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PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)

**PROPOSED SPIN-OFF BY WAY OF DISTRIBUTION OF SHARES
IN PLAYMATES TOYS LIMITED
AND THE SEPARATE LISTING OF THE SHARES OF
PLAYMATES TOYS LIMITED
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF INTRODUCTION**

**PROPOSED ADOPTION OF SHARE OPTION SCHEME OF
PLAYMATES TOYS LIMITED**

**PROPOSED CAPITAL REORGANISATION INVOLVING
CAPITAL REDUCTION AND SHARE CONSOLIDATION
OF PLAYMATES HOLDINGS LIMITED**

**PROPOSED AMENDMENTS OF BYE-LAWS
OF PLAYMATES HOLDINGS LIMITED**

Reference is made to the announcements of the Company dated 27 April 2007 and 23 July 2007 relating to the proposed spin-off of Playmates Toys Group.

In connection with the proposed Spin-Off by way of Distribution, the Board proposes to put forward the following proposals for Shareholders' approval at the SGM:–

- (1) the proposed Spin-Off by way of Distribution by the declaration of a special interim dividend which dividend will be satisfied by the transfer of the Playmates Toys Shares to the Qualifying Shareholders whose names appear on the register of members of the Company at 4:00 p.m. on the Distribution Record Date. On the basis of 2,225,232,569 PHL Shares of the Company in issue as at the Latest Practicable Date, one Playmates Toys Share will be distributed for every one Consolidated PHL Share held by the Qualifying Shareholders as at the Distribution Record Date;

- (2) the adoption of the Playmates Toys Option Scheme;
- (3) the Capital Reorganisation which involves:–
 - (i) the Capital Reduction in the form of a reduction in the nominal value of each PHL Share in issue of HK\$0.10 by HK\$0.09 to HK\$0.01;
 - (ii) the Share Consolidation which will be implemented immediately after the Capital Reduction whereby every ten PHL shares of HK\$0.01 each resulting from the Capital Reduction will be consolidated into one Consolidated PHL Share of HK\$0.10; and
- (4) the Bye-Laws Amendments.

The Board also hereby announces that Mr. Chow Yu Chun, Alexander has tendered his resignation as an independent non-executive director of the Company with effect from 28 December 2007.

Commerzbank has been engaged as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the proposed Spin-Off by way of Distribution and separate listing of Playmates Toys Limited.

The SGM for the purpose of considering and, if thought fit, passing the necessary resolutions described above will be held at Island Ballroom A, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 9:00 a.m. on Friday, 25 January 2008.

The Circular containing, among other things, the above proposals together with the information on certain exempt continuing connected transactions between the Group and the Playmates Toys Group arising as a result of the proposed Spin-Off by way of Distribution, the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and a notice of the SGM is expected to be despatched to Shareholders on 31 December 2007 along with the despatch of the Listing Document.

No offering or subscription for any securities will apply in respect of the proposed Spin-Off by way of Distribution.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and should note that the implementation of the proposed Spin-Off by way of Distribution is subject to various conditions as set out in this announcement, the Circular and the Listing Document. In particular, there is no assurance that approval from the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Playmates Toys Shares or the Consolidated PHL shares will be granted.

INTRODUCTION

Reference is made to the announcements of the Company dated 27 April 2007 and 23 July 2007 relating to the proposed spin-off of the Playmates Toys Group.

In connection with the proposed Spin-Off by way of Distribution, the Board proposes to put forward the following proposals for Shareholders' approval at the SGM:–

- (i) the proposed Spin-Off by way of Distribution;
- (ii) the proposed adoption of the Playmates Toys Option Scheme;
- (iii) the proposed Capital Reorganisation; and
- (iv) the proposed Bye-Laws Amendments.

The Board further wishes to inform that following the Spin-Off by way of Distribution, the Company will indirectly own and control approximately 55% of the entire issued share capital of Playmates Toys. Accordingly, from a wholly-owned subsidiary as at the Latest Practicable Date, Playmates Toys will become a non-wholly owned subsidiary of the Company and a connected person under Chapter 14A.11 of the Listing Rules. Given that each of the applicable percentage ratios (other than the profits test) of the aggregate fees/charges payable in respect of each of these transactions during each of these periods is less than 0.1%, the transactions fall below the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and hence constitutes a continuing connected transaction exempt from reporting, announcement and independent shareholders' approval requirements. Details of these transactions are contained in the Circular and the Listing Document and the Shareholders should note that they are not required to vote on the exempt continuing connected transactions.

THE PROPOSED SPIN-OFF BY WAY OF DISTRIBUTION

The proposed Spin-Off by way of Distribution comprises a reorganization of the Playmates Toys Group more particularly set out in appendix IV of the Listing Document whereby Playmates Toys became the holding company of the Playmates Toys Group in May 2007, the proposed Distribution and the listing of the Playmates Toys Shares by way of the Introduction upon completion of the proposed Distribution. The Spin-Off by way of Distribution does not involve any offer for subscription or sale of Playmates Toys Shares by Playmates Toys or the Company.

Reasons for the proposed Spin-Off by way of Distribution

The Directors believe that the toy business may benefit from the proposed Spin-Off by way of Distribution for the following reasons:–

- (i) enhancing the business profile of Playmates Toys' business;

- (ii) improving Playmates Toys' business profile with major customers;
- (iii) assisting Playmates Toys to secure major licenses;
- (iv) providing new sources of capital opportunity for Playmates Toys;
- (v) incentivizing executives and staff of Playmates Toys;
- (vi) increasing management focus and motivation of Playmates Toys;
- (vii) creating own investor base for Playmates Toys; and
- (viii) clarity of credit profile for Playmates Toys.

The proposed Distribution

The Board proposes to declare conditionally a special dividend by the Company to Qualifying Shareholders. The proposed Distribution will be wholly satisfied by way of distribution in specie of an aggregate of not less than approximately 222,523,256 Playmates Toys Shares constituting approximately 45% of the entire issued share capital of Playmates Toys as at the Latest Practicable Date.

In connection with the proposed Distribution, the Board proposes to implement the Capital Reorganisation upon completion of which every ten PHL shares of HK\$0.01 each resulting from the Capital Reduction will be consolidated into one Consolidated PHL Share.

Qualifying Shareholders under the proposed Distribution will receive one Playmates Toys Share for every one Consolidated PHL Share held as at the Distribution Record Date.

The Playmates Toys Shares to be distributed pursuant to the proposed Spin-Off by way of Distribution shall rank pari passu in all respects to each other.

Summary Financial Information of Playmates Toys Group

The following tables present financial information of the Playmates Toys Group for the periods indicated. The combined income and cashflow statements and statements of changes in equity of the Playmates Toys Group for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007 and the combined balance sheets as at 31 December 2004, 2005 and 2006 and 30 June 2007 have been derived and/or extracted from "Appendix I – Accountants' Report" of the Listing Document. Shareholders should take note that the summary below must be read in conjunction with "Appendix I – Accountants' Report" of the Listing Document.

Combined Income Statements

	Year ended 31 December			Six months ended 30 June	
	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i>
Turnover	1,282,662	1,277,607	1,127,997	317,579	347,579
Cost of sales	<u>(584,035)</u>	<u>(637,264)</u>	<u>(586,826)</u>	<u>(173,510)</u>	<u>(183,254)</u>
Gross profit	698,627	640,343	541,171	144,069	164,325
Marketing expenses	(318,646)	(305,822)	(296,536)	(92,840)	(79,525)
Selling, distribution and administrative expenses	<u>(214,260)</u>	<u>(242,002)</u>	<u>(216,662)</u>	<u>(83,320)</u>	<u>(94,418)</u>
Operating profit/(loss)	165,721	92,519	27,973	(32,091)	(9,618)
Non-operating income/(expenses)					
Interest expense and bank charges	(10,071)	(7,341)	(5,877)	(1,667)	(1,618)
Other revenue	739	3,002	5,131	2,406	2,421
Share of (loss)/profit of an associate	<u>(1,140)</u>	<u>1,149</u>	<u>2,930</u>	<u>(923)</u>	<u>(485)</u>
Profit/(loss) before taxation	155,249	89,329	30,157	(32,275)	(9,300)
Taxation credit/(charge)	<u>25,859</u>	<u>14,674</u>	<u>(4,033)</u>	<u>14,351</u>	<u>(5,337)</u>
Profit/(loss) for the year/period	<u>181,108</u>	<u>104,003</u>	<u>26,124</u>	<u>(17,924)</u>	<u>(14,637)</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,660</u>
Earnings/(loss) per share	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic	<u>36.59</u>	<u>21.01</u>	<u>5.28</u>	<u>(3.62)</u>	<u>(2.96)</u>

Combined Balance Sheets

	As at 31 December			As at
	2004	2005	2006	30 June
	HK\$'000	HK\$'000	HK\$'000	2007
				HK\$'000
Non-current assets				
Property, plant and equipment	7,277	8,324	5,904	5,521
Investment in an associate	24,717	25,866	26,346	25,861
Deferred tax assets	68,391	85,728	80,077	75,096
	<u>100,385</u>	<u>119,918</u>	<u>112,327</u>	<u>106,478</u>
Current assets				
Inventories	36,736	57,606	49,353	48,917
Trade receivables	336,433	371,370	353,212	121,593
Other receivables, deposits and prepayments	31,685	44,442	59,759	66,452
Amount due from a fellow subsidiary	–	130	244	29
Amount due from intermediate holding companies	2,450	2,543	4,993	4,993
Taxation recoverable	–	–	1,043	1,059
Cash and bank balances	39,391	80,057	90,541	97,103
	<u>446,695</u>	<u>556,148</u>	<u>559,145</u>	<u>340,146</u>
Current liabilities				
Bank loans	19,500	19,000	66,500	–
Trade payables	61,643	90,777	91,041	47,517
Other payables and accrued charges	129,149	132,489	122,976	57,458
Amount due to a fellow subsidiary	1,500	–	–	–
Amount due to the ultimate holding company	6,884	14,245	19,942	8,355
Provisions	64,809	51,775	49,260	26,780
Taxation payable	72,998	72,817	755	1,183
	<u>356,483</u>	<u>381,103</u>	<u>350,474</u>	<u>141,293</u>
Net current assets	<u>90,212</u>	<u>175,045</u>	<u>208,671</u>	<u>198,853</u>
Total assets less current liabilities	<u>190,597</u>	<u>294,963</u>	<u>320,998</u>	<u>305,331</u>
Non-current liabilities				
Deferred tax liabilities	–	270	181	181
Net assets	<u>190,597</u>	<u>294,693</u>	<u>320,817</u>	<u>305,150</u>
Capital and reserves				
Share capital	2,420	93	93	93
Reserves	188,177	294,600	320,724	305,057
Shareholders' funds	<u>190,597</u>	<u>294,693</u>	<u>320,817</u>	<u>305,150</u>

Combined Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	2,420	108,120	(101,051)	9,489
Profit for the year	<u>–</u>	<u>–</u>	<u>181,108</u>	<u>181,108</u>
At 31 December 2004 and 1 January 2005	2,420	108,120	80,057	190,597
Arising from the Reorganization	(2,420)	2,420	–	–
Issue of shares	93	–	–	93
Profit for the year	<u>–</u>	<u>–</u>	<u>104,003</u>	<u>104,003</u>
At 31 December 2005 and 1 January 2006	93	110,540	184,060	294,693
Profit for the year	<u>–</u>	<u>–</u>	<u>26,124</u>	<u>26,124</u>
At 31 December 2006 and 1 January 2007	93	110,540	210,184	320,817
Loss for the period	–	–	(14,637)	(14,637)
Dividend paid	–	–	(36,660)	(36,660)
Arising from the Reorganization	<u>–</u>	<u>35,630</u>	<u>–</u>	<u>35,630</u>
At 30 June 2007	<u><u>93</u></u>	<u><u>146,170</u></u>	<u><u>158,887</u></u>	<u><u>305,150</u></u>
At 1 January 2006	93	110,540	184,060	294,693
Loss for the period	<u>–</u>	<u>–</u>	<u>(17,924)</u>	<u>(17,924)</u>
At 30 June 2006	<u><u>93</u></u>	<u><u>110,540</u></u>	<u><u>166,136</u></u>	<u><u>276,769</u></u>

Combined Cash Flow Statements

	Year ended 31 December			Six months ended 30 June	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (Unaudited)	2007 HK\$'000
Cash flows from operating activities					
Cash generated from operations	120,061	45,275	31,225	67,361	72,774
Interest paid	(1,086)	(565)	(1,337)	(45)	(118)
Hong Kong profits tax paid	(76)	–	(3,257)	(278)	(425)
Hong Kong profits tax refunded	–	–	–	–	497
Overseas tax paid	(7,643)	(2,574)	(69,633)	(15,081)	(16)
Overseas tax refunded	–	–	1,314	1,305	–
Net cash generated from/ (used in) operating activities	<u>111,256</u>	<u>42,136</u>	<u>(41,688)</u>	<u>53,262</u>	<u>72,712</u>
Cash flows from investing activities					
Purchases of property, plant and equipment	(3,339)	(4,065)	(463)	(175)	(1,041)
Proceeds from disposal of property, plant and equipment	–	–	4	–	–
Interest received	739	3,002	5,131	2,406	2,421
Net cash (used in)/generated from investing activities	<u>(2,600)</u>	<u>(1,063)</u>	<u>4,672</u>	<u>2,231</u>	<u>1,380</u>
Cash flows from financing activities					
Net new bank loan	–	–	47,500	–	–
Issue of shares	–	93	–	–	–
Contributed by the intermediate holding company as a result of the Reorganization	–	–	–	–	35,630
Net repayment of bank loans	(122,411)	(500)	–	(19,000)	(66,500)
Dividend paid	–	–	–	–	(36,660)
Net cash (used in)/generated from financing activities	<u>(122,411)</u>	<u>(407)</u>	<u>47,500</u>	<u>(19,000)</u>	<u>(67,530)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(13,755)</u>	<u>40,666</u>	<u>10,484</u>	<u>36,493</u>	<u>6,562</u>
Effect on exchange rate changes	–	–	–	(103)	–
Cash and cash equivalents at 1 January	<u>53,146</u>	<u>39,391</u>	<u>80,057</u>	<u>80,057</u>	<u>90,541</u>
Cash and cash equivalents at 31 December/30 June	<u><u>39,391</u></u>	<u><u>80,057</u></u>	<u><u>90,541</u></u>	<u><u>116,447</u></u>	<u><u>97,103</u></u>

Separate Listing of the Playmates Toys Shares by the Introduction

Following the proposed Distribution, the Playmates Toys Shares shall be listed on the Stock Exchange by way of Introduction.

Shareholders should note however that there is no guarantee that approval for such application for the listing of, and permission to deal in, the Playmates Toys Shares on the Main Board of the Stock Exchange will be granted by the Listing Committee of the Stock Exchange

It is expected that the Spin-Off by way of Distribution will be completed on or before 1 February 2008.

Overseas Shareholders entitlements

As at the Latest Practicable Date, the Company has Overseas Shareholders with addresses outside Hong Kong, holding in aggregate approximately 315,600 PHL Shares representing less than 0.01% of the entire issued share capital of the Company.

The Overseas Shareholders (excluding the Excepted Overseas Shareholders) would not receive the Playmates Toys Shares; instead, they would receive a cash amount equal to the net proceeds of the sale of their Playmates Toys Shares by the Company on their behalf after dealing of the Playmates Toys Shares commences at the prevailing market price. The proceeds of such sale, net of expenses, will be paid to the relevant Overseas Shareholders (excluding the Excepted Overseas Shareholder) in Hong Kong dollars, unless the net proceeds falling to be distributed to the relevant Overseas Shareholders (excluding the Excepted Overseas Shareholder) is less than HK\$100, in which case such proceeds will be retained for the benefit of the Company.

Effects of the proposed Spin-Off by way of Distribution

Following the proposed Spin-Off by way of Distribution, the Company will continue to hold approximately 55% of the entire issued share capital of Playmates Toys and Playmates Toys will remain as a subsidiary of the Company. The Company will remain the ultimate holding company of the PHL Group.

The Business of the PHL Group after the proposed Spin-off by way of Distribution

The Business of the PHL Group after the proposed Spin-Off by way of Distribution comprises:

(a) Property Investment

The Company's management, through its predecessor and current group companies, has engaged profitably in property investment, development and management activities in industrial properties since the early 1970's and in commercial and residential properties since the early 1990's. Since 2006, the Company has benefited from and continues to benefit from improving conditions in the Hong Kong property market resulting in an increase in valuation, commercial and residential rental income, and property management income. Further details of the Company's property development are set out in the Circular.

(b) Property Management

The property management function is operated through Prestige Property Management Limited, an indirect wholly owned subsidiary of the Company.

Arm's length commercial pricing arrangements comparable to those available from independent third party providers of equivalent services have been put in place between Prestige Property Management Limited and the subsidiaries within the PHL Group that own the properties.

(c) Property Related Business

The Company has initiated and supported the transformation of The Toy House to house a number of upscale specialty restaurants on the higher floors of the building which were previously occupied by office tenants. In 2005, the Company entered into a joint venture with an independent third party with a proven track record in operating specialty food and beverage outlets, to launch a number of new food and beverage outlets, each with its own distinct market positioning and branding. Pursuant to the joint venture, two specialty restaurants were set up in The Toy House.

(d) Portfolio Investments

Following the proposed Spin-Off by way of Distribution, the PHL Group will continue to carry out portfolio investments as part of its treasury activities although the Company's approximately 55% shareholding in the entire issued share capital of Playmates Toys will constitute an important investment of the Company.

The PHL Group operations

The PHL Group will continue to employ sufficient members of staff to operate the business of the PHL Group after the proposed Spin-Off by way of Distribution.

Conditions of the proposed Spin-Off by way of Distribution

The proposed Spin-Off by way of Distribution is conditional upon:

- (i) the granting by the Listing Committee of the Stock Exchange of listing of, and permission to deal in, the Playmates Toys Shares in issue and any Playmates Toys Shares which may be issued pursuant to the exercise of the options which may be granted under the proposed Playmates Toys Option Scheme;
- (ii) the passing at the SGM of the necessary resolutions to approve the proposed Capital Reorganisation and the fulfilment of the conditions therein; and
- (iii) the passing at the SGM of the necessary resolutions to approve the proposed Spin-Off by way of Distribution.

PROPOSED ADOPTION OF PLAYMATES TOYS OPTION SCHEME

The Playmates Toys Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and adoption of such scheme is subject to the approval of the Shareholders at the SGM. A summary of the principal terms of the proposed Playmates Toys Option Scheme is set out in Appendix I to the Circular.

Reasons for the adoption of Playmates Toys Option Scheme

The purpose of the proposed adoption of Playmates Toys Option Scheme is to reward certain eligible participants who have contributed to the Playmates Toys Group and to encourage eligible participants to work towards enhancing the value of Playmates Toys and the Playmates Toys Shares for the benefit of Playmates Toys and its shareholders as a whole, and to attract and retain eligible participants whose contributions are or may be beneficial to the growth and development of the Playmates Toys Group.

Conditions precedent to the adoption of the Playmates Toys Option Scheme

The Playmates Toys Option Scheme shall take effect on the first day of dealings of the Playmates Toys Shares on the Stock Exchange subject to:

- (i) the passing of the resolution by the Shareholders in the SGM to approve and adopt the Playmates Toys Option Scheme;
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Playmates Toys Shares which fall to be issued pursuant to the exercise of any Playmates Toys Options;

- (iii) the Bermuda Monetary Authority granting permission for the issue and free transfer of any Playmates Toys Shares to be issued by Playmates Toys pursuant to the exercise of the Playmates Toys Options in accordance with the terms and conditions of the proposed Playmates Toys Option Scheme; and
- (iv) the commencement of dealings in the Playmates Toys Shares on the Stock Exchange.

If any of the above conditions are not satisfied on or before 31 March 2008, the Playmates Toys Option Scheme shall terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the proposed Playmates Toys Option Scheme.

EXEMPT CONTINUING CONNECTED TRANSACTIONS WITH PLAYMATES TOYS GROUP

Following the Spin-Off by way of Distribution, the Company will indirectly own and control approximately 55% of the entire issued share capital of Playmates Toys. Accordingly, from a wholly-owned subsidiary as at the Latest Practicable Date, Playmates Toys will become a non-wholly owned subsidiary of the Company and a connected person under Chapter 14A.11 of the Listing Rules. Consequently, each member of the Playmates Toys Group is a connected person of the PHL Group under the Listing Rules.

Further information on these exempt continuing connected transactions are set out in the Circular and the Listing Document.

PROPOSED CAPITAL REORGANISATION

The Directors propose to effect the Capital Reorganisation which involves the proposed Capital Reduction and proposed Share Consolidation in connection with the proposed Spin-Off by way of Distribution.

Reasons for the proposed Capital Reorganisation

The implementation of the proposed Capital Reorganisation would facilitate the Company to effect the proposed Distribution with the stipulated value of one Playmates Toys Share to be distributed for one Consolidated PHL Share held by the Qualifying Shareholders.

Furthermore, the Directors consider that the proposed Capital Reorganisation is appropriate for the Company in view of the size of the PHL Group upon the implementation of the proposed Spin-Off by way of Distribution. As a consequence of the Share Consolidation, the market price of each Consolidated PHL Share should reflect the effect of the Share Consolidation.

Proposed Capital Reduction

Pursuant to the proposed Capital Reduction, the nominal value of the issued share capital of the Company will be reduced by HK\$0.09 per PHL Share by cancelling an equivalent amount of the paid-up capital per PHL Share so that the nominal value of each PHL Share in issue will be reduced from HK\$0.10 to HK\$0.01.

Proposed Share Consolidation

Immediately following the proposed Capital Reduction, the proposed Share Consolidation will be implemented whereby every ten issued PHL shares of HK\$0.01 each resulting from the Capital Reduction will be consolidated into one Consolidated PHL Share of HK\$0.10.

Effects of the proposed Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$300,000,000.00 comprising 3,000,000,000 PHL Shares, of which 2,225,232,569 PHL Shares have been allotted and issued as fully paid or credited as fully paid. Upon the proposed Capital Reorganisation taking effect and on the basis that the Company does not allot and issue any further PHL Shares prior thereto, the authorised share capital of the Company shall be restored to HK\$300,000,000.00 comprising 3,000,000,000 Consolidated PHL Shares, but of which approximately 222,523,256 Consolidated PHL Shares only will be in issue. The Consolidated PHL Shares will rank pari passu in all respect with each other.

On the basis of 2,225,232,569 PHL Shares in issue, a credit of approximately HK\$200,270,931.21 will arise from the proposed Capital Reduction. Such amount will be credited to the contributed surplus account of the Company following completion of the proposed Capital Reorganisation.

Conditions of the proposed Capital Reorganisation

The proposed Capital Reorganisation is conditional upon:

- (i) the passing at the SGM of the necessary resolutions to approve the proposed Capital Reorganisation;
- (ii) compliance with the relevant legal procedures and requirements under Bermuda law to effect the proposed Capital Reorganisation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated PHL Shares in issue.

Shareholders should note that there is no guarantee that approval for such application for the listing of, and permission to deal in, the Consolidated PHL Shares on the Main Board of the Stock Exchange will be granted by the Listing Committee of the Stock Exchange.

Trading arrangements

Upon the proposed Capital Reorganisation becoming effective, all existing share certificates for any number of PHL Shares in issue immediately before the Effective Date will be deemed to be certificates, and will be effective as documents of title, for one tenth of that number of PHL Shares. New share certificates will be issued for Consolidated PHL Shares.

The trading arrangements proposed for dealings in Consolidated PHL Shares are set out as follows:

- (i) with effect from 9:30 a.m. on Monday, 28 January 2008, the original counter for trading in PHL Shares in existing board lot of 2,000 PHL Shares will close temporarily. A temporary counter for trading in Consolidated PHL Shares represented by existing share certificates in board lots of 200 Consolidated PHL Shares will be established. Every existing certificate for whatever number of PHL Shares will be deemed to be a certificate, and will be effective as a document of title valid for settlement and delivery for trading transacted from 9:30 a.m. on Monday, 28 January 2008 to 4:00 p.m. on Wednesday, 5 March 2008 for Consolidated PHL Shares, in the amount equivalent to one tenth of that number of PHL Shares. The existing share certificates for PHL Shares can only be traded at this temporary counter;
- (ii) with effect from 9:30 a.m. on Wednesday, 13 February 2008, the original counter will re-open for trading in Consolidated PHL Shares in board lots of 2,000 Consolidated PHL Shares. Only new share certificates for Consolidated PHL Shares can be traded at this counter;
- (iii) with effect from 9:30 a.m. on Wednesday, 13 February 2008 to 4:00 p.m. on Wednesday, 5 March 2008 (both dates inclusive) there will be parallel trading at the counters mentioned in (i) and (ii) above; and
- (iv) the temporary counter for trading in Consolidated PHL Shares represented by the existing share certificates in board lots of 200 Consolidated PHL Shares will be removed after the close of trading on Wednesday, 5 March 2008. Thereafter, trading will only be in Consolidated PHL Shares represented by new share certificates in board lots of 2,000 Consolidated PHL Shares and the existing share certificates for PHL Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes.

Exchange of Share Certificates

Subject to the proposed Capital Reorganisation becoming effective, Shareholders may, during Monday, 28 January 2008 to Monday, 10 March 2008 (both dates inclusive), submit existing share certificates for PHL Shares (in blue) to the Registrars, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for Consolidated PHL Shares (in green to distinguish them from the existing blue share certificate) on the basis of ten PHL Shares for one Consolidated PHL Share.

Thereafter, certificates for PHL Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for PHL Shares cancelled or each new share certificate issued for Consolidated PHL Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for PHL Shares will continue to be good evidence of legal title and may be exchanged for certificates for Consolidated PHL Shares at any time.

It is expected that new certificates for Consolidated PHL Shares will be available for collection within 10 business days after the submission of the existing share certificates for PHL Shares to Registrars for exchange.

Listing and dealing

An application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated PHL Shares to be in issue upon the proposed Capital Reorganisation becoming effective.

The timetable regarding the proposed Capital Reorganisation is set out in the section headed “Expected Timetable”.

Adjustments to options granted by the Company

Pursuant to the terms of the PHL Share Option Scheme, adjustment is required to be made to, among others, the exercise price and/or number of PHL Shares failing to be issued upon the exercise of the outstanding options. The adjustments to the PHL Share Options shall be made pursuant to the PHL Share Option Scheme and in compliance with the Listing Rules. As the proposed Capital Reorganisation is subject to the fulfilment of the conditions as set out in the section headed “Conditions of the Proposed Capital Reorganisation” in the Circular, the Company will inform the holders of the PHL Share Options of such adjustments by letters and issuance of new option certificates as soon as practicable upon the proposed Capital Reorganisation becoming effective.

NO CHANGE IN BOARD LOT SIZE FOR TRADING

Following the proposed Capital Reorganisation, the board lot size of the Consolidated PHL Shares will remain at 2,000.

Based on the closing price of HK\$0.76 per PHL Share as at the Latest Practicable Date and upon the proposed Capital Reorganisation becoming effective, the theoretical market value of each new board lot shall increase from HK\$1,520.00 (as at the Latest Practicable Date) to HK\$15,200.00.

PROPOSED BYE-LAWS AMENDMENTS

The Directors propose to effect the proposed Bye-Laws Amendments as set out in appendix II of the Circular.

Reason for the proposed Bye-Laws Amendments

The proposed Bye-Law Amendments will bring the Bye-Laws in line with the amendments of the laws of Bermuda and the Listing Rules.

Furthermore, certain provisions of the Bye-laws need to be modernised in line with current market practices. Upon obtaining requisite legal opinion, the Company is of the view that the proposed Bye-Laws Amendments are in compliance with Chapter 13.51(1) of the Listing Rules.

Condition of the proposed Bye-Laws Amendments

The proposed Bye-Laws Amendments are conditional upon the passing at the SGM of the necessary special resolution to approve the proposed Bye-Laws Amendments.

RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board also hereby announces that Mr. Chow Yu Chun, Alexander has tendered his resignation as an independent non-executive director of the Company and a member of the audit committee with effect from 28 December 2007 for the reason of his recent appointment as an independent non-executive director of Playmates Toys on 11 July 2007 and his personal intention to now focus on his role as an independent non-executive director of Playmates Toys.

Mr. Chow confirmed that there were no disagreements with the Board and there was no other matter in relation to his resignation that ought to be brought to the attention of the Shareholders.

The Board would take this opportunity to thank Mr. Chow for his valuable contribution to the Company during his tenure of service.

CLOSURE OF REGISTER

In order to determine entitlements of Qualifying Shareholders to the proposed Distribution, the register of members of the Company will be closed from Wednesday, 23 January 2008 to Friday, 25 January 2008, both days inclusive, during which period no transfer of PHL Shares can be registered.

The last day for dealings in PHL Shares cum entitlements to the Playmates Toys Shares pursuant to the proposed Distribution will be Friday, 18 January 2008. In order to qualify for the proposed Distribution, transferees of PHL Shares are reminded that they must lodge completed transfer forms, together with the relevant share certificates, with the office of the Registrars not later than 4:30 p.m. on Tuesday, 22 January 2008.

SGM

The SGM will be held at Island Ballroom A, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 9:00 a.m. on Friday, 25 January 2008 for the purpose of considering and, if thought fit, passing the relevant ordinary resolutions to approve the proposed Distribution, the proposed adoption of the Playmates Toys Option Scheme and the passing of the relevant special resolutions to approve proposed Capital Reorganisation and the proposed Bye-Law Amendments.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been formed to advise the Shareholders in connection with the proposed Spin-Off by way of Distribution. Commerzbank has been appointed to advise the Independent Board Committee and the Shareholders in this respect.

EXPECTED TIMETABLE

2008

In relation to PHL before and during Capital Reorganisation

Last day of dealings in PHL Shares on a cum entitlement basis	Friday, 18 January
First day of dealings in PHL Shares on an ex entitlement basis	Monday, 21 January
Latest time for lodging transfers of PHL Shares cum entitlement to the Playmates Toys Shares pursuant to the Distribution.	4:30 p.m. on Tuesday, 22 January
Register of members of Company closes from	Wednesday, 23 January
to.	Friday, 25 January
Latest time for lodging form of proxy for the SGM	9:00 a.m. on Wednesday, 23 January
SGM.	9:00 a.m. on Friday, 25 January
Effective Date for Capital Reorganisation	after 4:00 p.m. Friday, 25 January
Distribution Record Date	Friday, 25 January
Announcement of SGM results	Monday, 28 January

In relation to PHL after Capital Reorganisation

Trading in Consolidated PHL Shares commence on Monday, 28 January

Temporary counter for trading in Consolidated PHL Shares
(in form of existing share certificates) in board lots of
200 Consolidated PHL Shares opens and
original counter temporarily closes 9:30 a.m. on Monday, 28 January

First Day for free exchange of existing share certificates for
new share certificates commences Monday, 28 January

Original counter for trading in Consolidated PHL Shares
(in form of new share certificates) in new board lots of
2,000 Consolidated PHL Shares reopens 9:30 a.m. on Wednesday, 13 February

Parallel trading in Consolidated PHL Shares commences 9:30 a.m. on Wednesday, 13 February

Temporary counter for trading in Consolidated PHL Shares
(in form of existing share certificates) in board lots of
200 Consolidated PHL Shares closes 4:00 p.m. on Wednesday, 5 March

Parallel trading in Consolidated PHL Shares ends 4:00 p.m. on Wednesday, 5 March

Free exchange of existing share certificates for
new share certificates ends Monday, 10 March

In relation to Playmates Toys

Declaration of the distribution of a special interim dividend by Company
to be satisfied by way of distribution in specie of
Playmates Toys Shares to Qualifying Shareholders Friday, 25 January

Shares certificates for Playmates Toys Shares to be
despatched on Wednesday, 30 January

Dealings in Playmates Toys Shares on Stock Exchange
expected to commence 9:30 a.m. on Friday, 1 February

Note:

1. All times and dates refer to Hong Kong local time and dates
2. If the conditions referred to in the section headed “INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION – 9. CONDITIONS OF THE INTRODUCTION” in the Listing Document are not fulfilled, the Introduction will lapse and the Stock Exchange will be notified immediately. We will cause notice of the lapse of the Introduction to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on the next day following such lapse. In addition, if there is any revision to the above timetable, a separate announcement will be made by the Company.

DEFINITIONS

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

“Board”	board of Directors of the Company
“Bye-law(s)”	bye-laws of the Company, as amended from time to time
“Bye-Laws Amendments”	the amendments of the Bye-laws proposed by the Directors as set out in appendix II of the Circular
“Capital Reduction”	the capital reduction which involves the nominal value of each issued PHL Share being reduced from HK\$0.10 to HK\$0.01 by cancelling paid-up capital to the extent of HK\$0.09 on each issued PHL Share
“Capital Reorganisation”	collectively, the Capital Reduction and Share Consolidation
“Circular”	the Circular dated 31 December 2007 issued in conjunction with the proposed Spin-Off by way of Distribution, the proposed Distribution, the proposed Capital Reorganisation, the proposed Playmates Toys Option Scheme and the proposed Bye-Laws Amendments
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company” or “PHL”	Playmates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Consolidated PHL Share(s)”	new PHL share(s) of HK\$0.10 each in the share capital of the Company upon the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company

“Distribution”	the distribution of the conditional special dividend by the Company to be satisfied by way of distribution in specie of 222,523,256 Playmates Toys Shares to Qualifying Shareholders whose names appeared on the register of members of the Company at 4:00 p.m. on the Distribution Record Date, subject to the satisfaction of certain conditions as described in the section in this announcement entitled “Conditions of the proposed Spin-Off by way of Distribution”
“Distribution Record Date”	Friday, 25 January 2008, being the record date for the determination of entitlements to the Distribution
“Effective Date”	the date on which the Capital Reorganisation becomes unconditional and effective
“Excepted Overseas Shareholders”	Overseas Shareholders whose addresses, as shown on the register of members of the Company at 4:00 p.m. on the Distribution Record Date, are in the United Kingdom, Malaysia, Singapore, Macau and the United States
“Group”	the Company and its subsidiaries (a subsidiary has the meaning ascribed to it by section 2(4) of the Companies Ordinance)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising Mr. Lee Peng Fei, Allen, Mr. Lo Kai Yiu, Anthony and Mr. Yu Hon To, David
“Independent Financial Adviser” or “Commerzbank”	Commerzbank AG, acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and an authorized financial institution under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the Securities and Futures Ordinance, and appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the proposed Spin-Off by way of Distribution
“Introduction”	the listing of the Playmates Toys Shares on the Main Board of the Stock Exchange by way of introduction pursuant to the Listing Rules

“Latest Practicable Date”	28 December 2007, being the latest practicable date prior to the printing of the Circular for ascertaining certain information for inclusion in the Circular
“Listing Document”	the Listing Document dated 31 December 2007 and issued by Playmates Toys, a copy of which will be despatched with the Circular for information purposes only
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholders”	registered holders of the PHL Shares whose addresses on the Company’s register of members were outside Hong Kong at 4:00 p.m. on the Distribution Record Date and in relation to whom the applicable laws, rules or regulations require additional registrations or compliance with other procedures before the Distribution may be effected in relation to such registered shareholders of the Company, which the Company determines to be unduly burdensome or onerous on it, or in relation to whom the Company determines, in its sole discretion, that there are other difficulties in effecting the Distribution
“PHL Group”	the Group excluding the Playmates Toys Group
“PHL Share(s)”	the existing ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation
“PHL Share Options”	the outstanding share options granted by the Company pursuant to a share option plan and the share option scheme of the Company adopted on 4 May 1998 and 28 June 2002 respectively
“Playmates Toys”	Playmates Toys Limited, a company incorporated on 11 April 2005 under the laws of Bermuda, and the subsidiary of the Company to be listed on the Main Board of the Stock Exchange pursuant to the Spin-Off by way of Distribution
“Playmates Toys Group”	Playmates Toys and its subsidiaries (a subsidiary has the meaning ascribed to it by Section 2(4) of the Companies Ordinance)
“Playmates Toys Option Scheme”	the share option scheme of Playmates Toys to be conditionally approved by the Shareholders at the SGM and by Playmates Toys pursuant to a resolution passed by the Playmates Toys’ shareholders on 17 December 2007, the principal terms of which are set out in appendix I of the Circular

“Playmates Toys Options”	the outstanding share options granted by Playmates Toys pursuant to the Playmates Toys Option Scheme
“Playmates Toys Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of Playmates Toys
“Qualifying Shareholder(s)”	Shareholder(s), excluding Overseas Shareholder(s) but including Excepted Overseas Shareholder(s), whose name(s) appear on the register of members of the Company in Hong Kong as at 4:00 p.m. on the Distribution Record Date
“Registrars”	Tricor Abacus Limited, the branch share registrars of the Company in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong
“SGM”	the special general meeting of the Company to be held at Island Ballroom A, Level 5, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 25 January 2008 at 9:00 a.m., notice of which is set out in appendix III of the Circular
“Share Consolidation”	the consolidation of every ten issued and paid-up PHL shares of HK\$0.01 each resulting from the Capital Reduction into one Consolidated PHL share of HK\$0.10
“Shareholder(s)”	registered holder(s) of PHL Shares
“Spin-Off by way of Distribution”	the spin-off of the Playmates Toys Group from the Group as announced by the Company on 27 April 2007 and 23 July 2007 by way of the Distribution
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors: Mr. Chan Chun Hoo, Thomas (*Chairman*); Mr. Cheng Bing Kin, Alain, Mr. To Shu Sing, Sidney;

Independent Non-executive Directors: Mr. Lee Peng Fei, Allen; Mr. Lo Kai Yiu, Anthony; Mr. Yu Hon To, David;

Non-executive Directors: Mr. Tsim Tak Lung (*Deputy Chairman*); Mr. Ip Shu Wing, Charles

On behalf of the Board
Playmates Holdings Limited
Chan Chun Hoo, Thomas
Chairman

Hong Kong, 31 December 2007

* *for identification purpose only*