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PLAYMATES TOYS LIMITED

彩星玩具有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 869)

**PROPOSED RIGHTS ISSUE OF NOT
LESS THAN 347,750,000 RIGHTS SHARES
AT HK\$0.30 EACH ON THE BASIS OF
ONE RIGHTS SHARE FOR
EVERY TWO EXISTING SHARES HELD
ON THE RECORD DATE
PAYABLE IN FULL ON ACCEPTANCE
WITH BONUS WARRANTS IN THE
PROPORTION OF TWO BONUS
WARRANTS
FOR EVERY FIVE SUBSCRIBED AND
FULLY-PAID RIGHTS SHARES**



PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE PARTICIPATION OF ITS
WHOLLY-OWNED SUBSIDIARY
PIL TOYS LIMITED
IN THE PROPOSED RIGHTS ISSUE OF
PLAYMATES TOYS LIMITED**

Underwriters to the Rights Issue

PIL TOYS LIMITED

TGC ASSETS LIMITED

Rights Issue of Playmates Toys

Playmates Toys, the listed subsidiary of Playmates Holdings, proposes to raise approximately HK\$104,325,000 before expenses by way of a rights issue of Rights Shares at the Subscription Price of HK\$0.30 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date, with Bonus Warrants to subscribe for New Shares in the proportion of two Bonus Warrants for every five subscribed and fully paid Rights Shares. Subject to adjustments, the Exercise Price for the Bonus Warrant is HK\$0.45 per New Share.

Playmates Toys will provisionally allot one Rights Share in nil-paid form for every two existing Shares held by each Qualifying Shareholder on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of Playmates

Toys. The Rights Issue may not be available to all Overseas Shareholders.

The estimated proceeds from the Rights Issue (before expenses) will be approximately HK\$104,325,000. The net proceeds are intended to be used for working capital that are needed by the Playmates Toys Group to pursue new business opportunities, namely (1) the re-launch of *Teenage Mutant Ninja Turtles* under the partnership with Viacom group as disclosed in the announcement of Playmates Toys dated 30 October 2009; (2) the launch of *Hearts for Hearts Girls*, a line of beautiful dolls each with her own story, share the common mission of helping disadvantaged children around the world by “changing the world one heart at a time”; and (3) a proprietary brand of products which will be distributed through non-traditional channel to the customers and aims to keep them entertained and engaged through interactive virtual play experience.

As at the date of this Announcement, (i) PIL Toys, an indirect wholly-owned subsidiary of Playmates Holdings and the direct controlling shareholder of Playmates Toys holds 347,800,000 Shares, representing approximately 50.01% of the issued share capital of Playmates Toys; (ii) TGC, the direct controlling shareholder of Playmates Holdings and the indirect controlling shareholder of Playmates Toys holds 54,350,000 Shares, representing approximately 7.81% of the issued share capital of Playmates Toys; and (iii) Mr. Chan, who wholly-owns TGC, holds 9,270,000 Shares, representing approximately 1.33% of the issued share capital of Playmates Toys. Each of PIL Toys, TGC and Mr. Chan has irrevocably undertaken to Playmates Toys that the Shares beneficially owned by it/him will not be disposed of from the date of the Irrevocable Undertakings up to the Record Date (both days inclusive) and that it/he will accept and subscribe in full the Rights Shares to which it/he is entitled under the Rights Issue or the provisional allotment of the Rights Shares to it/him in respect of the Shares held by it/him as at the close of business on the Record Date on and subject to the terms and conditions of the Rights Issue, representing (a) in the case of PIL Toys, 173,900,000 Rights Shares, (b) in the case of TGC, representing 27,175,000 Rights Shares, and (c) in the case of Mr. Chan, 4,635,000 Rights Shares.

The Rights Issue will be fully underwritten by the Underwriters (other than the Rights Shares that will be provisionally allotted to and have been undertaken to be taken up by PIL Toys, TGC and Mr. Chan pursuant to the Irrevocable Undertakings) in the proportion of, in respect of PIL Toys, 84.53% and in respect of TGC, 15.47%, respectively.

The last day of dealing in the Shares on a cum-rights basis is currently expected to be 29 June 2010. The Shares are currently expected to be dealt with on an ex-rights basis from 30 June 2010. To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of Playmates Toys on the Record Date, which is currently expected to be 6 July 2010. In order to be registered as a member of Playmates Toys on the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with Playmates Toys’ branch share registrar in Hong Kong by 4:30 p.m. (Hong Kong time) on 2 July 2010. The branch share registrar of Playmates Toys in Hong Kong is Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong.

Playmates Toys will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, the Bonus Warrants and any Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants.

Playmates Toys expects to send the Rights Issue Documents to all Qualifying Shareholders,

on or before 6 July 2010.

The Rights Issue is subject to the satisfaction of certain conditions as described under the section headed "Conditions of the Rights Issue". In particular, the Rights Issue is subject to the Underwriters not terminating the Underwriting Agreement (see the section headed "Termination of the Underwriting Agreement" below).

Accordingly, the Rights Issue may or may not proceed, and no Bonus Warrant will be issued if the Rights Issue does not proceed. Investors' attention is drawn to the statement "Warning of the risks of dealing in Shares and nil-paid Rights Shares" below.

Listing Rules Implication for Playmates Holdings

Immediately after the completion of the Rights Issue and assuming: (a) no exercise of the Share Options prior to the Record Date; (b) PIL Toys has taken up all Rights Shares that will be provisionally allotted to it under the Rights Issue; and (c) PIL Toys is not required to take up any Rights Shares that it has underwritten pursuant to the Underwriting Agreement, Playmates Holdings' indirect interest in Playmates Toys through PIL Toys will remain at 50.01%. However, if PIL Toys is required to take up all the Rights Shares that it has underwritten under the Underwriting Agreement, the shareholding of Playmates Holdings in Playmates Toys through PIL Toys will be increased from the current 50.01% to approximately 60.92% (assuming all Share Options eligible for exercise have been exercised).

As the applicable percentage ratio in respect of the Participation exceeds 5% but is less than 25%, the Participation constitutes a discloseable transaction for Playmates Holdings under Chapter 14 of the Listing Rules.

RIGHTS ISSUE

Principal Terms of the Rights Issue

Number of Rights Shares to be issued	Not less than 347,750,000 Rights Shares
Amount to be raised	Not less than approximately HK\$104,325,000 from the Rights Shares, before expenses
Subscription Price and Acceptance Date	HK\$0.30 per Rights Share payable in full on acceptance at or prior to 4:00 p.m. on a date which is currently expected to be 20 July 2010
Basis of the Rights Issue	One Rights Share for every two existing Shares held, with Bonus Warrants at no additional costs to the Shareholders in the proportion of two Bonus Warrants for every five subscribed and fully-paid Rights Shares

Status of the Rights Shares	The Rights Shares, when issued and fully-paid, will rank <i>pari passu</i> in all respects with the then existing Shares in issue. Holders of Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the respective dates of issue and allotment
Right of excess applications	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotments
Overseas Shareholders	Rights Shares which represent entitlements of the Excluded Shareholders will be sold for their benefit in the market, in nil-paid form, as soon as reasonably practicable after dealings in the nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained, except that any amount of HK\$100 or less will be retained for the benefit of Playmates Toys. Any such entitlements not sold in the market will be made available for application by Qualifying Shareholders under the excess applications
Subscription by PIL Toys	PIL Toys has irrevocably undertaken under the Irrevocable Undertakings to take up in full its entitlement under the Rights Issue in aggregate of 173,900,000 Rights Shares
Subscription by TGC	TGC has irrevocably undertaken under the Irrevocable Undertakings to take up in full its entitlement under the Rights Issue in aggregate of 27,175,000 Rights Shares
Subscription by Mr. Chan	Mr. Chan has irrevocably undertaken under the Irrevocable Undertakings to take up in full his entitlement under the Rights Issue in aggregate of 4,635,000 Rights Shares
Underwriters and Number of Underwritten Shares	Up to 148,380,750 Rights Shares, to be underwritten by the Underwriters in the proportion of, in respect of PIL Toys, 84.53% and in respect of TGC, 15.47%, respectively.

Rights Shares

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which will be issued and allotted on or before the Record Date, being Shares which may be issued and allotted to holders of Share

Options pursuant to an exercise of the subscription rights attaching to the Share Options. As at the date of this announcement, there were 34,842,000 outstanding Share Options, of which 12,681,500 Share Options are eligible for exercise on or before the Record Date to subscribe for up to 12,681,500 Shares. If all of the subscription rights attaching to such Share Options are exercised and Shares are issued and allotted pursuant to such exercise on or before the Record Date, the number of issued Shares will be increased to 708,181,500 Shares, the number of Rights Shares which may be issued pursuant to the Rights Issue will be increased to 354,090,750 Rights Shares and the number of Bonus Warrants which may be issued pursuant to the Bonus Warrant Issue will be increased to 141,636,300 Bonus Warrants.

As at the date of this announcement, save for the Share Options, Playmates Toys had no outstanding convertible securities, options (whether granted conditionally or unconditionally) or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into Shares.

Qualifying Shareholders and Overseas Shareholders

Playmates Toys will send the Rights Issue Documents to Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of Playmates Toys at the close of business on the Record Date; and
- (ii) have on the register of members of Playmates Toys on the Record Date either an address in Hong Kong or an address which is not in a jurisdiction where, in the opinion of Playmates Toys directors, the making of the Rights Issue is not permitted under the laws of such jurisdiction or is otherwise inexpedient to extend the Rights Issue.

The Rights Issue Documents will not be registered under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. No provisional allotment of Rights Shares will be made to Shareholders with addresses outside Hong Kong unless the directors of Playmates Toys consider that making the Rights Issue to them is permitted under the laws of such jurisdiction. Playmates Toys will send copies of the Prospectus to the Excluded Shareholders for their information only, but Playmates Toys will not send any PALs and EAFs to Excluded Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of sale, less expenses, of HK\$100 or more will be paid to the Excluded Shareholders in Hong Kong dollars as soon as practicable. Individual amounts of less than HK\$100 will not be paid and will be retained by Playmates Toys for the benefit of Playmates Toys.

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of Playmates Toys on the Record Date, which is currently expected to be 6 July 2010. In order to be registered as a member at the close of business on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) with Tricor Abacus Limited, the Hong Kong branch share registrar of Playmates Toys, at 26/F., Tesbury Centre,

28 Queen's Road East, Hong Kong by 4:30 p.m. on the second Business Day immediately prior to the Record Date, which is currently expected to be 2 July 2010.

Subscription Price for the Rights Shares

HK\$0.30 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a renounee of any provisional allotment or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 38.14% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on 11 June 2010, being the date of this announcement,
- (ii) a discount of approximately 29.08% to the theoretical ex-rights price of approximately HK\$0.423 per Share based on the above closing price of HK\$0.485 per Share, and
- (iii) a discount of approximately 33.48% to the average closing price of approximately HK\$0.451 per Share for the ten Trading Days prior to the date of this announcement.

Basis of provisional allotment

One Rights Share for every two existing Shares held by a Qualifying Shareholder on the Record Date.

Bonus Warrants

Bonus Warrants will be issued, at no additional costs to the Shareholders, to the first registered holders of the subscribed and fully-paid Rights Shares in the proportion of two Bonus Warrants for every five subscribed and fully-paid Rights Shares held. The Bonus Warrants will be issued in registered form in units of subscription rights entitling the holders thereof to subscribe in cash from the date on which the Bonus Warrants commence trading on the Stock Exchange, which is currently expected to be 28 July 2010, up to the expiry of two years thereafter, (both days inclusive) up to an aggregate amount of not less than HK\$62,595,000, for new Shares at the Exercise Price of HK\$0.45 (subject to adjustments) per Bonus Warrant. The Exercise Price represents:

- (i) a discount of approximately 7.22% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on 11 June 2010, being the date of this announcement, and
- (ii) a discount of approximately 0.22% to the average closing price of approximately HK\$0.451 per Share for the ten Trading Days prior to the date of this announcement.

Any subscription rights attaching to the Bonus Warrants which have not been exercised on or before the expiry date of the subscription period of the Bonus Warrants will lapse following such date, and the Bonus Warrants will cease to be valid for all purposes.

Fractional entitlement of the Bonus Warrants will not be issued but will be aggregated and sold for the benefit of Playmates Toys. Further details of the Bonus Warrants will be set out in the Prospectus.

New Shares to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will rank equally with the then existing Shares in issue on the relevant subscription date.

On the basis of 347,750,000 Rights Shares (based on the number of existing Shares as at the date of this announcement which is subject to change prior to the Record Date), 139,100,000 Bonus Warrants will be issued. The total number of New Shares to be issued upon the full exercise of the subscription rights attaching to the Bonus Warrants at the Exercise Price (subject to adjustments) will be 139,100,000 New Shares, which represents 13.33% of Playmates Toys' issued share capital comprising 1,043,250,000 Shares as enlarged by the issue of 347,750,000 Rights Shares pursuant to the Rights Issue, and approximately 11.76% of Playmates Toys' issued share capital comprising 1,182,350,000 Shares as enlarged by the issue of 347,750,000 Rights Shares pursuant to the Rights Issue and the 139,100,000 New Shares to be issued upon the full exercise of the subscription rights attaching to the Bonus Warrants at the Exercise Price (subject to adjustments).

The Instrument will contain provisions relating to the adjustment of the Exercise Price. The following is a summary of, and is subject to, the adjustment provisions in the Instrument.

The Exercise Price shall (except otherwise provided in the Instrument) be adjusted (as defined in the Instrument) as provided in the Instrument in each of the following cases:

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision, as a result of which the Exercise Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount;
- (ii) an issue (other than in lieu of a cash dividend) by Playmates Toys of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), as a result of which the Exercise Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation;
- (iii) a Capital Distribution (as defined in the Instrument) being made by Playmates Toys, whether on a reduction of capital or otherwise except pursuant to a purchase by Playmates Toys of any Shares, to holders of its Shares in their capacity as such;
- (iv) a grant by Playmates Toys to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of Playmates Toys or any of its subsidiaries (as defined in the Instrument);
- (v) an offer of new Shares to holders of Shares for subscription by way of rights, or a grant to holders of Shares of rights to subscribe for new Shares, at a price per new Share which is less than 80% of the Market Price (calculated as provided in the

Instrument)

- (vi) an issue wholly for cash being made by Playmates Toys or any other company of securities convertible into or exchangeable for or carrying rights to acquire or subscribe for new Shares if in any case the Total Effective Consideration (as defined in the Instrument) per new Share is less than 80% of the Market Price (calculated as provided in the Instrument) or the terms of any such issue being altered so that the said Total Effective Consideration is less than 80% of the Market Price;
- (vii) an issue being made wholly for cash of new Shares, other than pursuant to a rights issue, at a price per new Share which is less than 80% of the Market Price;
- (viii) a repurchase by Playmates Toys of Shares in circumstances where the directors of Playmates Toys consider that it may be appropriate to make an adjustment to the Exercise Price, if in any case the Total Effective Consideration per Share is more than 110% of the closing price of one Share; and
- (ix) a repurchase by Playmates Toys of Shares or securities convertible into Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange recognised for such purpose) in circumstances where the directors of Playmates Toys consider that it may be appropriate to make an adjustment to the Exercise Price on the basis as to fairly and appropriately to reflect the relative interests of the persons affected by such purchases by Playmates Toys.

The Bonus Warrants will be issued pursuant to the general mandate granted to the directors of Playmates Toys at the annual general meeting of Playmates Toys on 28 May 2010.

Status of the Rights Shares

When allotted, issued and fully paid, the Rights Shares will rank equally with the then existing Shares in issue and holders of such Rights Shares will receive all future dividends and distributions which are declared, made or paid after the date of issue of the Rights Shares.

Fractions of Rights Shares

Playmates Toys will not provisionally allot fractions of Rights Shares in nil-paid form nor will it accept any application for any fraction of the Rights Shares. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of Playmates Toys, if a premium net of expenses can be obtained.

Applications for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for any unsold entitlements of Excluded Shareholders, any unsold Rights Shares created by adding together fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted by Qualifying Shareholders. Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The directors of Playmates Toys will allocate the excess Rights Shares at their discretion, but on a fair and reasonable basis as far as practicable.

Certificates for Rights Shares and Bonus Warrants

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares and Bonus Warrants are currently expected to be posted by 26 July 2010 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares, at their own risk.

Share Option Scheme

Pursuant to the terms of the share option scheme of Playmates Toys adopted on 25 January 2008, adjustments to the outstanding Share Options are required to be made upon the Rights Issue becoming unconditional. Further details on the adjustments on these outstanding Share Options will be set out in the Prospectus.

Closures of Register of Members

The register of members of Playmates Toys will be closed from 5 July 2010 to 6 July 2010 (both days inclusive) for determining the entitlements of the Qualifying Shareholders for the Rights Issue, and accordingly no transfer of Shares will be registered during this period.

Application for Listing and Dealings

Playmates Toys will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), the Bonus Warrants and any Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants.

Dealings in nil-paid and fully-paid Rights Shares and the Bonus Warrants will be subject to the payment of stamp duties in Hong Kong.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, each of the following:

- (i) the registration of the Rights Issue Documents (with all the documents required to be attached thereto by Section 342C of the Companies Ordinance) (all having been duly authorised for registration by the Stock Exchange and signed by or on behalf of two directors of Playmates Toys) by the Registrar of Companies in Hong Kong in compliance with the Companies Ordinance and the filing of the Rights Issue Documents with the Registrar of Companies in Bermuda, in each case by no later than the Posting Date;
- (ii) the posting of the Rights Issue Documents to the Qualifying Shareholders on or before the Posting Date;
- (iii) all necessary approvals, permits, waivers, consents and authorisations having been obtained for the provisional allotment and allotment of the Rights Shares as well as for the Rights Issue generally;

- (iv) the Listing Committee of the Stock Exchange having granted (subject only to provisional allotment and/or allotment of the Rights Shares, the allotment of the Bonus Warrants, the posting of the Prospectus and despatch of certificates in respect of the Rights Shares and the Bonus Warrants and any other matters which are agreed between Playmates Toys and the Underwriters) the listing of and permission to deal in the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Warrants and the Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants on the Stock Exchange, in each case by no later than 27 July 2010 and such listing and permission to deal not being revoked prior to 4:00 p.m. on the third Business Day after the Acceptance Date; and
- (v) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by the Underwriters in accordance with the terms thereof.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed, and no Bonus Warrant will be issued if the Rights Issue does not proceed.

In the event the conditions of the Rights Issue are not fulfilled on or before 3 August 2010 (or such later date as, in their discretion, the Underwriters may extend), none of the Underwriters shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the Rights Issue will not proceed.

IRREVOCABLE UNDERTAKINGS

Pursuant to the Irrevocable Undertakings, each of (i) PIL Toys, an indirect wholly-owned subsidiary of Playmates Holdings and the direct controlling shareholder of Playmates Toys, (ii) TGC, the direct controlling shareholder of Playmates Holdings and the indirect controlling shareholder of Playmates Toys and (iii) Mr. Chan, who wholly-owns TGC, has respectively and irrevocably undertaken to Playmates Toys that, among others, it/he would remain the registered holder holding 347,800,000, 54,350,000 and 9,270,000 existing Shares in Playmates Toys from the date of the Irrevocable Undertakings up to the Record Date (or such other later date as Playmates Toys may agree in writing). Each of PIL Toys, TGC and Mr. Chan has further agreed, no later than the Acceptance Date, to (i) subscribe for 173,900,000 Rights Shares (in the case of PIL Toys), 27,175,000 Rights Shares (in the case of TGC) or 4,635,000 Rights Shares (in the case of Mr. Chan) that would be provisionally allotted to it/him under the Rights Issue; and (ii) lodge the relevant application form together with remittance for the full amount payable on acceptance of subscription of such Rights Shares in accordance with the acceptance instructions contained in the Rights Issue Documents. In addition, each of PIL Toys, TGC and Mr. Chan has also undertaken that, subject to the conditions including the Rights Issue not being terminated, it/he will not, without the prior written consent of Playmates Toys, transfer or otherwise dispose of (including without limitation creating any option, charge or other encumbrances or rights over or in respect of) or acquire (except for the Rights Shares Taken Up) any Share or any interest therein at any time between the date of the Irrevocable Undertakings up to and including 5:00 p.m. on the third Business Day following the Acceptance Date.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date	:	11 June 2010
Underwriters	:	PIL Toys and TGC
Number of total Underwritten Shares	:	Up to 148,380,750 Rights Shares, to be underwritten by the Underwriters in the proportion of, in respect of PIL Toys, 84.53% and in respect of TGC, 15.47%, respectively. Hence, PIL Toys has agreed to underwrite up to 125,426,248 Rights Shares and TGC has agreed to underwrite up to 22,954,502 Rights Shares, respectively
Commission	:	2.5% of the aggregate Subscription Price of the total Underwritten Shares

Pursuant to the Underwriting Agreement, the Underwriters as underwriters have severally agreed to subscribe or procure subscribers to subscribe, for all Underwritten Shares that are not Taken Up, subject to terms and conditions set out in the Underwriting Agreement in particular the fulfilment of the conditions contained therein. PIL Toys is the controlling shareholder holding as at the date of this announcement 347,800,000 Shares, representing approximately 50.01% of the share capital of Playmates Toys. TGC is a company wholly-owned by Mr. Chan, and is at the date of this announcement the direct shareholder of 54,350,000 Shares, representing approximately 7.81% of the share capital of Playmates Toys.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions entitling the Underwriters, by notice in writing, to terminate their obligations thereunder on the occurrence of certain events. If at any time on or before 5:00 p.m. on the third Business Day after the Acceptance Date for the provisional allotments:-

- (a) the Underwriters shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties under the Underwriting Agreement is untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriters) material in the context of the Rights Issue; or**
- (b) (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;**
- (ii) there is any change in local, national or international financial, political, industrial or economic conditions;**
- (iii) there is any change of an exceptional nature in local, national or**

international equity securities or currency markets;

- (iv) there is any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;**
- (v) there is any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;**
- (vi) there is any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten (10) Business Days;**
- (vii) there is any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which will or may materially and adversely affect the Group or a material proportion of the Shareholders in their capacity as such,**

which event or events is or are in the reasonable opinion of the Underwriters:-

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group taken as a whole; or**
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be Taken Up; or**
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,**

then and in such case the Underwriters may by notice in writing given to Playmates Toys on or before 5:00 p.m. on the third Business Day after the Acceptance Date for the provisional allotment rescind the Underwriting Agreement and thereupon all obligations of the Underwriters thereunder will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Existing Shares will be dealt with on an ex-rights basis from 30 June 2010. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of Playmates Toys on the Record Date, which is currently expected to be 6 July 2010. In order to be registered as members on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) for registration by 4:30 p.m. on 2 July 2010.

The Rights Shares are expected to be dealt with in their nil-paid form from 8 July 2010 to 15 July 2010, both days inclusive. If the Underwriters terminate the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any person contemplating buying or selling of the Shares from now up to the date on which all such conditions are fulfilled (which is expected to be 23 July 2010), and contemplating any buying or selling of nil-paid Rights Shares between 8 July 2010 and 15 July 2010 (both days inclusive), bear the risk that the Rights Issue may not become unconditional and may not proceed.

Investors may want to obtain professional advice regarding dealings in Shares or nil-paid Rights Shares during these periods.

PARTICIPATION OF PLAYMATES HOLDINGS IN THE RIGHTS ISSUE

Participation

As at the date of this announcement, Playmates Holdings, through its indirect wholly-owned subsidiary PIL Toys, holds 347,800,000 Shares, representing approximately 50.01% of the issued share capital of Playmates Toys. Pursuant to the Irrevocable Undertakings, PIL Toys has provided an irrevocable undertaking to Playmates Toys, undertaking, among others, that PIL Toys would remain the registered holder holding 347,800,000 Shares in Playmates Toys up to the Record Date (or such other later date as Playmates Toys may agree in writing). PIL Toys has further agreed, no later than the Acceptance Date, to (i) subscribe for 173,900,000 Rights Shares provisionally allotted to it under the Rights Issue; and (ii) lodge the relevant application form together with remittance for the full amount payable on acceptance of subscription of such Rights Shares in accordance with the acceptance instructions contained in the Rights Issue Documents. In addition, PIL Toys has also undertaken that, subject to the conditions including the Rights Issue not being terminated, it will not, without the prior written consent of Playmates Toys, transfer or otherwise dispose of (including without limitation creating any option, charge or other encumbrances or rights over or in respect of) or acquire (except for the Rights Shares Taken Up) any Share or any interest therein at any time between the date of the Underwriting Agreement up to and including 5:00 p.m. on the third Business Day following the Acceptance Date.

Moreover, under the Underwriting Agreement, PIL Toys has agreed to underwrite a maximum of up to 125,426,248 Rights Shares not taken up (which, for the avoidance of doubt, do not include those Rights Shares that will be provisionally allotted to PIL Toys under the Rights Issue).

Immediately after the completion of the Rights Issue and assuming: (a) no exercise of the Share Options prior to the Record Date; (b) PIL Toys has taken up all Rights Shares that will be provisionally allotted to it under the Rights Issue; and (c) PIL Toys is not required to take up any Rights Shares that it has underwritten pursuant to the Underwriting Agreement, Playmates Holdings' indirect interest in Playmates Toys through PIL Toys will remain at 50.01%. However, if PIL Toys is required to take up all Rights Shares that it has underwritten under the Underwriting Agreement, the shareholding of Playmates Holdings in Playmates Toys through PIL Toys will be increased from the current 50.01% to approximately 60.92% (assuming all Share Options eligible for exercise have been exercised).

Reasons for the Participation

Playmates Holdings is an investment holding company. Its principal activities and its subsidiaries comprise property investments, property management, food and beverage business, treasury investments and it holds a controlling interest of approximately 50.01% of the issued share capital of Playmates Toys.

Having regard to the new business opportunities of Playmates Toys Group and taking into account Playmates Holdings' substantial investment in Playmates Toys, the directors of Playmates Holdings consider that the Participation by entering into the Irrevocable Undertakings and the Underwriting Agreement will enable Playmates Holdings to maintain, support and enhance the value of its investment in Playmates Toys and share the benefit from the potential growth of the business of the Playmates Toys Group.

The terms of the Irrevocable Undertakings and the Underwriting Agreement were determined after arm's length negotiations between the parties thereto. The directors of Playmates Holdings consider that each of the Irrevocable Undertakings and the Underwriting Agreement is on normal commercial terms and in relation to the Underwriting Agreement, the underwriting commission and the subscription price of the Rights Shares are fair and reasonable as far as Playmates Holdings and its shareholders are concerned. The maximum payment to be made by PIL Toys for taking up the Rights Shares that will be provisionally allotted to it and as the underwriter for taking up all of the Rights Shares it has agreed to underwrite under the Underwriting Agreement will amount to approximately HK\$89,797,874 (without taking into account the underwriting commission to be received by Playmates Holdings), which will be financed by the internal resources of Playmates Holdings.

Accordingly, the directors of Playmates Holdings believe that the Participation is in the interests of Playmates Holdings and its shareholders as a whole.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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

As discussed in the Annual Report 2009 published by Playmates Toys on 26 March 2010, the economies of the developed markets around the world remain depressed despite reports of early signs of recovery. The general expectation of the directors of Playmates Toys is that the recovery will be a slow one. The directors of Playmates Toys continue to anticipate that the challenging operating environment will continue in 2010.

The sales of Playmates Toys in the first few months of 2010 have been lower than last year, reflecting weaker consumer demands for the continuing brands of the Playmates Toys Group. While business for the balance of the year may benefit from the introduction of new brands, it is doubtful that the market will be able to support a level of sales comparable to last year.

In addition to support continuing brands such as *iCarly*, Playmates Toys will pursue its focused strategy to selectively invest in quality new opportunities in categories of its core competence. The foundations have been laid for a number of major initiatives that are expected to bear fruits in 2011 and beyond.

In partnership with the Viacom group, the new owner of the *Teenage Mutant Ninja Turtles*, Playmates Toys has commenced the preparation for a major re-launch of the franchise planned for 2012, supported by an all new CG-animated television series on Nickelodeon, and a new movie to be produced and distributed by Paramount Pictures. The directors of Playmates Toys consider that the acquisition of the *Teenage Mutant Ninja Turtles* and the plans announced by the Viacom group represent significant new opportunities for the Playmates Toys Group. It is expected that the Playmates Toys 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*.

Playmates Toys is also investing into the development of proprietary brands of products. *Hearts For Hearts Girls*, a line of beautiful dolls each with her own story, share the common mission of helping disadvantaged children around the world by “changing the world one heart at a time”.

Another proprietary brand of products under development is planned to be distributed through non-traditional channel to the consumers and aims to keep them entertained and engaged through interactive virtual play experience.

It is anticipated that substantial requirements in working capital funds will be needed by Playmates Toys in the near future to pursue the new opportunities. The directors of Playmates Toys consider that it will be in the interests of the Playmates Toys Group to secure additional source of finance so that the Playmates Toys Group can be better equipped with steady and strong working fund to operate its existing business and pursue new opportunities. The directors of Playmates Toys also consider that the Rights Issue will provide such a source of finance for the Playmates Toys Group.

Thus, the directors of Playmates Toys consider that the Rights Issue is an appropriate means to strengthen the financial position and capability of Playmates Toys and to raise additional working capital funds for the operation of its existing business and the pursuit of new opportunities, including those described above.

LISTING RULES IMPLICATIONS FOR PLAYMATES HOLDINGS

As each of the applicable percentage ratio in respect of the Participation exceeds 5% but is less than 25%, the entering into of the Underwriting Agreement constitutes a discloseable transaction for Playmates Holdings under Chapter 14 of the Listing Rules.

EXPECTED TIMETABLE:

2010

Last day of dealings in existing Shares on
a cum-rights basis _____ 29 June

Commencement date of trading on ex-rights basis _____ 30 June

Latest time for lodging transfers of Shares
in order to qualify for the Rights Issue _____ 4:30 p.m. on 2 July

Bookclose for the Rights Issue_____	from 5 July to 6 July
Record Date_____	6 July
Rights Issue Documents despatched on_____	6 July
First day of dealings in nil-paid Rights Shares._____	8 July
Latest time for splitting nil-paid Rights Shares_____	12 July
Latest time of dealings in nil-paid Rights Shares_____	15 July
Latest time for acceptance of, and payment for, Rights Shares and application for excess Rights Shares_____	4:00 p.m. on 20 July
Latest time for termination of the Underwriting Agreement_____	23 July
Rights Issue expected to become unconditional_____	23 July
Announcement of results of Rights Issue to be published on the websites of Stock Exchange and Playmates Toys on or before_____	23 July
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before_____	26 July
Certificates for fully-paid Rights Shares and Bonus Warrants expected to be despatched on or before_____	26 July
Dealings in fully-paid Rights Shares and Bonus Warrants on the Stock Exchange to commence on_____	28 July

GENERAL

Playmates Toys has not engaged in or initiated any equity fund raising exercises or any rights issue exercise during the past 12 months immediately before the date of this announcement.

The Rights Issue Documents are currently expected to be posted to the Qualifying Shareholders on 6 July 2010.

DEFINITIONS

“Acceptance Date” 20 July 2010, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company and the Underwriters may agree in writing

"Bonus Warrants"	not less than 139,100,000 warrants to be issued by Playmates Toys in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash from the date on which the Bonus Warrants commence trading on the Stock Exchange up to the expiry of two years thereafter, both days inclusive, up to an aggregate amount of not less than HK\$62,595,000 for New Shares at the Exercise Price of HK\$0.45 per New Share
"Bonus Warrant Issue"	the proposed issue of the Bonus Warrants and the issue of new Shares pursuant to the exercise of the subscription rights attaching to the Bonus Warrants
"Business Day"	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"controlling shareholder"	shall have the meaning ascribed to it under the Listing Rules
"EAF(s)"	application form(s) for excess Rights Shares
"Excluded Shareholder(s)"	those Overseas Shareholder(s) to whom the extension of the Rights Issue, in the absence of compliance with relevant registration or other special formalities in their jurisdictions, would be unlawful or impracticable, and compliance with the registration and other special formalities in these jurisdictions could in the opinion of the directors of Playmates Toys be costly and/or time-consuming and therefore inexpedient to do so
"Exercise Price"	HK\$0.45 per Share in respect of each Bonus Warrant
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Instrument"	the deed poll constituting the Bonus Warrants to be executed by Playmates Toys, a summary of the principal terms of which is to be set out in the Prospectus
"Irrevocable Undertakings"	the irrevocable undertaking letters dated 11 June 2010 and executed by PIL Toys, TGC and Mr. Chan respectively in favour of Playmates Toys
"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 of directors of Playmates Holdings and Playmates Toys respectively
"New Shares"	new Shares that will be issued upon the exercise of the subscription rights attaching to the Bonus Warrants
"Overseas Shareholder(s)"	the Shareholder(s) whose name(s) appear(s) on the register of members of Playmates Toys on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
“Participation”	in respect of Playmates Holdings, the entering into of the Underwriting Agreement by its indirect wholly-owned subsidiary PIL Toys pursuant to which PIL Toys has (i) undertaken to accept the provisional allotment of 173,900,000 Rights Shares, being its pro-rata entitlement under the Rights Issue, and (ii) agreed to underwrite a maximum of 125,426,248 Rights Shares
“PAL(s)”	provisional allotment letter(s) for the Rights Shares
"Playmates Holdings"	Playmates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 635)
"PIL Toys”	PIL Toys Limited, a company incorporated in the British Virgin Islands, an indirect subsidiary of Playmates Holdings and the direct holding company of Playmates Toys , and one of the Underwriters
"Playmates Toys"	Playmates Toys Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 869)
"Playmates Toys Group"	Playmates Toys and its subsidiaries
“Posting Date”	6 July 2010 or such other date as the Underwriters may agree in writing with the Company for the despatch of the Rights Issue Documents
"Prospectus"	the prospectus to be issued by Playmates Toys in relation to the Rights Issue

"Qualifying Shareholder(s)"	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of Playmates Toys on the Record Date
"Record Date"	6 July 2010, the record date for the determination of the entitlements of the Qualifying Shareholders for the Rights Issue
"Rights Issue"	the issue of the Rights Shares on the basis of one Rights Share for every two existing Shares held on the Record Date at a price of HK\$0.30 per Rights Share, with Bonus Warrants in the proportion of two Bonus Warrants for every five subscribed and fully-paid Rights Shares as described in this announcement
"Rights Issue Documents"	the Prospectus, the PALs and the EAFs
"Rights Shares"	not less than 347,750,000 new Shares to be issued under the Rights Issue
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	share(s) of HK\$0.01 each in the share capital of Playmates Toys
"Share Options"	the outstanding share options granted by Playmates Toys pursuant to a share option scheme of Playmates Toys adopted on 25 January 2008
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK\$0.30 per Rights Share
"Taken Up"	those Underwritten Shares in respect of which the relevant PALs and/or EAFs have been lodged and accompanied by cheques or other remittances for the full amount payable in respect thereof
"TGC"	TGC Assets Limited (formerly known as Angers Investments Limited), a substantial shareholder of both Playmates Toys and Playmates Holdings, the entire issued share capital of which is beneficially owned by Mr. Chan
"Trading Day"	a day on which the Stock Exchange is open for trading
"Underwriters"	PIL Toys and TGC
"Underwriting Agreement"	the agreement dated 11 June 2010 between Playmates Toys and the Underwriters relating to the underwriting

and other arrangements in respect of the Rights Issue

“Underwritten Shares”

up to 148,380,750 Rights Shares fully underwritten by the Underwriters on and subject to terms and conditions as set out in the Underwriting Agreement

"HK\$"

Hong Kong dollars

By order of the Board
Playmates Toys Limited
Ng Ka Yan
Company Secretary

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

Hong Kong, 11 June 2010

As at the date hereof, the Board of Playmates Holdings Limited 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*)

All directors of Playmates Holdings Limited jointly and severally accept responsibility for the accuracy of the information contained in this joint announcement (other than those in relation to Playmates Toys Limited).

As at the date hereof, the Board of Playmates Toys Limited comprises the following directors:

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

All directors of Playmates Toys Limited jointly and severally accept responsibility for the accuracy of the information contained in this joint announcement (other than those in relation to Playmates Holdings Limited).

** for identification purpose only*