHL Group, Mr. Chan, TGC and their respective associates, representing approximately 81.49% of the number of PTL Shares in issue as enlarged by the issue of the Conversion Shares. In order to ensure sufficient public float of the PTL Shares upon any conversion of the Convertible Bonds, the Convertible Bonds contain a term that any such conversion shall not result in the shareholding of PTL held by the public being less than the then minimum public float requirement as stipulated by the Listing Rules at the time of such conversion.
3. PIL Toys may exercise the conversion rights in respect of all or any part of the outstanding principal amounts under the First Convertible Bond and the Second Convertible Bond at the same time or different times.
4. Based on the assumptions in note 2 above and for information purpose only, upon full conversion of the First Convertible Bond and the Second Convertible Bond, the PHL Group will acquire an additional shareholding interest of approximately 17.06% in PTL. The net asset value of PTL as at 30 June 2009 was HK\$93,495,000. There was no net profit (either before or after taxation) for PTL in respect of the two financial years ended 31 December 2007 and 2008. The net loss before and after tax for PTL in respect of the two financial years ended 31 December 2007 and 2008 were HK\$68,136,000 and HK\$33,585,000, and HK\$143,698,000 and HK\$190,516,000 respectively.

## **EQUITY FUND-RAISING ACTIVITIES DURING THE PAST 12 MONTHS**

PTL has not carried out any equity fund-raising activities during the 12 months immediately preceding the date of this announcement.

## **LISTING RULES IMPLICATIONS**

Based on the applicable percentage ratios of PHL, the subscription of the Convertible Bonds and the exercise of the conversion rights attached to the Convertible Bonds both constitute a major transaction for PHL under Chapter 14 of the Listing Rules. PHL indirectly owns and controls approximately 54.80% of PTL. Mr. Chan, being a director and the ultimate controlling shareholder (as such term is defined in the Listing Rules) of PHL and hence a connected person of PHL, holds indirectly through TGC an aggregate of approximately 15.47% of PTL, which results in PTL being a connected person of PHL. Accordingly, the subscription of the Convertible Bonds also constitutes a connected transaction for PHL pursuant to Chapter 14A of the Listing Rules and is therefore subject to the approval of the PHL Independent Shareholders at the PHL SGM.

PHL indirectly owns approximately 54.80% of PTL. Consequently, PHL is a connected person of PTL under the Listing Rules. The Proposed Issue constitutes a connected transaction for PTL pursuant to Chapter 14A of the Listing Rules and accordingly it is subject to the approval of the PTL Independent Shareholders at the PTL SGM. The Conversion Shares will be issued under a special mandate proposed to be sought from the PTL Independent Shareholders at the PTL SGM.

## **PHL SGM**

PHL will put forward an ordinary resolution in the PHL SGM to seek PHL Independent Shareholders' approval of the subscription of the Convertible Bonds and the exercise of the conversion rights attached to the Convertible Bonds. TGC and Mr. Chan, given their interests in PHL and PTL, are considered to have a material interest in the subscription of the Convertible Bonds. Accordingly, they and their respective associates will abstain from voting at the PHL SGM on the resolutions in relation to the subscription of the Convertible Bonds and the exercise of the conversion rights attached thereto. An independent financial adviser will be appointed to advise the PHL Independent Board Committee as regards the terms of the Subscription Agreement and the transactions contemplated therein, including but not limited to the subscription of the Convertible Bonds and the exercise of the conversion rights attached thereto.

The PHL Independent Board Committee comprises three independent non-executive directors, namely, Mr. Lee Peng Fei, Allen, Mr. Lo Kai Yiu, Anthony and Mr. Yu Hon To, David, has been constituted to advise the PHL Independent Shareholders as regards the terms of the subscription of the Convertible Bonds.

A circular of PHL containing, among other things, (i) details of the Subscription Agreement and the Convertible Bonds; (ii) a letter of recommendation from the PHL Independent Board Committee to the PHL Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the PHL Independent Board Committee and the PHL Independent Shareholders on the terms of the subscription of Convertible Bonds; (iv) the notice of the PHL SGM; and (v) other information as required under the Listing Rules will be despatched to the shareholders of PHL as soon as practicable.

## **PTL SGM**

PTL will put forward an ordinary resolution in the PTL SGM to seek PTL Independent Shareholders' approval of the Proposed Issue and the transactions contemplated thereunder. PHL, TGC and Mr. Chan, given their interests in PHL and PTL, are considered to have a material interest in the Proposed Issue. Accordingly, they and their respective associates will abstain from voting at the PTL SGM on the resolutions in relation to Proposed Issue.

The PTL Independent Board Committee comprises three independent non-executive directors, namely, Mr. Chow Yu Chun, Alexander, Mr. Lee Ching Kwok, Rin and Mr. Yang, Victor, has been constituted to advise the PTL Independent Shareholders as regards the terms of the Proposed Issue. An independent financial adviser will be appointed to advise the PTL Independent Board Committee as regards the terms of the Subscription Agreement and the transactions contemplated therein, including but not limited to the Proposed Issue.

A circular of PTL containing, among other things, (i) details of the Subscription Agreement and the Convertible Bonds; (ii) a letter of recommendation from the PTL Independent Board Committee to the PTL Independent Shareholders; (iii) a letter of advice from the independent financial advisor to the PTL Independent Board Committee and the PTL Independent Shareholders on the terms of the Proposed Issue; (iv) the notice of the PTL SGM; and (v) other information as required under the Listing Rules will be despatched to the shareholders of PTL as soon as practicable.

## **GENERAL**

PHL is an investment holding company with its principal subsidiaries principally engaged in property investments, property management business, securities and other investments, and in the design, development, marketing and distribution of toys and family entertainment activity products.

PTL is an investment holding company with its principal subsidiaries principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products.

## **RESUMPTION OF TRADING**

At the request of PHL, trading in the ordinary shares and warrants (Stock Code: 594) of PHL on the Stock Exchange was suspended with effect from 9:30 am on 29 October 2009 pending the publication of this announcement. Application has been made for the resumption of trading in the ordinary shares and warrants (Stock Code: 594) of PHL on the Stock Exchange from 9:30 am on 2 November 2009.

At the request of PTL, trading in the ordinary shares of PTL on the Stock Exchange was suspended with effect from 9:30 am on 29 October 2009 pending the publication of this announcement. Application has been made for the resumption of trading in the ordinary shares of PTL on the Stock Exchange from 9:30 am on 2 November 2009.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules;
“Banking Facilities”	the revolving banking facilities up to the aggregate sum of HK\$80 million from time to time granted by the Banks to the PTL Group, which are secured by the Charges on Deposits;
“Banks”	certain principal banks of PTL, all of whom are independent third parties and are not connected persons of PHL, PTL or their respective associates;
“Business Day”	Any day (other than Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business;

“Charges on Deposits”	all the charges on cash deposits up to the aggregate sum of HK\$80 million provided by the PHL Group in favour of the Banks as security for the Banking Facilities;
“Completion”	completion of the issue of and subscription for the First Convertible Bond and/or the Second Convertible Bond (as the case may be) pursuant to the terms of the Subscription Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Convertible Bonds”	the First Convertible Bond and the Second Convertible Bond; and “Convertible Bond” shall mean either the First Convertible Bond or the Second Convertible Bond, as the case may be;
“Conversion Price”	the conversion price of US\$0.10 per Conversion Share, subject to usual anti-dilution adjustments of the conversion price in favour of the holder of the Convertible Bonds;
“Conversion Shares”	up to 300 million new PTL Shares which would fall to be issued by PTL upon the exercise of the conversion rights attached to the Convertible Bonds;
“First Convertible Bond”	convertible bond(s) due after 5 years from the date of issuance in an aggregate principal amount of US\$20 million to be subscribed by PIL Toys pursuant to the Subscription Agreement, which entitle PIL Toys to convert the principal amount outstanding into Conversion Shares at the Conversion Price;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mirage Group”	Mirage Licensing, Inc. and its affiliates;
“Mr. Chan”	Mr. Chan Chun Hoo, Thomas, the chairman of the board of directors of PHL and PTL respectively;
“PHL”	Playmates Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“PHL Group”	PHL and its subsidiaries, excluding the PTL Group;
“PHL Independent Board Committee”	the independent board committee of PHL;

“PIL Toys”	PIL Toys Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of PHL;
“PHL Independent Shareholders”	shareholders of PHL who are not required to abstain from voting at the PHL SGM under the Listing Rules;
“PHL SGM”	the special general meeting of the shareholders of PHL to be convened for the purpose of considering and, if thought fit, approving the subscription of the Convertible Bonds and the transactions contemplated thereunder;
“Proposed Issue”	the proposed issue of the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement;
“PTL”	Playmates Toys Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“PTL Group”	PTL and its subsidiaries;
“PTL Independent Board Committee”	the independent board committee of PTL;
“PTL Independent Shareholders”	shareholders of PTL who are not required to abstain from voting at the PTL SGM under the Listing Rules;
“PTL Share”	ordinary share of par value HK\$0.01 each in the share capital of PTL;
“PTL SGM”	the special general meeting of the shareholders of PTL to be convened for the purpose of considering and, if thought fit, approving the issue of the Convertible Bonds;
“Second Convertible Bond”	convertible bond(s) due after 5 years from the date of issuance in an aggregate principal amount of US\$10 million to be subscribed by PIL Toys pursuant to the Subscription Agreement, which entitle PIL Toys to convert the principal amount outstanding into Conversion Shares at the Conversion Price;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the conditional agreement dated 29 October 2009 entered into between PIL Toys and PTL in relation to the issue and subscription of the Convertible Bonds;
“TGC”	TGC Assets Limited (formerly known as Angers Investments Limited), a substantial shareholder of both PHL and PTL, the entire issued share capital of which is beneficially owned by Mr. Chan;



“US\$” United States dollars, the lawful currency of United States of America; and

“%” per cent.

*For illustration purpose, in this announcement, amounts in US\$ have been translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.75. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.*

By Order of the board  
**Playmates Holdings Limited**  
**Ng Ka Yan**  
*Company Secretary*

By Order of the board  
**Playmates Toys Limited**  
**Ng Ka Yan**  
*Company Secretary*

Hong Kong, 30 October 2009

As at the date of this announcement, the board of PHL 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*)

As at the date of this announcement, the board of PTL comprises the following directors:

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

*\* For identification purpose only*