



# PLAYMATES INTERACTIVE ENTERTAINMENT LIMITED

## 彩星互動科娛有限公司\*

(incorporated in Bermuda with limited liability)

### RIGHTS ISSUE OF NOT LESS THAN 201,811,101 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$0.26 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY FIVE SHARES HELD ON THE RECORD DATE PAYABLE IN FULL ON ACCEPTANCE WITH WARRANTS IN THE PROPORTION OF ONE WARRANT FOR EVERY ONE FULLY-PAID RIGHTS SHARE

Underwriter



TAI FOOK SECURITIES COMPANY LIMITED

The Company proposes to raise approximately HK\$52,470,886 before expenses by way of a rights issue of one Rights Share at HK\$0.26 per Rights Share for every five existing Shares held on the Record Date. Warrants at no additional costs will be issued in the proportion of one Warrant for every one fully-paid Rights Share.

The Company will provisionally allot one Rights Share in nil-paid form for every five 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 proceeds from the Rights Issue (before expenses) will amount to HK\$52,470,886. The Company intends to use the net proceeds from the Rights Issue for general working capital purposes of the Group, in particular, should suitable opportunities arise, to commit any major toy licences which the Group may be able to obtain in 2002.

Angers 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 100,000,000 Rights Shares, which will be provisionally allotted to it as the holder of 500,000,000 existing Shares. The Rights Issue will be fully underwritten by the Underwriter other than the Rights Shares undertaken to be taken up by Angers.

The last day of dealing in the Shares on a cum-rights basis is 11 April, 2002. The Shares will be dealt with on an ex-rights basis from 12 April, 2002. 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 17 April, 2002. 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 15 April, 2002 (the share register is expected to be closed from 16 April, 2002 to 17 April, 2002, 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, and no Warrants 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.

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

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 17 April, 2002.

At the request of the Company, trading in the Shares was suspended on the Stock Exchange from 9:30 a.m. on 28 March, 2002 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 9:30 a.m. on 2 April, 2002.

## RIGHTS ISSUE

### Issue Statistics

Basis of Rights Issue: one Rights Share for every five existing Shares held on the Record Date, with Warrants at no additional costs in the proportion of one Warrant for every one fully-paid Rights Share

No. of existing shares in issue: 1,009,055,509 Shares, as at the date of this announcement

No. of Rights Shares: not less than 201,811,101 Shares, representing 20 per cent. of the existing issued Shares of the Company and approximately 16.67 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 20,378,800 outstanding Share Options eligible for exercise on or before the Record Date to subscribe up to 20,378,800 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 1,029,434,309 Shares and the number of Rights Shares which may be issued pursuant to the Rights Issue will be increased to 205,886,861 Rights Shares. The Company expects to raise approximately HK\$52,470,886 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:

- be registered as a member of the Company at the close of business on the Record Date; and
- 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 5/F Wing On Centre, 111 Connaught Road Central, Hong Kong by 4:00 p.m. on 15 April, 2002.

### Closure of Registrar of Members

The registrar of members of the Company will be closed from 16 April, 2002 to 17 April, 2002 (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\$0.26 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 a discount of approximately 11.86% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 27 March, 2002, being the date immediately before the suspension of trading in the Shares on the Stock Exchange prior to this announcement, a discount of approximately 8.13% to the theoretical ex-rights price of approximately HK\$0.283 per Share based on that closing price of HK\$0.295 per Share, and a discount of approximately 10.65% to the average closing price of approximately HK\$0.291 per Share for the ten Trading Days prior to the date of this announcement.

### Basis of provisional allotment

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

### Warrants

Warrants will be issued, at no additional costs, to the first registered holders of the fully-paid Rights Shares in the proportion of one Warrant for every one fully-paid Rights Share held. The 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 Warrants commence trading on the Stock Exchange up to the expiry of 2 years thereafter, (both days inclusive) up to an aggregate amount of HK\$60,543,330, for new Shares at the exercise price of HK\$0.30 per Warrant. The exercise price per Share of HK\$0.30 represents a premium of approximately 1.69% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 27 March, 2002, being the date immediately before the suspension of trading in the Shares on the Stock Exchange prior to this announcement, a premium of approximately 3.09% to the average closing price of approximately HK\$0.291 per Share for the ten Trading Days prior to the date of this announcement. Any subscription rights attaching to the Warrants which have not been exercised on or before the expiry date of the subscription period of the Warrants will lapse following such date, and the Warrants will cease to be valid for all purposes.

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

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

The Warrants will be issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 22 May, 2001.

### 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 and Warrants

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares and Warrants are expected to be posted by 9 May, 2002 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), the Warrants and any Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

Dealings in nil-paid and fully-paid Rights Shares and the 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 Listing Committee of the Stock Exchange having granted (subject only to provisional allotment and/or allotment of the Rights Shares, the allotment of the Warrants, the posting of the Prospectus and despatch of certificates in respect of the Rights Shares and the Warrants and any other matters which are agreed between the Company and the Underwriter) the listing of and permission to deal in the Rights Shares (both nil-paid and fully-paid) and the Warrants and the Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants on the Stock Exchange, in each case by no later than 7 May, 2002 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;
- (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 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 accordingly.**

In the event the conditions of the Rights Issue are not fulfilled on or before 7 May, 2002 (or such later date as, in its discretion, the Underwriter may extend, being no later than 31 May, 2002), 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 Angers to accept its entitlement under the Rights Issue will lapse.

## UNDERWRITING ARRANGEMENTS

### Undertaking from Angers

Angers, who is as at the date of this announcement beneficially interested in an aggregate of 500,000,000 Shares representing approximately 49.55% 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. The balance of the Rights Shares, amounting to not less than 101,811,101 Rights Shares has been fully underwritten by the Underwriter in accordance with the Underwriting Agreement. If the 20,378,800 outstanding Share Options eligible for exercise on or before the Record Date to subscribe for 20,378,800 Shares are fully exercised, the number of Rights Shares to be underwritten by the Underwriters under the Underwriting Agreement shall be 105,886,861 Rights Shares. As at the date of this announcement, Angers has indicated to the Company that it will not take up any excess Rights Shares.

### Underwriting Agreement

Date:	27 March, 2002
Underwriter:	Tai Fook Securities Company Limited
Number of Rights Shares underwritten:	All Rights Shares except those Rights Shares undertaken to be taken up by Angers
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 12 April, 2002. 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 17 April, 2002. 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 15 April, 2002.

The Rights Shares are expected to be dealt with in their nil-paid form from 19 April, 2002 to 26 April, 2002, 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 7 May, 2002), and contemplating any buying or selling of nil-paid Rights Shares between 19 April, 2002 and 26 April, 2002 (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	11 April, 2002
Commencement date of trading on ex-rights basis	12 April, 2002
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:00 p.m. on 15 April, 2002
Bookclose	from 16 April, 2002 to 17 April, 2002
Record Date	17 April, 2002
Rights Issue Documents despatched on	17 April, 2002
First day of dealings in nil-paid Rights Shares	19 April, 2002
Latest time for splitting nil-paid Rights Shares	23 April, 2002
Latest time of dealings in nil-paid Rights Shares	26 April, 2002
Latest time for acceptance of, and payment for, Rights Shares and application for excess Rights Shares	2 May, 2002
Latest time for termination of the Underwriting Agreement	7 May, 2002
Rights Issue expected to become unconditional	7 May, 2002
Announcement of results of Rights Issue to appear in newspapers on or before	8 May, 2002
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before	9 May, 2002
Certificates for fully-paid Rights Shares and Warrants expected to be despatched on or before	9 May, 2002
Dealings in fully-paid Rights Shares and Warrants on the Stock Exchange to commence on	13 May, 2002

## REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal business of the Company and its subsidiaries is the creation, design, development, marketing and distribution of toys and family entertainment activity products. The Rights Issue will allow the Group's business to grow, to improve its liquidity position as well as enhancing its equity base, whilst allowing the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholdings in the Company. The Directors also consider that the issue of Warrants is an appropriate means to raise further capital for the Group in the future, particularly where the market price of the Shares should improve without any dilution effect on the shareholding of the existing Shareholders, to augment the growth and to further enhance the equity base of the Company. The proceeds from the Rights Issue (before expenses) will amount to HK\$52,470,886. Exercise in full of the Warrants will result in the receipt by the Company of not less than approximately HK\$60,543,330. The Company intends to use the proceeds from the Rights Issue and the exercise of Warrants (if any) for general working capital purposes, in particular, should suitable opportunities arise, to commit any major toy licenses which the Group may be able to obtain in 2002.

## GENERAL

The Rights Issue Documents are expected to be posted to the Qualifying Shareholders on 17 April, 2002.

## SUSPENSION OF TRADING IN SHARES

Trading in the Shares was suspended on the Stock Exchange from 9:30 a.m. on 28 March, 2002 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 9:30 a.m. on 2 April, 2002.

## DEFINITIONS

"Angers"	Angers Investments Limited, an international business company incorporated in the British Virgin Islands with limited liability which owns approximately 49.55% of the issued share capital of the Company and is itself wholly-owned by a private company which is in turn 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 (which is proposed, subject to obtaining the relevant shareholders and regulatory approvals, to be renamed as Playmates Holdings Limited), an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"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"	17 April, 2002
"Rights Issue"	the issue of the Rights Shares on the basis of one Rights Share for every five existing Shares held on the Record Date at a price of HK\$0.26 per Rights Share, with Warrants in the proportion of one Warrant for every one fully-paid Rights Share as described in this announcement
"Rights Issue Documents"	the Prospectus, the provisional allotment letter and the form of application for excess Right Shares
"Rights Shares"	not less than 201,811,101 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 27 March, 2002 between the Company and the Underwriter relating to the underwriting and other arrangements in respect of the Rights Issue
"Warrants"	not less than 201,811,101 warrants to be issued by the Company in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash from the date on which the Warrants commence trading on the Stock Exchange up to the expiry of 2 years thereafter, both days inclusive, up to an aggregate amount of HK\$0.30 for new Shares at the exercise price
"HK\$"	Hong Kong dollars

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

Hong Kong, 28 March, 2002

*\* for identification purpose only*

*Please also refer to the published version of this announcement in  
Hong Kong iMail and Hong Kong Economic Journal.*