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## **PLAYMATES INTERACTIVE ENTERTAINMENT LIMITED**

**彩星互動科娛有限公司\***

*(incorporated in Bermuda with limited liability)*

### **RIGHTS ISSUE**

**OF**

**336,351,836 RIGHTS SHARES OF HK\$0.10 EACH**

**AT HK\$0.32 PER RIGHTS SHARE**

**ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES**

**HELD ON THE RECORD DATE**

**PAYABLE IN FULL ON ACCEPTANCE**

The Company proposes to raise approximately HK\$107,000,000 before expenses by way of a rights issue of one Rights Share at HK\$0.32 per Rights Share for every two existing Shares held on the Record Date.

The Company 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 the Company.

The Rights Issue is not available to Overseas Shareholders.

The Company intends to use the net proceeds from the Rights Issue for payment of initial costs of the Group's current and ongoing licensing commitments, for reducing the bank borrowings of the Group and the remainder (if any) as general working capital of the Group.

Chansam has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it will remain registered in its name from the date of undertaking up to the Record Date and that it will subscribe an aggregate of 150,553,786 Rights Shares, which will be provisionally allotted to it as the holder of 301,107,572 existing Shares. The Rights Issue will be fully underwritten by the Underwriter other than the Rights Shares undertaken to be taken up by Chansam.

The last day of dealing in the Shares on a cum-rights basis is Tuesday, 20 February, 2001. The Shares will be dealt with on an ex-rights basis from Wednesday, 21 February, 2001. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Monday, 26 February, 2001. In order to be registered as members on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Thursday, 22 February, 2001 (the share register is expected to be closed from Friday, 23 February, 2001 to Monday, 26 February, 2001, both days inclusive).

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 Underwriter not terminating the Underwriting Agreement (see the section headed "Termination of the Underwriting Agreement" below).

Accordingly, the Rights Issue may or may not proceed. Investors' attention is drawn to the statement "Warning of the risks of dealing in Shares and nil-paid Rights Shares" below.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares.

The Company expects to send the Prospectus, provisional allotment letters and forms of application for excess Rights Shares to all Qualifying Shareholders, on or before 26 February, 2001.

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 10:00 a.m. on 6 February, 2001 pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares of the Stock Exchange from 10:00 a.m. on 7 February, 2001.

## **RIGHTS ISSUE**

### Issue Statistics

Basis of Rights Issue:	one Rights Share for every two existing Shares held on the Record Date
No. of existing shares in issue:	672,703,673 Shares, as at the date of this announcement
No. of Rights Shares:	not less than 336,351,836 Shares, representing 50 per cent. of the existing issued Shares of the Company and approximately 33 per cent. of the Company's issued Shares as enlarged by the issue of the Rights Shares
Underwriter:	Tai Fook Securities Company Limited

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, including Shares which will 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 8,900,000 outstanding Share Options eligible for exercise on or before the Record Date to subscribe up to 8,900,000 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 681,603,673 Shares and the number of Rights Shares which may be issued pursuant to the Rights Issue will be increased to 340,801,836 Rights Shares. The Company expects to raise approximately HK\$107,000,000 before expenses through the Rights Issue.

### **Qualifying Shareholders and Overseas Shareholders**

The Company 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 the Company at the close of business on the Record Date; and
- (ii) have on the register of members of the Company on the Record Date either an address in Hong Kong or an address which is not in a jurisdiction where, in the Directors' opinion, the making of the Rights Issue is not permitted under the laws of such jurisdiction.

The Rights Issue Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. No provisional allotment of Rights Shares will be made to Shareholders with addresses outside Hong Kong unless the Directors consider that making the Rights Issue to them is permitted under the laws of such jurisdiction. The Company will send copies of the Prospectus to the Overseas Shareholders for their information only, but the Company will not send any provisional allotment letters and forms of application for excess Rights Shares to Overseas Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to Overseas 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 Overseas 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 the Company for the benefit of the Company.

In order to be registered as a member at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificates) with Abacus Share Registrars Limited, the Hong Kong branch share registrar of the Company, at 2401 Prince's Building, Central, Hong Kong by 4:00 p.m. on Thursday, 22 February, 2001.

### **Closure of Registrar of Members**

The registrar of members of the Company will be closed from Friday, 23 February, 2001 to Monday, 26 February, 2001 (both days inclusive). No transfer of Shares will be registered during this period.

## **TERMS OF THE RIGHTS ISSUE**

### **Subscription price for the Rights Shares**

HK\$0.32 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 renouncee of any provisional allotment or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price represents a discount of approximately 21.95% to the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 5 February, 2001, being the date immediately before the suspension of trading in the Shares on the Stock Exchange prior to this announcement, a discount of approximately 15.79% to the theoretical ex-rights price of

HK\$0.38 per Share based on that closing price of HK\$0.41 per Share, and a discount of approximately 11.36% to the average closing price of approximately HK\$0.361 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.

### **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**

The Company will not provisionally allot fractions of 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 the Company, if a premium net of expenses can be achieved.

### **Applications for excess Rights Shares**

Qualifying Shareholders shall be entitled to apply for any unsold entitlements of Overseas 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 will allocate the excess Rights Shares at their discretion, but on a fair and reasonable basis as far as practicable.

### **Certificates for Rights Shares**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted by Monday, 19 March, 2001 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares, at their own risk.

## **Share Option Plan**

Pursuant to the terms of the share option plan adopted by the Company on 4 May, 1998, adjustments to the outstanding Share Options are required to be made upon the Rights Issue becoming unconditional. Further details on the adjustments will be set out in the Prospectus.

## **Application for Listing and dealings**

The Company 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.

Dealings in nil-paid and fully-paid Rights Shares 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 Listing Committee of the Stock Exchange granting (subject to allotment) and not revoking listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms;
- (ii) the registration of the Rights Issue Documents with the Registrar of Companies in Hong Kong and the filing of the Rights Issue Documents with the Registrar of Companies in Bermuda; and
- (iii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed accordingly.

In the event for the conditions of the Rights Issue are not fulfilled on or before 16 March, 2001 (or such later date as, in its discretion, the Underwriter may extend, being no later than 31 March, 2001), none of the Underwriter or the Company shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the irrevocable undertaking by Chansam to accept its entitlement under the Rights Issue will lapse.

## **UNDERWRITING ARRANGEMENTS**

## **Undertaking from Chansam**

Chansam, who is as at the date of this announcement beneficially interested in an aggregate of 301,107,572 Shares representing approximately 44.76% of the issued share capital of the Company, has given an irrevocable undertaking that all Shares beneficially owned by it will remain registered in its name from the date of undertaking to the Record Date and that it will accept or procure acceptance of its entitlement to the Rights Shares which will be provisionally allotted to it as the holder of such Shares under the Rights Issue. Chansam may consider applying for excess Rights Shares subject to compliance with the relevant regulatory requirements. The balance of the Rights Shares, amounting to not less than 185,798,050 Rights Shares has been fully underwritten by the Underwriter in accordance with the Underwriting Agreement. If the 8,900,000 outstanding Share Options eligible for exercise on or before the Record Date to subscribe 8,900,000 are fully exercised, the number of Rights Shares to be underwritten by the Underwriter under the Underwriting Agreement shall be 190,248,050 Rights Shares.

## **Underwriting Agreement**

Date:	6 February, 2001
Underwriter:	Tai Fook Securities Company Limited
Number of Rights Shares underwritten:	All Rights Shares except those Rights Shares undertaken to be taken up by Chansam
Commission:	2% of the total issue price of the Rights Shares underwritten by the Underwriter

## **Termination of the Underwriting Agreement**

**It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If at any time on or before 4:00 p.m. on the third business day after the final acceptance date for the provisional allotment:-**

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the**

**reasonable opinion of the Underwriter) 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) any change in local, national or international financial, political, industrial or economic conditions;**
- (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;**
- (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;**
- (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;**
- (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of five (5) business days;**
- (vii) 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 Underwriter:-**

- (x) likely to have a material adverse effect on the business or financial or trading position or prospects of the Company or the Group; or**
- (y) 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**
- (z) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,**

then and in such case the Underwriter may by notice in writing given to the Company on or before 4:00 p.m. on the third business day after the final acceptance date for the provisional allotment rescind the Underwriting Agreement and thereupon all obligations of the Underwriter 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 Wednesday, 21 February, 2001. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the Register of Members of the Company on the Record Date, which is currently expected to be Monday, 26 February, 2001. In order to be registered as members on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Thursday, 22 February, 2001.

The Rights Shares are expected to be dealt with in their nil-paid form from Wednesday, 28 February, 2001 to Thursday, 8 March, 2001, both days inclusive. If the Underwriter terminates 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 16 March, 2001), and contemplating any buying or selling of nil-paid Rights Shares between 28 February, 2001 and 8 March, 2001 (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.

**EXPECTED TIMETABLE:**

Last day of dealings in existing Shares on

a cum-rights basis..... Tuesday, 20 February, 2001

Commencement date of trading on ex-rights basis..... Wednesday, 21 February, 2001

Latest time for lodging transfers of Shares  
in order to qualify for the Rights Issue..... Thursday, 4:00 p.m. on 22 February, 2001

Bookclose ..... from Friday, 23 February, 2001 to Monday, 26 February, 2001

Record Date..... Monday, 26 February, 2001

Rights Issue Documents despatched on ..... Monday, 26 February, 2001

First day of dealings in nil-paid Rights  
Shares ..... Wednesday, 10:00 a.m. on 28 February, 2001

Latest time for splitting nil-paid Rights Shares..... Monday, 4:00 p.m. on 5 March, 2001

Latest time of dealings in nil-paid  
Rights Shares ..... Thursday, 4:00 p.m. on 8 March, 2001

Latest time for acceptance of, and payment  
for, Rights Shares and application for excess  
Rights Shares ..... Tuesday, 4:00 p.m. on 13 March, 2001

Latest time for termination of the Underwriting  
Agreement ..... Friday, 4:00 p.m. on 16 March, 2001

Rights Issue expected to become unconditional ..... Friday, 4:00 p.m. on 16 March, 2001

Announcement of results of Rights Issue  
to appear in newspapers on or before..... Monday, 19 March, 2001

Refund cheques in respect of wholly or partially  
unsuccessful applications for excess Rights Shares  
to be despatched on or before..... Monday, 19 March, 2001

Certificates for fully-paid Rights Shares expected to be  
despatched on or before..... Monday, 19 March, 2001

Dealings in fully-paid Rights Shares on the  
Stock Exchange to commence on..... Wednesday, 10:00 a.m. on 21 March, 2001

## **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The Company intends to use the proceeds from the Rights Issue for payment of initial costs of the Group's current and ongoing licensing commitments, for reducing bank borrowings of the Group and the remainder (if any) as general working capital.

In 2001, new product lines will be launched in tandem with the following entertainment events: the Tomb Raider movie from Paramount Pictures; Cats & Dogs, the summer family comedy from Warner Brothers; Jurassic Park III, the latest episode in the popular series from Universal Studios; and The Fellowship of the Ring, the first episode of The Lord of the Rings trilogy, the Holiday 2001 movie from New Line Cinema. Continuing entertainment-inspired product lines include The Simpsons, under license from 20th Century Fox, and Jackie Chan Adventures, under license from Sony Pictures Consumer Products. In addition, the Group is in the final stages of entering into a number of major licenses that in the opinion of the Board will have significant long-term positive contributions to the Group.

## **GENERAL**

The Rights Issue Documents are expected to be posted to the Qualifying Shareholders on 26 February, 2001 for their information.

## **SUSPENSION OF TRADING IN SHARES**

Trading in the Shares was suspended on the Stock Exchange from 10:00 a.m. on 6 February, 2001 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 10:00 a.m. on 7 February, 2001.

## **DEFINITIONS**

"Chansam"	Chansam Investments Limited, an international business company incorporated in the British Virgin Islands with limited liability which owns approximately 44.76 per cent. of the issued share capital of the Company and is itself owned as to 85.19 per cent. by a private company which is wholly-owned by the trustees of a discretionary trust established for the benefit of Mr. Chan Chun Hoo, Thomas, the Chairman of the Company, and his family
"Company"	Playmates Interactive Entertainment Limited

"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Overseas Shareholder(s)"	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong where, in the Directors' opinion, Rights Shares may not be offered without compliance with registration and/or the legal or regulatory requirements
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Qualifying Shareholder(s)"	the Shareholder(s), other than the Overseas Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	26 February, 2001
"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\$0.32 per Rights Share as described in this announcement
"Rights Issue Documents"	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares

"Rights Shares"	not more than 340,801,836 new Shares to be issued under the Rights Issue
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	share(s) of HK\$0.10 each in the share capital of the Company
"Share Options"	options granted by the Company to the employees of the Group pursuant to the share option plan adopted on 4 May, 1998, conferring the holder thereof rights to subscribe in cash for new Shares at exercise prices determined in accordance with the plan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trading Day"	a day on which the Stock Exchange is open for trading
"Underwriter"	Tai Fook Securities Company Limited, a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), which is an independent third party not connected with the Directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Underwriting Agreement"	the agreement dated 6 February, 2001 between the Company and the Underwriter relating to the underwriting and other arrangements in respect of the Rights Issue
"HK\$"	Hong Kong dollars

By Order of the Board  
**Playmates Interactive Entertainment Limited**  
**Tracy Fong**  
*Secretary*

Hong Kong, 6 February, 2001

\* *for identification purpose only*