

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



## **PLAYMATES HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES**

#### **SUMMARY**

The Vendor is the major shareholder of the Company holding 610,000,000 Shares in, representing approximately 43.33% of, its issued share capital as at the date of this announcement.

On 18 November, 2003, the Vendor and the Company entered into the unconditional Placing Agreement with the Placing Agent, pursuant to which the Placing Agent will procure purchasers to acquire, and the Vendor will sell in aggregate up to a maximum of 130,000,000 existing Shares (consisting of the Underwritten Placing Shares to be fully underwritten by the Placing Agent and the Additional Placing Shares to be placed by the Placing Agent on a best efforts basis) at the Placing Price of HK\$1.60 per Share. Immediately after completion of the placing of the Underwritten Placing Shares, the Vendor's shareholding in the Company will be reduced to 510,000,000 Shares, representing approximately 36.23% of the issued share capital of the Company as at the date of this announcement. In the event that all the Additional Placing Shares are also placed by the Placing Agent, the Vendor's shareholding in the Company will be reduced to 480,000,000 Shares, representing approximately 34.10% of the issued share capital of the Company as at the date of this announcement.

The Underwritten Placing Shares and Additional Placing Shares represent approximately 7.10% and 2.13% respectively of the issued share capital of the Company as at the date of this announcement. The Placing Price represents a discount of approximately 7.51% to the closing price of HK\$1.73 per Share as quoted on the Stock Exchange on 17 November, 2003 and a discount of approximately 0.56% to the average closing price of approximately HK\$1.61 per Share as quoted on the Stock Exchange for the preceding 10 trading days up to and including 17 November, 2003.

On 18 November, 2003, the Vendor also entered into the conditional Subscription Agreement with the Company. Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe for such number of New Shares as may be equivalent to the number of Placing Shares actually placed under the Placing at the Placing Price. The New Shares will represent not less than approximately 6.63% but not more than approximately 8.45% of the issued share capital of the Company as enlarged by the Subscription. Immediately after completion of the Subscription, the Vendor's shareholding in the Company will be increased from approximately 36.23% to approximately 40.46% (if no Additional Placing Shares are placed) or from approximately 34.10% to approximately 39.67% (if all the Additional Placing Shares are also placed).

The net proceeds from the Subscription are estimated to be not less than approximately HK\$155 million but not more than approximately HK\$202 million. It is the current intention of the Directors that (a) the net proceeds of approximately HK\$155 million (derived from the subscription of 100,000,000 New Shares) will be used for funding any growth and development potential of the Group's core toy business (including but not limited to commitment of any new major toy licences where such opportunities arise and product range expansion and development under the Group's existing toy licences); and (b) the net proceeds of up to approximately HK\$47 million (derived from the subscription of up to 30,000,000 New Shares) will be used as general working capital of the Group.

Trading in the Shares and the Warrants on the Stock Exchange has been suspended with effect from 9:44 a.m. on 18 November 2003, pending the issue of this announcement. Application has been made for the resumption of trading in the Shares and the Warrants with effect from 9:30 a.m. on 19 November 2003.

## **PLACING AGREEMENT DATED 18 NOVEMBER, 2003**

### **Parties**

- (a) the Vendor;
- (b) the Company; and
- (c) the Placing Agent

The Placing Agent acts for the Vendor for the purposes of the Placing and is independent of and not connected with any director, chief executive or substantial shareholder of the Company or its subsidiaries or an associate (as defined in the Listing Rules) of any of them.

### **The Placing Shares**

Up to a maximum of 130,000,000 Shares, representing approximately 9.23% of the issued share capital of the Company as at the date of this announcement, consisting of:

- (a) 100,000,000 Shares (representing approximately 7.10% of the Company's issued share capital as at the date of this announcement) to be placed on a fully underwritten basis by the Placing Agent; and
- (b) up to 30,000,000 Shares (representing approximately 2.13% of the Company's issued share capital as at the date of this announcement) to be placed on a best efforts basis by the Placing Agent.

### **Placing Price**

The Placing Price of HK\$1.60 per Share was arrived at after arm's length negotiations between the Company, the Vendor and the Placing Agent. It represents a discount of approximately 7.51% to the closing price of HK\$1.73 per Share as quoted on the Stock Exchange on 17 November, 2003 and a discount of 0.56% to the average closing price of approximately HK\$1.61 per Share as quoted on the Stock Exchange for the preceding 10 trading days up to and including 17 November, 2003.

### **Rights attached to Placing Shares**

The Placing Shares will be sold free from all liens, charges and encumbrances, claims, options and third party rights and together with all rights attaching thereto as at the Placing Completion Date, including the right to receive all dividends or other distributions declared, made or paid on the Placing Shares at any time after 18 November, 2003.

### **Completion of the Placing**

The parties expect that the Placing will be completed on or around the Placing Completion Date.

Immediately after completion of the placing of the Underwritten Placing Shares, the Vendor's shareholding in the Company will be reduced to 510,000,000 Shares, representing approximately 36.23% of the issued share capital of the Company as at the date of this announcement. In the event that all the Additional Placing Shares are also placed by the Placing Agent, the Vendor's shareholding in the Company will be reduced to 480,000,000 Shares, representing approximately 34.10% of the issued share capital of the Company as at the date of this announcement.

### **Independence of placees**

The Placing Agent has undertaken to the Vendor that it will ensure that the placees are independent of and not connected with nor acting in concert with the Vendor or its associates (as defined in the Listing Rules) or the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of its or their respective associates (as defined in the Listing Rules) or concert parties. The Placing Agent expects that there will be over six placees.

### **Termination of Placing Agreement**

There are no conditions to completion of the Placing Agreement. However, the Placing Agent may, after consultation with the Vendor, terminate the Placing Agreement by written notice no later than noon on the Placing Completion Date if the following events shall at any time on or prior to 9:30 a.m. on the Placing Completion Date occur:

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or

- (b) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Vendor of any other provision of the Placing Agreement; or
- (c) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

### **Lock-up**

The Vendor has undertaken to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) for the period of 3 months from the Placing Completion Date it will not sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of its Shares or any interests therein unless the prior written consent of the Placing Agent to any disposal or grant shall have been obtained (such consent not to be unreasonably withheld or delayed).

The Company has undertaken to the Placing Agent that it will not, and the Vendor has undertaken to procure that neither the Company nor any of its subsidiaries will, issue or agree to allot or issue any Shares (other than pursuant to (a) any exercise of any convertible bonds or warrants in issue at the date of the Placing Agreement or any other conversion or subscription rights existing at the date of the Placing Agreement or (b) any scrip dividend scheme) or other securities or grant or agree to grant any options (other than options granted pursuant to any existing share option scheme), warrants or other rights to subscribe for Shares or other securities or to repurchase any securities of the Company, for the period of 3 months from the Placing Completion Date without first having obtained the prior written consent of the Placing Agent.

## **SUBSCRIPTION AGREEMENT DATED 18 NOVEMBER, 2003**

### **Parties**

- (a) the Vendor; and
- (b) the Company

### **The New Shares**

Such number of New Shares as may be equivalent to the number of Placing Shares actually placed under the Placing, representing not less than approximately 7.10% but not more than approximately 9.23% of the issued share capital of the Company as at the date of this announcement, and not less than approximately 6.63% but not more than approximately 8.45% of the issued share capital of the Company as enlarged by the Subscription.

### **Subscription Price**

The Subscription Price is equivalent to the Placing Price of HK\$1.60 per Share.

### **General mandate to issue New Shares**

The New Shares will be issued pursuant to the general mandate granted by the shareholders of the Company to the Directors on 9 May, 2003.

### **Ranking**

The New Shares, when issued and fully paid, will rank equally with the existing Shares of the Company in issue as at the date of issue of the New Shares.

### **Conditions to Subscription Agreement**

Completion of the Subscription is conditional upon (a) the Vendor having obtained from the SFC a dispensation to the mandatory offer obligation under Rule 26 of the Takeovers Code; (b) completion of the Placing; and (c) the Stock Exchange having granted the listing of, and permission to deal in, all of the New Shares. These conditions will not be waived.

The Placing Agent has, on behalf of the Vendor, made an application to the SFC for the dispensation as described in condition (a) above.

### **Completion of the Subscription**

Subject to fulfillment of the above conditions, completion of the Subscription will take place within 14 days after the date of the Placing Agreement, being 1 December 2003, or such later date as the Company and the Vendor may agree in writing. If the Subscription is not completed within 14 days after the date of the Placing Agreement, the Subscription would constitute a connected transaction for the Company under the Listing Rules.

Immediately after completion of the Subscription, the Vendor's shareholding in the Company will be increased from approximately 36.23% to approximately 40.46% (if no Additional Placing Shares are placed) or from approximately 34.10% to approximately 39.67% (if all the Additional Placing Shares are placed).

#### Application for listing

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the New Shares.

#### EFFECT OF THE PLACING AND THE SUBSCRIPTION

The shareholdings in the Company before and after the Placing and the Subscription are summarised as follows:

	Vendor	Persons deemed to be acting in concert with Vendor	Placees	Other Shareholders	Total
<b>Present shareholding</b>	610,000,000 (43.33%)	5,654,000 (0.40%)	0	792,172,640 (56.27%)	1,407,826,640 (100%)
<b>Immediately after Completion of the Placing but before the Subscription (assuming only Underwritten Placing Shares are placed)</b>	510,000,000 (36.23%)	5,654,000 (0.40%)	100,000,000 (7.10%)	792,172,640 (56.27%)	1,407,826,640 (100%)
<b>Immediately after Completion of the Placing but before the Subscription (assuming all Placing Shares are placed)</b>	480,000,000 (34.10%)	5,654,000 (0.40%)	130,000,000 (9.23%)	792,172,640 (56.27%)	1,407,826,640 (100%)
<b>Immediately after Completion of the Placing and the Subscription (assuming only Underwritten Placing Shares are placed)</b>	610,000,000 (40.46%)	5,654,000 (0.37%)	100,000,000 (6.63%)	792,172,640 (52.54%)	1,507,826,640 (100%)
<b>Immediately after Completion of the Placing and the Subscription (assuming all Placing Shares are placed)</b>	610,000,000 (39.67%)	5,654,000 (0.37%)	130,000,000 (8.45%)	792,172,640 (51.51%)	1,537,826,640 (100%)

#### REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors estimate that the net proceeds derived from the Subscription will be not less than approximately HK\$155 million but not more than approximately HK\$202 million. It is the current intention of the Directors that (a) the net proceeds of approximately HK\$155 million (derived from the subscription of 100,000,000 New Shares) will be used for funding any growth and development potential of the Group's core toy business (including but not limited to commitment of any new major toy licences where such opportunities arise and product range expansion and development under the Group's existing toy licences); and (b) the net proceeds of up to approximately HK\$47 million (derived from the subscription of up to 30,000,000 New Shares) will be used as general working capital of the Group.

The Directors consider that it is in the best interests of the Company to raise further capital from the equity market by way of the Placing and the Subscription, in order to place the Group in a stronger position to capture any business opportunities, having considered the prevailing and anticipated market conditions, the business outlook, as well as the current financial position of the Group. The Directors further consider that the Placing and the Subscription will enhance the capital base of the Company, strengthen the Group's financial position, and facilitate the investment strategy of the Group in the coming year.

Save for Shares issued pursuant to the exercise of the Warrants in accordance with their terms, the Company did not have any fund raising activities in the equity market in the past 12 months.

#### GENERAL

The Group is principally engaged in the creation, design, development, marketing and distribution of toys and family entertainment activity products. The Group is also engaged in property investment and management business.

## SUSPENSION OF TRADING

Trading in the Shares and the Warrants on the Stock Exchange has been suspended with effect from 9:44 a.m. on 18 November 2003, pending the issue of this announcement. Application has been made for the resumption of trading in the Shares and the Warrants with effect from 9:30 a.m. on 19 November 2003.

## DEFINITIONS

“Additional Placing Shares”	up to 30,000,000 existing Shares
“Company”	Playmates Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	not less than 100,000,000 new Shares and not more than 130,000,000 new Shares to be subscribed by the Vendor under the Subscription
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	CLSA Limited, a deemed licensed corporation under the SFO licensed to conduct Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 18 November 2003 between the Vendor, the Company and the Placing Agent
“Placing Completion Date”	21 November 2003
“Placing Price”	HK\$1.60 per Placing Share
“Placing Shares”	up to a maximum of 130,000,000 existing Shares, consisting of the Underwritten Placing Shares and the Additional Placing Shares
“SFC”	The Hong Kong Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Subscription”	the conditional subscription by the Vendor of the New Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 18 November 2003 between the Vendor and the Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwritten Placing Shares”	100,000,000 existing Shares
“Vendor”	Angers Investments Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. Chan Chun Hoo, Thomas, a Director

“Warrants”

the warrants, constituted by a deed poll executed by the Company and issued by the Company in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash for Shares

By Order of the Board  
**Playmates Holdings Limited**  
**Tracy Fong**  
*Company Secretary*

Hong Kong, 18 November, 2003

*The directors of the Company accept full responsibility for the accuracy of the information contained in this announcement (except for the information relating to the Vendor) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The directors of the Vendor accept full responsibility for the accuracy of the information contained in this announcement (except for the information relating to the Company) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

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