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PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

The Board wishes to announce that the Principal Bankers of PTL have agreed in principle to renew the relevant expiring banking facilities given to the PTL Group and/or to allow the PTL Group to continue utilising the relevant subsisting banking facilities given to the PTL Group, upon terms to be finalised and subject to the execution of the relevant facilities agreements. As requested by each Principal Banker concerned, the availability of the relevant Banking Facilities from the bank is conditional upon the Company or a subsidiary within the Group providing them with the relevant Charge on Deposit.

In this connection, on 4 February 2009, the Company and PTL have entered into the Agreement in respect of the provision of the Charge on Deposit by the Group to support the granting of the Banking Facilities.

The Agreement is conditional upon: (1) the necessary approval for the provision of the Charge on Deposit by the Group having been duly obtained from the Independent Shareholders; and (2) the relevant Charge on Deposit having been duly executed by the relevant subsidiary of the Group.

Pursuant to the principal terms of the Agreement, the maximum liability of the Group under the Charge on Deposit will be capped at HK\$80 million, for a term of one year. In consideration of the provision of the Charge on Deposit by the Group, the Company shall charge PTL a fee equivalent to 1% per annum of the Annual Cap.

In arriving at the conclusion that the Company should enter into the proposed transactions, the Board has considered a number of key factors including: (1) the prevailing environment of unprecedented difficulty facing business organisations in securing loans or other forms of trade credit and borrowing facilities from banking institutions; (2) the maintenance and protection of the Company's significant investment in PTL; (3) the proposed transactions will have no material adverse impact on the operations of the Group or its ability to meet all its liabilities and commitments; (4) the Company will be fairly compensated by PTL; and (5) the availability, effectiveness and timeliness of other alternatives available to the PTL Group.

The Company indirectly owns and controls approximately 54.8% of PTL. Consequently, the Company is a connected person of PTL under the Listing Rules. Mr. Chan, being a director and the ultimate controlling shareholder (as defined in the Listing Rules) of the Company and

hence a connected person of the Company, holds directly and indirectly through AIL an aggregate of approximately 18.99% of PTL, which results in PTL being a connected person of the Company. Therefore, the Agreement and the transactions contemplated thereunder will constitute continuing connected transactions for the Company under the Listing Rules, and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. AIL, which is indirectly controlled by Mr. Chan, given their interests in PTL, are considered to have a material interest in the Agreement and the transactions contemplated thereunder. Accordingly, AIL and its associates will abstain from voting at the SGM on the resolutions in relation to the Agreement and the transactions contemplated thereunder.

The Independent Board Committee will be formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder and the Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder. A circular containing, among others, the recommendations of the Independent Board Committee, the advice of the Independent Financial Adviser and the notice of the SGM will be despatched to the shareholders of the Company as soon as practicable in accordance with the requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. Background

The Company indirectly owns and controls approximately 54.8% of PTL. Consequently, the Company is a connected person of PTL under the Listing Rules. Mr. Chan, being a director and the ultimate controlling shareholder (as defined in the Listing Rules) of the Company and hence a connected person of the Company, holds directly and indirectly through AIL an aggregate of approximately 18.99% of PTL, which results in PTL being a connected person of the Company.

2. The Charge on Deposit

The Principal Bankers of PTL have agreed in principle to renew the relevant expiring banking facilities given to the PTL Group and/or to allow the PTL Group to continue utilising the relevant subsisting banking facilities given to the PTL Group, upon terms to be finalised and subject to the execution of the relevant facilities agreements. As requested by each Principal Banker concerned, the availability of the relevant Banking Facilities from the bank is conditional upon the Company or a subsidiary within the Group providing them with the relevant Charge on Deposit.

3. The Agreement

Date: 4 February 2009

Parties: (1) the Company; and

(2) PTL

Conditions Precedent

The Agreement is conditional upon: (1) the necessary approval for the provision of the Charge on Deposit by the Group having been duly obtained from the Independent Shareholders; and (2) the relevant Charge on Deposit having been duly executed by the relevant subsidiary of the Group.

Unless otherwise agreed by the parties, if the above conditions precedent cannot be fulfilled by 30 April 2009, the Agreement shall automatically terminate with immediate effect and all the rights and obligations of the parties hereto shall cease immediately upon termination.

If the above conditions precedent can be duly fulfilled, the Company shall procure a subsidiary within the Group to provide the Charge on Deposit to the relevant Principal Bankers in connection with the Banking Facilities, subject to the terms therein.

The principal terms under the Agreement for the provision of the Charge on Deposit are as follows:

Principal Terms

- (a) The maximum liability of the Group under the Charge on Deposit for the payment obligations of the PTL Group to the relevant Principal Bankers in respect of the Banking Facilities shall be for an aggregate amount of not exceeding HK\$80 million.
- (b) The term of the Charge on Deposit shall be for one year, with the total exposure of the Group under the Charge on Deposit up to the Annual Cap.
- (c) The maximum amount of deposit(s) to be charged pursuant to the Charge on Deposit shall be up to HK\$80 million. The Company shall only be required to procure its subsidiary to place the deposit(s) for the Charge on Deposit when the PTL Group draws the relevant amount of the Banking Facilities, and the amount of deposit(s) to be placed by such subsidiary of the Group for the Charge on Deposit shall be equivalent to the corresponding amount of the Banking Facilities to be drawn down by the PTL Group.
- (d) PTL undertakes to the Company that the PTL Group will not draw the Banking Facilities to such extent which will result in the Group's total exposure under the Charge on Deposit exceeding the Annual Cap.
- (e) The Company shall charge PTL a fee equivalent to 1% per annum of the Annual Cap for the provision of the Charge on Deposit.
- (f) It is currently expected the Charge on Deposit shall substantially contain the following principal terms:
 - (i) the relevant subsidiary of the Group shall charge the relevant deposit as security for the repayment of all the indebtedness owing to the relevant Principal Banker by the PTL Group;

- (ii) if the PTL Group fails to pay any sum as secured under the Charge on Deposit when due, the relevant Principal Banker concerned shall be entitled to apply the relevant deposit towards settlement of the sum so secured; and
- (iii) such other terms as customarily seen in a usual charge on cash deposit given in favour of a bank in Hong Kong.

In the event that the actual terms of the Charge on Deposit have any material deviation from the above principal terms to be substantially contained in the Charge on Deposit, the Company will re-comply with the applicable requirements in the Listing Rules in this regard.

Annual Cap

The amount of the Annual Cap is determined by the Board on a commercial basis, having regard to (i) the increasing difficulty for the PTL Group to secure the required Banking Facilities from the Principal Bankers without the support of the Charge on Deposit from the Group and (ii) the funding requirement of the PTL Group. The fee charged by the Company which is equivalent to 1% per annum of the Annual Cap for the provision of the Charge on Deposit is determined with reference to recent similar transactions and the amount which may be charged by the Principal Bankers for provision of guarantees.

4. Reasons for and benefits of the transactions

The Board has considered the following key factors in arriving at the conclusion that the Company should enter into the proposed transactions:

- (i) The Banking Facilities to be renewed and/or relaxed for drawdown by the Principal Bankers have been and will continue to be used by the PTL Group to finance its seasonal cash flow for general operation or as general working capital.

In view of the current 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 the late third and fourth quarters of 2008, banking institutions are reluctant to extend loans or other forms of trade credit and borrowing facilities. Under these circumstances, it has become increasingly difficult under the said current environment for the PTL Group to secure the required Banking Facilities from the Principal Bankers without the support of securities acceptable to the Principal Bankers.

- (ii) The Company indirectly owns approximately 54.8% of the issued share capital of PTL which forms a significant part of its investment portfolio. The Company intends to maintain and protect its investment in PTL and the Board believes it is in the best interest of the Company to provide the Charge on Deposit to support the business operation and the long term growth of the PTL Group. In spite of the prevailing general pessimism in the global economy, the PTL Group has indicated that, while as at the date of this announcement it is unable to predict the financial performance of the PTL Group for 2009, it expects to better perform in 2009 in terms of improvements in sales and operating results on the strength of its product portfolio, including the launch of two major marquee brands

supported by worldwide theatrical releases in the first half of the year, which has been disclosed in the interim report of PTL for 2008. Preliminary indications in terms of customer feedback and bookings support these positive expectations.

- (iii) The Charge on Deposit will only be contingent liabilities of the Group and will have no material adverse impact on the operations of the Group or its ability to meet all its liabilities and commitments.
- (iv) The Company will be fairly compensated by PTL for providing the Charge on Deposit.
- (v) It will be more efficient and timely for the Group to provide the requisite financial support in order to make the Banking Facilities available than other limited alternative financial arrangements available to the PTL Group.

Having considered these factors carefully, the Board (including the independent non-executive directors) believes that the support given to the PTL Group by virtue of the Charge on Deposit is beneficial to the Company and its shareholders as a whole, and the proposed arrangement for the provision of the Charge on Deposit are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

5. Implications under the Listing Rules

The relevant percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Agreement and the transactions contemplated thereunder will exceed 2.5%. Therefore, the Agreement and the transactions contemplated thereunder will constitute non-exempt continuing connected transactions, and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. AIL, which is indirectly controlled by Mr. Chan, given their interests in PTL, are considered to have a material interest in the Agreement and the transactions contemplated thereunder. Accordingly, AIL and its associates will abstain from voting at the SGM on the resolutions in relation to the Agreement and the transactions contemplated thereunder.

The Independent Board Committee will be formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder and the Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder. A circular containing, among others, the recommendations of the Independent Board Committee, the advice of the Independent Financial Adviser and the notice of the SGM will be despatched to the shareholders of the Company as soon as practicable in accordance with the requirements under the Listing Rules.

GENERAL

The Company 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.

DEFINITIONS

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

“Agreement”	the conditional Agreement dated 4 February 2009 entered into between the Company and PTL in respect of the Charge on Deposit;
“AIL”	Angers Investments Limited, a substantial shareholder of both the Company and PTL, the entire issued share capital of which is beneficially owned by Mr. Chan;
“Annual Cap”	the sum of HK\$80 million;
“associate”	has the meaning ascribed to it under the Listing Rules;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Banking Facilities”	the revolving banking facilities which are subsisting and/or to be renewed in respect of the existing facilities to the PTL Group;
“Board”	the board of directors of the Company;
“Charge on Deposit”	the securities in the form of charge(s) on cash deposit(s) maintained with the relevant Principal Bankers proposed to be given by the Company or a subsidiary within the Group in connection with the Banking Facilities;
“Company”	Playmates Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“Group”	the Company and its subsidiaries, excluding the PTL Group;
“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;

“Independent Board Committee”	the independent board committee of the Company comprising Mr. Lee Peng Fei, Allen, Mr. Lo Kai Yiu, Anthony and Mr. Yu Hon To, David, being all the independent non-executive directors of the Company;
“Independent Financial Adviser”	the independent financial adviser appointed by the Board, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions thereunder;
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting at the SGM;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Chan”	Mr. Chan Chun Hoo, Thomas, the chairman of the Board and board of directors of PTL respectively;
“Principal Bankers”	certain current principal bankers of PTL, all of whom are independent third parties not connected with the Company or PTL, and each, a “Principal Banker”;
“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;
“SGM”	the special general meeting of the shareholders of the Company to be convened for the purpose of considering and, if thought fit, approving the Charge on Deposit, the transactions as contemplated thereunder and the proposed annual caps thereunder;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 4 February 2009

As at the date of this announcement, the Board 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*)

** For identification purpose only*