

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)



PLAYMATES TOYS LIMITED

彩星玩具有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 869)

MAJOR TRANSACTION AND RESUMPTION OF TRADING

The respective boards of PHL and PTL would like to announce that PTI entered into a conditional Joint Venture Agreement dated as of 10 July 2008 (which was supplemented on 25 July 2008) with GPUS (Delaware) for the setting up of a joint venture company, LLC. The Joint Venture Agreement has become unconditional on 25 July 2008. PTI is an indirect wholly-owned subsidiary of PTL which in turn is an indirect subsidiary of PHL, and GPUS (Delaware) is a subsidiary of GPSpA (Italy).

LLC will be organised as a limited liability company in the state of Delaware, United States to principally engage in the business of the marketing, sales and distribution of the Product Line bearing the "Gormiti" brand name in the United States and Canada. LLC will be 55% owned by GPUS (Delaware) and 45% owned by PTI.

By reference to the total capital commitment amount of PTI presently ascertainable under the Joint Venture Agreement, none of the percentage ratios (as far as PHL is concerned) is more than 5% and only one of the relevant percentage ratios (as far as PTL is concerned) is more than 5% but less than 25%. However, as a result of the existence of the Call Option and the operation of Rule 14.76(1) of the Listing Rules, the Transaction constitutes a major transaction for each of PHL and PTL and is therefore subject to the disclosures and shareholders' approval requirements under the Listing Rules. No shareholder of PHL or PTL is required to abstain from voting on the Transaction.

PIL Toys Limited, being the controlling shareholder (as defined in the Listing Rules) of PTL holding approximately 54.8% of all shareholders' voting rights, has given a written confirmation to PTL that it approves the Transaction. Pursuant to Rule 14.44 of the Listing Rules, the shareholders' approval requirement for PTL is deemed to have been fulfilled and hence no separate general meeting of PTL will need to be convened for approval of the Transaction.

At the request of PHL, trading in the PHL Shares was suspended from 9:48 a.m. on 30 July 2008. Application has been made for the resumption of trading in the PHL Shares with effect from 9:30 a.m. on 1 August 2008.

At the request of PTL, trading in the PTL Shares was suspended from 9:45 a.m. on 30 July 2008. Application has been made for the resumption of trading in the PTL Shares with effect from 9:30 a.m. on 1 August 2008.

A circular containing, among other things, (i) further details of the Transaction; and (ii) a notice of a special general meeting of PHL to approve and confirm the Transaction will be despatched to the shareholders of PHL in due course.

PTL will despatch a circular containing, among other things, further details of the Transaction to its shareholders in due course for information although no special general meeting is required.

MAJOR TRANSACTION

PTI and GPUS (Delaware) entered into a conditional Joint Venture Agreement dated as of 10 July 2008 (which was supplemented on 25 July 2008). The Joint Venture Agreement is subject to the approval of their respective boards of directors which must be obtained before 25 July 2008. The respective boards of directors of PTI and GPUS (Delaware) approved the Joint Venture Agreement on 25 July 2008. The details of the Joint Venture Agreement are as follow:

JOINT VENTURE AGREEMENT

Date: 10 July 2008

Parties: (i) PTI (an indirect wholly-owned subsidiary of PTL and an indirect subsidiary of PHL)

(ii) GPUS (Delaware) (a subsidiary of GPSpA (Italy))

PTI is principally engaged in the marketing, sales and distribution of various proprietary and licensed toy products in, amongst other jurisdictions, the United States and Canada. GPUS (Delaware) is a U.S. subsidiary of GPSpA (Italy), a major Italian toy manufacturer, distributor and retailer with extensive operations outside the United States and Canada.

To the best of the knowledge, information and belief of the directors of PHL having made all reasonable enquiry, GPUS (Delaware), GPSpA (Italy) and its ultimate beneficial owners are third parties independent of PHL and its substantial shareholders, directors and chief executive, and their respective associates.

To the best of the knowledge, information and belief of the directors of PTL having made all reasonable enquiry, GPUS (Delaware), GPSPA (Italy) and its ultimate beneficial owners are third parties independent of PTL and its substantial shareholders, directors and chief executive, and their respective associates.

Formation of LLC

Pursuant to the Joint Venture Agreement, LLC, a limited liability company, will be organised in the state of Delaware, United States to principally engage in the business of the marketing, sales and distribution of the Product Line bearing the “Gormiti” brand name in the United States and Canada. GPSPA (Italy) is the owner of the “Gormiti” brand name.

LLC will be 55% owned by GPUS (Delaware) and 45% owned by PTI, which will become an indirect associated company of PHL and an indirect associated company of PTL.

License to LLC

Under the terms of the Joint Venture Agreement, GPSPA (Italy) shall enter into a licensing agreement with LLC to grant to LLC an exclusive license to import, market, sell and distribute toy products specified in the Product Line bearing the “Gormiti” brand name within the United States and Canada in all channels and to all buyers for a term extending for the duration of LLC’s existence. Under the licensing agreement, royalty (which will be calculated based on various factors including the country in which products are sold, the availability of media broadcast coverage in the United States relating to relevant products, and the types/categories of products in the Product Line) will be payable to GPSPA (Italy).

Product Costing and Sourcing

GPHK (Hong Kong) will enter into an agreement with LLC to provide engineering and manufacturing services to LLC and will oversee all vendor selection, production planning, quality assurance/quality control activities subject to consultation with LLC. LLC shall purchase the Product Line from GPHK (Hong Kong) at cost plus a service fee charged at an agreed rate.

Service Cost

Any commercially reasonable costs for services provided by either GPUS (Delaware) or PTI in connection with LLC’s business shall, subject to agreement between the parties, be charged to LLC by way of a service fee charged at an agreed rate.

Financing of LLC

- (a) The financing required for LLC shall consist of equity and debt financing of which equity financing shall not be less than 50% of the overall debt/equity financing requirements of LLC at any time. Equity financing required from the parties will be proportionate to their ownership percentage in LLC. Pursuant to the Joint Venture Agreement, equity funding of LLC for the period up to 31 December 2008 shall not be less than US\$2,000,000 (approximately HK\$15,600,000), and this funding requirement was determined by the parties at arm's length negotiations by reference to the currently estimated funding requirements of LLC for a foreseeable period. Assuming this is the maximum funding requirement and no debt financing is undertaken, the total capital commitment of PTI under the Joint Venture Agreement which can be ascertained at present is 45% of US\$2,000,000, that is US\$900,000 (approximately HK\$7,020,000), which will be funded by the internal resources of the PTL Group and payable in cash. This capital commitment required from PTI will result in one of the relevant percentage ratios under Chapter 14 of the Listing Rules to be more than 5% but less than 25%.
- (b) In addition and subject to the equity contributions in (a) above, LLC shall pursue and obtain debt financing from independent/unaffiliated sources to meet the projected funding requirements with no obligation on either party to provide a guarantee of any such third party debt financing. Any shortfall in funding from such independent/unaffiliated sources will be contributed by PTI and GPUS (Delaware) in an agreed proportion.

Board of Managers of LLC

The board of LLC shall constitute 5 managers, of which 3 managers (including the chief executive officer) shall be appointed by GPUS (Delaware) and the remaining 2 managers shall be appointed by PTI.

Other terms

- (a) The Joint Venture Agreement provides for the Put Option by PTI and the Call Option by GPUS (Delaware) with respect to PTI's membership interests in LLC which may become exercisable at the relevant party's election under certain pre-agreed conditions. The conditions for exercising the Options principally involve: (i) intentional misapplication of funds or commission of fraud, gross negligence or wilful misconduct; (ii) taking of unilateral action which should require joint approval; (iii) breach of funding obligations; (iv) bankruptcy, liquidation or dissolution; (v) unauthorised transfer of membership interest and in the case of PTI, a change in control to a specified toy industry player; or (vi) occurrence of a deadlock which could not be resolved through a pre-agreed procedure. The exercise price for each of the Options is to be fixed by reference to fair market value which is to be determined by an independent third party pursuant to the terms of the Joint Venture Agreement, and hence there is no pre-determined highest possible exercise price for the Options. No premium for any of the Options has been paid for such provisions.

- (b) PTI and GPUS (Delaware) will use commercially reasonable efforts to enter into the Operating Agreement (which shall include fundamental terms and conditions of the Joint Venture Agreement and other customary terms) prior to 15 September 2008. Upon execution, the Operating Agreement shall supersede the Joint Venture Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Preziosi Group is a major international toy manufacturer, distributor and retailer with an established track record and good reputation in the toy industry. The directors of PHL and the directors of PTL therefore view this opportunity to collaborate with Preziosi Group as commercially attractive, specifically for the following reasons:–

- (a) PTI has an extensive marketing, sales and distribution know how in the United States and Canada as well as other international markets. PTI is well positioned to provide the marketing, sales, distribution and administration infrastructure required by LLC for the sales and distribution of the Product Line bearing the “Gormiti” brand name in the United States and Canada;
- (b) The Preziosi Group owns the “Gormiti” brand name and is therefore able to provide LLC with exclusive rights to the “Gormiti” brand name with respect to the Product Line in the United States and Canada; and
- (c) The “Gormiti” brand name is well received by customers in Europe with impressive performance. PTI will benefit from the sales generated in the United States and Canada in accordance with the terms of the Joint Venture Agreement.

The terms of the Joint Venture Agreement have been negotiated on an arm’s length basis between the parties and on normal commercial terms. Such terms are considered by the directors of PHL to be fair and reasonable and in the best interest of PHL and its shareholders. Such terms are also considered by the directors of PTL to be fair and reasonable and in the best interest of PTL and its shareholders.

CHAPTER 14 OF THE LISTING RULES

PHL, through PIL Toys Limited, indirectly owns approximately 54.8% of PTL, while PTI is an indirect wholly-owned subsidiary of PTL. Consequently, PTI is a member of both the PHL Group and the PTL Group.

By reference to the total capital commitment amount of PTI presently ascertainable under the Joint Venture Agreement, none of the percentage ratios (as far as PHL is concerned) is more than 5% and only one of the relevant percentage ratios (as far as PTL is concerned) is more than 5% but less than 25%. However, as a result of the existence of the Call Option and the operation of Rule 14.76(1) of the Listing Rules, the Transaction constitutes a major transaction for each of PHL and PTL and is therefore subject to the disclosures and shareholders’ approval requirements under the Listing Rules. No shareholder of PHL or PTL is required to abstain from voting on the Transaction.

PIL Toys Limited, being the controlling shareholder (as defined in the Listing Rules) of PTL holding approximately 54.8% of all shareholders' voting rights, has given a written confirmation to PTL that it approves the Transaction. Pursuant to Rule 14.44 of the Listing Rules, the shareholders' approval requirement for PTL is deemed to have been fulfilled and hence no separate general meeting of PTL will need to be convened for approval of the Transaction. PTL will despatch a circular containing, among other things, further details of the Transaction to its shareholders in due course for information although no special general meeting is required.

A circular containing, among other things, (i) further details of the Transaction; and (ii) a notice of a special general meeting of PHL to approve and confirm the Transaction will be despatched to the shareholders of PHL in due course.

GENERAL

PHL 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, and in property investments, property management business, securities and other investments.

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.

The Preziosi Group is principally engaged in the design, development, marketing and distribution of toys and confectionary products and is a major toy retailer in Italy.

RESUMPTION OF TRADING

At the request of PHL, trading in the PHL Shares was suspended from 9:48 a.m. on 30 July 2008. Application has been made for the resumption of trading in the PHL Shares with effect from 9:30 a.m. on 1 August 2008.

At the request of PTL, trading in the PTL Shares was suspended from 9:45 a.m. on 30 July 2008. Application has been made for the resumption of trading in the PTL Shares with effect from 9:30 a.m. on 1 August 2008.

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;
“Call Option”	the call option exercisable by GPUS (Delaware) under the Joint Venture Agreement;

“connected persons”	has the meaning ascribed to it under the Listing Rules;
“GPHK (Hong Kong)”	Giochi Preziosi H.K. Ltd., a company incorporated in Hong Kong and a subsidiary of GPSpA (Italy);
“GPSpA (Italy)”	Giochi Preziosi S.p.A., a joint stock company incorporated in Italy;
“GPUS (Delaware)”	Giochi Preziosi U.S.A., Inc., a company incorporated in Delaware, United States with limited liability;
“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;
“Joint Venture Agreement”	the conditional joint venture agreement dated as of 10 July 2008 entered into between PTI and GPUS (Delaware) relating to the setting up of LLC for the purpose as stated thereunder, which was supplemented on 25 July 2008;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LLC”	the limited liability company to be organised in Delaware, United States in accordance with the provisions of the Joint Venture Agreement;
“New Products”	include “Gormiti” brand name products under categories (i) and (ii) of the Product Line which are not manufactured and distributed by GPSpA (Italy) and which LLC may elect to design and develop for distribution in the United States and Canada;
“Operating Agreement”	the operating agreement to be entered into by PTI and GPUS (Delaware) subsequent to the execution of the Joint Venture Agreement;
“Options”	the Put Option and the Call Option;
“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, including the PTL Group;
“PHL Shares”	shares of HK\$0.10 each in the share capital of PHL;

“PTI”	Playmates Toys Inc., a company incorporated in California, United States with limited liability and is an indirect wholly-owned subsidiary of PTL and an indirect subsidiary of PHL;
“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 Shares”	shares of HK\$0.01 each in the share capital of PTL;
“Preziosi Group”	the group of companies comprising GPSpA (Italy) and its subsidiaries and associates;
“Product Line”	consists of principally (i) all current and future toy and game products of all description based on the “Gormiti” brand name manufactured and distributed outside the United States and Canada; (ii) toy and game products inspired by or otherwise derived from a specific anticipated animated television series in certain limited toy and game categories; and (iii) New Products;
“Put Option”	the put option exercisable by PTI under the Joint Venture Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the formation of the joint venture and all other transactions as contemplated under the Joint Venture Agreement, including but not limited to the provision of the Options pursuant to the terms of the Joint Venture Agreement;
“U.S./United States”	The United States of America; and
“US\$”	U.S. dollars, the lawful currency of the United States of America.

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, 31 July 2008

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*