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## IMPORTANT

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If you are in any doubt about this Prospectus or as to the action to be taken, you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Playmates Toys Limited (the "Company"), you should at once hand this Prospectus and the accompanying PAL and EAF (as defined herein) to the purchaser(s) or transferee(s) or bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of this Prospectus, together with copies of the PAL and EAF and the written consent of Grant Thornton (referred to herein), has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. A copy of this Prospectus, together with copies of the PAL and the EAF, has also been filed with the Registrar of Companies in Bermuda. The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange (as defined herein), as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Rights Shares (in their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in the nil-paid and fully-paid forms) on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Bonus Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Bonus Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Warrants on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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## PLAYMATES TOYS LIMITED 彩星玩具有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 869)

**RIGHTS ISSUE OF 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 RIGHTS ISSUE RECORD DATE  
PAYABLE IN FULL ON ACCEPTANCE**

**ISSUE OF BONUS WARRANTS  
IN THE PROPORTION OF 130 BONUS WARRANTS  
FOR EVERY 1,000 SHARES HELD ON THE BONUS ISSUE RECORD DATE**

**Underwriters of the Rights Issue  
PIL TOYS LIMITED  
TGC ASSETS LIMITED**

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It should be noted that the Underwriting Agreement (as defined herein) contains provisions granting the Underwriters (as defined herein) the right to terminate their obligations as underwriters on the occurrence of certain force majeure events.

If at any time between the date of the Underwriting Agreement and 5:00 p.m. on the third Business Day following the Acceptance Date one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist, then the Underwriters may, in addition to and without prejudice to any other remedies to which the Underwriters may be entitled, by notice in writing to the Company terminate the Underwriting Agreement forthwith: (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.

Details of terms for the termination of the Underwriting Agreement are set out in the paragraphs headed "Termination of the Underwriting Agreement" on pages 9 to 10 of this Prospectus. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 8 July 2010 to Thursday, 15 July 2010 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any dealing in the Shares or nil-paid Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or Rights Shares in their nil-paid form, and if they are in any doubt about their position, they are recommended to consult their professional advisers. The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Tuesday, 20 July 2010. The procedures for acceptance or transfer of the Rights Shares are set out on pages 17 to 18 of this Prospectus.

\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>EXPECTED TIMETABLE</b> .....	6
<b>TERMINATION OF THE UNDERWRITING AGREEMENT</b> .....	9
<b>PRINCIPAL TERMS OF THE RIGHTS ISSUE</b> .....	11
<b>LETTER FROM THE BOARD</b>	
Introduction .....	13
Rights Issue .....	14
Irrevocable Undertakings .....	20
Underwriting arrangement .....	21
Shareholding structure .....	24
Warning of the risks of dealing in the Shares and the nil-paid Rights Shares .....	25
Reasons for the Rights Issue and use of proceeds .....	25
Bonus Warrant Issue .....	26
Financial and trading prospects of the Group .....	30
Fundraising activities in the past 12 months .....	30
Additional information .....	30
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	31
<b>APPENDIX II – UNAUDITED PRO FORMA FINANCIAL                   INFORMATION OF THE GROUP</b> .....	32
<b>APPENDIX III – SUMMARY OF THE PRINCIPAL TERMS OF                   THE BONUS WARRANTS</b> .....	37
<b>APPENDIX IV – GENERAL INFORMATION</b> .....	51

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## DEFINITIONS

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*In this Prospectus, unless the context otherwise requires, capitalised terms used shall have the following meanings:-*

“11 June Announcement”	the joint announcement of the Company and Playmates Holdings dated 11 June 2010 in relation to, among others, the Rights Issue and the Bonus Warrant Issue
“17 June Announcement”	the joint announcement of the Company and Playmates Holdings dated 17 June 2010 in relation to, among others, the Rights Issue and the Bonus Warrant Issue
“Acceptance Date”	20 July 2010, being the last day for acceptance of and payment for the Rights Shares, or such other date as the Company and the Underwriters may agree in writing
“Announcements”	the 11 June Announcement and the 17 June Announcement
“Associates”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bonus Issue Qualifying Shareholder(s)”	the Shareholder(s), excluding Excluded Shareholders, whose name(s) appear on the register of members of the Company as at the close of business on the Bonus Issue Record Date
“Bonus Issue Record Date”	27 July 2010, the record date for the determination of the entitlements of the Bonus Issue Qualifying Shareholders for the Bonus Warrant Issue
“Bonus Warrant Certificate(s)”	certificate(s) to be issued by the Company to Bonus Warrantholder(s) to evidence the holding of the Bonus Warrants
“Bonus Warrant Issue”	the issue of the Bonus Warrants and the issue of New Shares
“Bonus Warrants”	up to 138,095,392 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 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 HK\$62,142,926.40 for New Shares at the Exercise Price of HK\$0.45 per New Share
“Bonus Warrantholders”	holders of Bonus Warrants

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## DEFINITIONS

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“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Playmates Toys Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange, and an indirect subsidiary of Playmates Holdings
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended or supplemented from time to time
“Directors”	directors of the Company
“EAF(s)”	application form(s) for excess Rights Shares
“Excluded Shareholders”	Overseas Shareholders whose addresses, as shown on the register of members of the Company at the close of business on, in respect of the Rights Issue, the Rights Issue Record Date and, in respect of the Bonus Warrant Issue, the Bonus Issue Record Date, are in places other than the United Kingdom, Malaysia and Macau
“Exercise Price”	HK\$0.45 per Share in respect of each Bonus Warrant
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Instrument”	the deed poll constituting the Bonus Warrants to be executed by the Company, a summary of the principal terms of which is set out in Appendix III to this Prospectus
“Irrevocable Undertakings”	the irrevocable undertakings dated 11 June 2010 and 17 June 2010 executed by PIL Toys, TGC and Mr. Chan
“Latest Practicable Date”	30 June 2010, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mr. Chan”	Mr. Chan Chun Hoo, Thomas, the chairman of the Board and board of directors of Playmates Holdings respectively
“New Shares”	new Shares that will be issued upon the exercise of the subscription rights attaching to the Bonus Warrants
“Overseas Shareholders”	Shareholder(s) whose addresses on the Company’s register of members are outside Hong Kong at the close of business on the Rights Issue Record Date or the Bonus Issue Record Date, as appropriate
“PAL(s)”	provisional allotment letter(s) for the Rights Shares
“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
“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 the Company, and one of the Underwriters
“Playmates Holdings”	Playmates Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange and which is the indirect holding company of the Company
“PRC”	the People’s Republic of China
“Prospectus”	this prospectus issued by the Company in relation to the Rights Issue and the Bonus Warrant Issue
“Rights Issue”	the issue of 347,750,000 Rights Shares at the Subscription Price on the basis of one Rights Share for every two existing Shares held on the Rights Issue Record Date payable in full on acceptance

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## DEFINITIONS

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“Rights Issue Documents”	the Prospectus, PAL and EAF to be issued by the Company in relation to the Rights Issue
“Rights Issue Record Date”	6 July 2010, the record date to determine entitlements of the Rights Issue Qualifying Shareholders for the Rights Issue
“Rights Issue Qualifying Shareholder(s)”	Shareholder(s), excluding Excluded Shareholders, whose name(s) appear on the register of members of the Company as at the close of business on the Rights Issue Record Date
“Rights Share(s)”	new Share(s) to be allotted and issued in respect of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Options”	the outstanding share options granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 25 January 2008
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.30 per Rights Share
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 17 June 2010 between the Company and the Underwriters which supplements and amends the Underwriting Agreement
“Taken Up/take up/taking 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
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers

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## DEFINITIONS

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“TGC”	TGC Assets Limited (formerly known as Angers Investments Limited), a substantial shareholder of both the Company and Playmates Holdings, the entire issued share capital of which is beneficially owned by Mr. Chan
“Underwriters”	PIL Toys and TGC, being the underwriters of the Rights Issue
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriters dated 11 June 2010 in relation to the Rights Issue, as supplemented and amended by the Supplemental Underwriting Agreement
“Underwritten Shares”	up to 148,380,750 Rights Shares fully underwritten by the Underwriters on and subject to the terms and conditions as set out in the Underwriting Agreement
“US\$”	United States dollar, the lawful currency of the United States of America
“Warranties”	the representations, warranties and undertakings contained in the Underwriting Agreement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

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## EXPECTED TIMETABLE

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Set out below is an indicative timetable for the implementation of the Rights Issue and the Bonus Warrant Issue. **The timetable below is indicative only and is subject to change as agreed by the Company and the Underwriters pursuant to the Underwriting Agreement. The Company will notify Shareholders of any change to the expected timetable as and when appropriate.**

Event	Date <i>(Note 1)</i>
	<b>2010</b>
Book closure period for determining the Rights Issue entitlement (both days inclusive) . . . . .	from 5 July to 6 July
Rights Issue Record Date . . . . .	6 July
Despatch of the Rights Issue Documents . . . . .	6 July
First day of dealings in nil-paid Rights Shares . . . . .	8 July
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on 12 July
Last day of dealings in nil-paid Rights Shares . . . . .	15 July
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares . . . . .	4:00 p.m. on 20 July
Last day of dealings in existing Shares on a cum-Bonus Warrant basis . . . . .	21 July
Commencement date of trading in Shares on ex-Bonus Warrant basis . . . . .	22 July
Latest time for lodging transfers of Shares in order to qualify for the Bonus Warrant Issue . . . . .	4:30 p.m. on 23 July
Latest time for termination of the Underwriting Agreement . . . . .	5:00 p.m. on 23 July
Rights Issue expected to become unconditional . . . . .	5:00 p.m. on 23 July
Announcement of results of the Rights Issue to be published in the respective websites of the Stock Exchange and the Company on or before . . . . .	23 July



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## EXPECTED TIMETABLE

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Book closure period for determining the Bonus Warrant Issue entitlement (both days inclusive) . . . . .	from 26 July to 27 July
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before . . . . .	26 July
Certificates for fully paid Rights Shares expected to be despatched on or before. . . . .	26 July
Bonus Issue Record Date . . . . .	27 July
Dealings in fully-paid Rights Shares commence <sup>(Note 2)</sup> . . . . .	28 July
Certificates for the Bonus Warrants expected to be despatched on or before. . . . .	2 August
Dealings in Bonus Warrants commence <sup>(Note 2)</sup> . . . . .	4 August

*Notes:*

1. All times and dates in this Prospectus refer to Hong Kong local time and dates.
2. Dealings in the fully paid Rights Shares and the Bonus Warrants on the Stock Exchange will commence as soon as the relevant Shareholders receive the certificates for the Rights Shares and the Bonus Warrants, as appropriate.

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
  - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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It should be noted that the Underwriting Agreement contains provisions entitling the Underwriters, by notice in writing, to terminate its 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,

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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then and in such case the Underwriters may by notice in writing given to the Company 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.

It should also be noted that the existing Shares have been dealt in on an ex-rights basis as from Wednesday, 30 June 2010 and that the Rights Shares will be dealt in in their nil-paid form from Thursday, 8 July 2010 to Thursday, 15 July 2010 (both days inclusive). Such dealings will take place during a period when the conditions to which the Rights Issue is subject remain unfulfilled. Any persons dealing in the existing Shares during the period up to the date on which all the conditions to which the Rights Issue is subject are to be fulfilled, and any persons dealing in the Rights Shares in their nil-paid form during the period from Thursday, 8 July 2010 to Thursday, 15 July 2010 (being the first and last days of dealings in the nil-paid Rights Shares respectively), will accordingly bear the risk that the Rights Issue may not become unconditional and may not therefore proceed. Any persons dealing in the existing Shares and/or the Rights Shares in their nil-paid form during such period who are in any doubt about their position are recommended to consult their professional advisers.

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## PRINCIPAL TERMS OF THE RIGHTS ISSUE

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*The following information is derived from, and should be read in conjunction with and subject to the full text of, this Prospectus:-*

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 Tuesday, 20 July 2010
Basis of the Rights Issue	One Rights Share for every two existing Shares held on the Rights Issue Record Date
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	Rights Issue Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotments
Excluded Shareholders	Rights Shares which represent entitlements of 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 the Company. Any such entitlements not sold in the market will be made available for application by Rights Issue 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 amounting to 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 amounting to 27,175,000 Rights Shares

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## PRINCIPAL TERMS OF THE RIGHTS ISSUE

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Subscription by Mr. Chan

Mr. Chan has irrevocably undertaken under the Irrevocable Undertakings to take up in full his entitlement under the Rights Issue amounting to 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. 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

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LETTER FROM THE BOARD

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**PLAYMATES TOYS LIMITED**

**彩星玩具有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 869)

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)*

Mr. Yang, Victor *(Independent Non-executive Director)*

**Registered office:**

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

**Principal office:**

21/F, The Toy House

100 Canton Road

Tsimshatsui, Kowloon

Hong Kong

6 July 2010

*To the Rights Issue Qualifying Shareholders,  
the Bonus Issue Qualifying Shareholders,  
the holders of the Share Options of the Company and,  
for information only,  
the Excluded Shareholders and Shareholders  
holding less than two existing Shares on the Rights Issue Record Date*

Dear Sir or Madam,

**RIGHTS ISSUE OF 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 RIGHTS ISSUE RECORD DATE  
PAYABLE IN FULL ON ACCEPTANCE**

**ISSUE OF BONUS WARRANTS  
IN THE PROPORTION OF 130 BONUS WARRANTS  
FOR EVERY 1,000 SHARES HELD ON THE BONUS ISSUE RECORD DATE**

**INTRODUCTION**

In the Announcements, the Company proposed to raise approximately HK\$104,325,000 before expenses by way of the Rights Issue pursuant to which 347,750,000 Rights Shares will be issued to each Qualifying Shareholders at the Subscription Price of HK\$0.30 per Rights Share. The Company has provisionally allotted one Rights Share in nil-paid form for every two existing Shares held by the Rights Issue Qualifying Shareholders on the Rights Issue Record Date. In addition, Bonus Warrants will be issued at no additional costs to the Bonus Issue Qualifying Shareholders in the proportion of 130 Bonus Warrants for every 1,000 Shares held by the Bonus Issue Qualifying Shareholders whose names appear on the register of members of the Company as at the Bonus Issue Record Date. The Rights Issue and the Bonus Warrant Issue will not be available to Excluded Shareholders.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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The Rights Issue is subject to, among other things, the Underwriting Agreement becoming unconditional and not being terminated on the occurrence of certain events including force majeure. The Bonus Warrant Issue is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Bonus Warrants, and the New Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants.

The purpose of this Prospectus is to provide you with further information regarding the Rights Issue and the Bonus Warrant Issue, including information on dealings, transfer and application, and financial information and other information of the Group.

### **RIGHTS ISSUE**

#### **Rights Shares**

Pursuant to the Rights Issue, 347,750,000 nil-paid Rights Shares have been provisionally allotted, representing approximately 50% of the existing issued share capital of the Company and approximately 33.33% of the issued share capital of the Company as enlarged by the issue of 347,750,000 Rights Shares.

As at the Latest Practicable Date, save for the options that have been granted under the Share Option Scheme, the Group had no outstanding convertible securities, options (whether agreed conditionally or unconditionally) or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares.

#### **Rights Issue Qualifying Shareholders**

The Company has provisionally allotted the Rights Shares and this Prospectus which contains details of the Rights Issue is being despatched to the Rights Issue Qualifying Shareholders and, for information only, to the Excluded Shareholders and Shareholders holding less than two Shares on the Rights Issue Record Date. The PALs and the EAFs are being sent to the Rights Issue Qualifying Shareholders holding not less than two Shares on the Rights Issue Record Date only.

#### **Excluded Shareholders**

Excluded Shareholders have been sent a copy of this Prospectus for their information only and this Prospectus will not constitute any offer or invitation to such persons to subscribe for or purchase Rights Shares. No action (including registration or filing under any applicable legislation of any territory or jurisdiction other than Hong Kong and Bermuda) has been taken to permit the offering of the Rights Shares or the distribution of any Rights Issue Documents in any territory or jurisdiction outside of Hong Kong unless the Directors consider that making the Rights Issue to them is permitted under the laws of such jurisdiction.



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## LETTER FROM THE BOARD

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Based on the register of members of the Company as at the Latest Practicable Date, the Company had Overseas Shareholders with addresses outside Hong Kong, holding in aggregate approximately 3,797,300 Shares representing less than 0.55% of the entire issued share capital of the Company.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant overseas jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the offer of the Rights Shares to such Overseas Shareholders. The Directors, having made reasonable enquiries under the laws of the relevant overseas jurisdictions, are of the view that the extension of the Rights Issue to the Excluded Shareholders would or might, in the absence of compliance with relevant registration or other special formalities in these jurisdictions, be unlawful or impracticable, and compliance with the registration and other special formalities in these jurisdictions could be both costly and time-consuming, and therefore inexpedient to do so. Accordingly, in view of the likely costs and time involved if overseas compliance were to be observed, and the insignificant shareholdings of the Excluded Shareholders, the costs of overseas compliance would outweigh the benefits which the Company and its Shareholders as a whole would receive by including the Excluded Shareholders in the Rights Issue. Accordingly, the Rights Issue will not be extended to any Excluded Shareholder.

Receipt of a copy of any Rights Issue Documents does not and will not constitute an offer to the Excluded Shareholders or any other persons in any territories in which it would be unlawful to make an offer, and in such circumstances any Rights Issue Documents is or will be sent for information only. It is the responsibility of any person (including, without limitation, nominees, agents and trustees) receiving a copy of any Rights Issue Documents outside Hong Kong and wishing to take up Rights Shares under the Rights Issue to satisfy himself as to the full observance of the laws of the relevant territory including the obtaining of any governmental or other consents which may be required for observing any other formalities needed to be observed in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. **Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional advisers.**

Persons (including, without limitation, nominees, agents and trustees) receiving any Rights Issue Documents should not distribute or send it in or into any territory or jurisdiction where to do so would or might contravene local securities laws or regulations. If a PAL and/or an EAF is received by any person in any such territory or jurisdiction or by the agent or nominee of such a person, he must not seek to take up Rights Shares, or renounce such PAL and/or an EAF except with the express agreement of the Company. Any person who does forward a PAL and/or an EAF into any such territory or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention to the recipient to the contents of this section.

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## LETTER FROM THE BOARD

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The Company reserves the right to treat as invalid any purported acceptance of the allotment of Rights Shares comprised in a PAL and/or an EAF or to refuse to register any purported renunciation of the rights represented thereby if it appears to the Company or its agents that acceptance of such allotment or renunciation or the registration of such renunciation may involve a breach of the laws or regulations of any territory or jurisdiction or if in respect thereof the Shareholder or its agent has not given the declaration set out in the PAL and/or an EAF in respect of such matters.

The Company nonetheless also reserves the right to make Rights Shares, the PALs and/or EAFs available to the Excluded Shareholders and to permit the Excluded Shareholders to transfer rights notwithstanding any statement contained in this Prospectus, if the Company deemed it appropriate to do so.

Arrangements will be made for the Rights Shares (excluding fractional entitlements) which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold on the Stock Exchange in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence but before the latest time of such dealings. The Company will distribute to the Excluded Shareholders the net proceeds of such sale of the Rights Shares (pro rata to their entitlements to Rights Shares had they been Rights Issue Qualifying Shareholders) except that a sum due to any Excluded Shareholder of less than HK\$100 will not be distributed but will be retained, along with the proceeds of the sale of fractional entitlements, by the Company for its own use and benefit. In the event that such Rights Shares are not sold on the Stock Exchange, they will become part of the excess Rights Shares available for application by the Rights Issue Qualifying Shareholders.

### **Fractional entitlements to the Rights Shares**

The Company has not provisionally allotted any fraction of the Rights Shares in nil-paid form nor will it accept any application for any fraction of the Rights Shares. The Company may sell any nil-paid Rights Shares created by adding fractions of the Rights Shares, if any, on the Stock Exchange, and if it does so, it will keep the net proceeds for its own benefit.

### **Subscription Price**

The Subscription Price of HK\$0.30 per Rights Share is payable in full by a Rights Issue Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renounee of any provisional allotment of the Rights Shares 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 the 11 June Announcement;
- (ii) a discount of approximately 33.48% to the average closing price of approximately HK\$0.451 per Share as quoted on the Stock Exchange for the 10 previous consecutive trading days up to the date of the 11 June Announcement;

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## LETTER FROM THE BOARD

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- (iii) a discount of approximately 36.17% to the average closing price of approximately HK\$0.470 per Share as quoted on the Stock Exchange for the 30 previous consecutive trading days up to the date of the 11 June Announcement;
- (iv) a discount of approximately 29.08% to the theoretical ex-right price of approximately HK\$0.423 based on the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the date of the 11 June Announcement; and
- (v) a discount of approximately 20.00% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions. The Directors consider the terms of the Rights Issue to be fair and reasonable, and in the best interests of, the Group and the Shareholders as a whole.

### **Basis of provisional allotments**

One Rights Share (in nil-paid form) for every two existing Shares held by Rights Issue Qualifying Shareholders as at the close of business on the Rights Issue Record Date.

### **Status of the Rights Shares**

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

### **Certificates for the Rights Shares**

Conditional upon the satisfaction of the conditions to the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted on or before Monday, 26 July 2010 to those Rights Issue Qualifying Shareholders who have paid for and have accepted the Rights Shares by ordinary mail, at their own risk.

### **Procedures for application and transfer**

A PAL is enclosed with this Prospectus which entitles the Rights Issue Qualifying Shareholders to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Rights Issue Qualifying Shareholder wishes to accept all Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's Share registrar, Tricor Abacus Limited ("**Registrar**") at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Tuesday, 20 July 2010. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**Playmates Toys Limited – Rights Issue Account**" and crossed "**Account Payee Only**".

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## LETTER FROM THE BOARD

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It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Tuesday, 20 July 2010, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If a Rights Issue Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer all or part of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Monday, 12 July 2010 with the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection at the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

All cheques or cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriters exercise the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue is not fulfilled, the monies received in respect of acceptances of the Rights Shares will be refunded to the Rights Issue Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred without interest, by means of cheques despatched by ordinary post at the risk of such Rights Issue Qualifying Shareholders to the registered addresses or such other persons on or before Monday, 26 July 2010.

### **Application for excess Rights Shares**

Rights Issue Qualifying Shareholders shall be entitled to apply for (a) any unsold Rights Shares which would have been allotted to Excluded Shareholders had they been Rights Issue Qualifying Shareholders; (b) any Rights Shares provisionally allotted but not accepted by the Rights Issue Qualifying Shareholders; and (c) any unsold Rights Shares created by aggregating fractions of the Rights Shares. Application may be made by completing the EAFs and lodging the same, with a separate remittance for the excess Rights Shares being applied for, with the Registrar by 4:00 p.m. on Tuesday, 20 July 2010.

The Directors will allocate the excess Rights Shares at its discretion and on a fair and reasonable basis with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available on the following principles:

- (1) preference may be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism (“**Topup Arrangement**”); and

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## LETTER FROM THE BOARD

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- (2) subject to the availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Rights Issue Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them in pre-determined categories (i.e. Rights Issue Qualifying Shareholders belonging to pre-determined categories consisting of applications for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Rights Issue Qualifying Shareholders belonging to pre-determined categories consisting of applications for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares) and with the possibility of involving balloting which means some Rights Issue Qualifying Shareholders belonging to certain pre-determined categories may be allotted with more excess Rights Shares than others and those Rights Issue Qualifying Shareholders who are unsuccessful in the ballot may not receive any excess Rights Shares.

**All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "Playmates Toys Limited – Excess Application Account" and crossed "Account Payee Only".**

Shareholders with the Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the relevant Shares to be registered in the name of the beneficial owner(s) prior to the Rights Issue Record Date.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgment of an EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. Any EAF in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

If no excess Rights Shares are allotted to you, the amount tendered on application by you is expected to be refunded in full without interest by means of cheque(s) despatched by ordinary post to your registered address at your own risk on or before Monday, 26 July 2010. If the number of excess Rights Shares allotted to you is less than the number applied for, the surplus application monies are also expected to be returned to you without interest by means of cheque(s) despatched by ordinary post to your registered address at your own risk on or before Monday, 26 July 2010.

If the Underwriters exercise their right to terminate the Underwriting Agreement in accordance with the terms thereof and/or if any of the conditions mentioned in the paragraphs headed "Conditions of the Rights Issue" in this letter from the Board are not fulfilled on or before the time and date as specified in the Underwriting Agreement (or such later date as the Underwriters and the Company may agree), the monies received in respect of the application for excess Rights Shares will be returned to the applicants without interest by means of cheque(s) despatched by ordinary post at the risk of such applicants on or before Monday, 26 July 2010.

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## LETTER FROM THE BOARD

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### **Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 4,000 (as the Shares are currently traded on the Stock Exchange in board lots of 4,000).

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, and compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by the HKSCC. Settlement of transactions between the participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the share capital of the Company is listed or dealt in or on which listing or permissions to deal is being or is proposed to be sought on any other stock exchange. Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee and SFC transaction levy and any other applicable fees and charges in Hong Kong.

### **Taxation**

Rights Issue Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or disposal of, or dealing in the Rights Shares and as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accept responsibility for any tax effects or liability of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

### **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 the Company, (ii) TGC, the direct controlling shareholder of Playmates Holdings and the indirect controlling shareholder of the Company and (iii) Mr. Chan, who wholly-owns TGC, has irrevocably undertaken to the Company that, among others, it/he would remain the registered holder holding 347,800,000, 54,350,000 and 9,270,000 existing Shares in the Company from the date of the Irrevocable Undertakings up to the Rights Issue Record Date (or such other later date as the Company 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

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## LETTER FROM THE BOARD

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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 the Company, 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 ARRANGEMENT

#### Underwriting Agreement

Date:	11 June 2010, as supplemented by the Supplemental Underwriting Agreement dated 17 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 Latest Practicable Date 347,800,000 Shares representing approximately 50.01% of the share capital of the Company. TGC is a company wholly-owned by Mr. Chan and is as at the Latest Practicable Date the direct shareholder of approximately 7.81% of the share capital of the Company.

#### Conditions of the Rights Issue

The obligations of the Underwriters under the Underwriting Agreement are conditional on the following, none of which can be waived, whether in whole or in part:

- (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) 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;

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## LETTER FROM THE BOARD

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- (ii) the posting of the Rights Issue Documents to the Rights Issue 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 posting of the Prospectus and despatch of certificates in respect of the Rights Shares and any other matters which are agreed between the Company and the Underwriters) the listing of and permission to deal in the Rights Shares (both nil paid and fully paid) on the Stock Exchange, 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 at the date of this Prospectus, the conditions set out (i) and (ii) have been fulfilled.

If any of the remaining conditions of the Rights Shares set out in (iii) to (v) above is not satisfied on or before the time and dates specified in the Underwriting Agreement (or in each case such later date as the Underwriters and the Company may agree), all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other, save that the Company shall reimburse on demand the Underwriters such costs, charges and expenses of or incidental to the Rights Issue and the offer and issue of the Rights Shares and the matters contemplated by the Underwriting Agreement as agreed between the Company and the Underwriters in the Underwriting Agreement.

### **Termination of the Underwriting Agreement**

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriters, by notice in writing, to terminate its 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



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## LETTER FROM THE BOARD

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- (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 the Company 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.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE

Taking into consideration of the underwriting commitment of PIL Toys and TGC under the Underwriting Agreement and the obligations of PIL Toys, TGC and Mr. Chan under the Irrevocable Undertakings, the changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

	Upon completion of the Rights Issue					
	As at the Latest Practicable Date		0% acceptance by the Shareholders other than PIL Toys, TGC and Mr. Chan		100% acceptance by all Shareholders	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
PIL Toys <sup>(Note 1)</sup>	347,800,000	50.01	641,766,412	61.52	521,700,000	50.01
TGC <sup>(Note 2)</sup>	54,350,000	7.81	103,498,588	9.92	81,525,000	7.81
Mr. Chan <sup>(Note 2)</sup>	9,270,000	1.33	13,905,000	1.33	13,905,000	1.33
Directors (other than Mr. Chan) <sup>(Note 3)</sup>	10,018,000	1.44	10,018,000	0.96	15,027,000	1.44
Other public Shareholders	274,062,000	39.41	274,062,000	26.27	411,093,000	39.41
<b>Sub-total</b>	<b>347,700,000</b>	<b>49.99</b>	<b>401,483,588</b>	<b>38.48</b>	<b>521,550,000</b>	<b>49.99</b>
<b>Total</b>	<b><u>695,500,000</u></b>	<b><u>100.00</u></b>	<b><u>1,043,250,000</u></b>	<b><u>100.00</u></b>	<b><u>1,043,250,000</u></b>	<b><u>100.00</u></b>

*Notes:*

- (1) PIL Toys is an indirect wholly-owned subsidiary of Playmates Holdings.
- (2) Mr. Chan, is the beneficial owner of all of the issued share capital of TGC and is therefore deemed to be interested in the 54,350,000 shares of the Company in aggregate which TGC is interested in. Since TGC directly owns approximately 36.81% of the shareholding of Playmates Holdings and is deemed to be interested in the 347,800,000 shares of the Company in aggregate which Playmates Holdings is interested in, Mr. Chan is also deemed under Part XV of the SFC to be interested in 347,800,000 shares of the Company in aggregate which Playmates Holdings is interested in.
- (3) Please refer to the paragraph headed Directors' interests in shares of the Company or its associated corporations in Appendix IV for further information on the Directors' respective interests in the Shares.

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## LETTER FROM THE BOARD

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

Existing Shares have been dealt with on an ex-rights basis from Wednesday, 30 June 2010. The Rights Shares will be dealt with in their nil-paid form from Thursday, 8 July 2010 to Thursday, 15 July 2010 (both days inclusive). If prior to 5:00 p.m. on the third Business Day following the Acceptance Date, the Underwriters terminate the Underwriting Agreement (see the paragraphs headed "Termination of the Underwriting Agreement" above) or the conditions of the Rights Issue (see the paragraphs headed "Conditions of the Rights Issue" above) cannot be fulfilled, the Rights Issue will not proceed.

Any dealings in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled (which is expected to be 23 July 2010), and any dealings in the Rights Shares in their nil-paid form between Thursday, 8 July 2010 and Thursday, 15 July 2010 (both days inclusive), are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

**Shareholders and potential investors should therefore exercise caution when dealing in the Shares or Rights Shares in their nil-paid form, and if they are in any doubt about their position, they are recommended to consult their professional adviser.**

Shareholders with the Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company.

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

The principal activity of the Company 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 the Company 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 is that the recovery will be a slow one. The Directors continue to anticipate that the challenging operating environment will continue in 2010.

The sales of the Group in the first few months of 2010 have been lower than last year, reflecting weaker consumer demands for the continuing brands of the 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*, the Company 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.

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## LETTER FROM THE BOARD

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In partnership with the Viacom group, the new owner of the *Teenage Mutant Ninja Turtles*, the Company 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 consider that the acquisition of the *Teenage Mutant Ninja Turtles* and the plans announced by the Viacom group represent significant new opportunities for the Group. It is expected that the 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*.

The Group 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 the Company in the near future to pursue the new opportunities. The Directors consider that it will be in the interests of the Group to secure additional source of finance so that the Group can be better equipped with steady and strong working fund to operate its existing business and pursue new opportunities. The Directors also consider that the Rights Issue will provide such a source of finance for the Group.

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

### **BONUS WARRANT ISSUE**

Bonus Warrants will be issued at no additional costs to the Bonus Issue Qualifying Shareholders in the proportion of 130 Bonus Warrants for every 1,000 Shares held by the Bonus Issue Qualifying Shareholders whose names appear on the register of members of the Company as at the Bonus Issue Record Date.

For the avoidance of doubt, the Bonus Warrant Issue will proceed whether the Rights Issue will be completed or not. Moreover, as the Bonus Issue Record Date (which is currently expected to be on Tuesday, 27 July 2010) is set on a date which is subsequent to the date on which the Rights Shares are issued (which is currently expected to be on Monday, 26 July 2010), the Bonus Warrant Issue will take into account the Rights Shares that will be issued pursuant to the Rights Issue.

### **Terms of the Bonus Warrants**

The Bonus Warrants, which confer upon the holders thereof the right to subscribe in cash for New Shares at the Exercise Price of HK\$0.45 per Share, subject to adjustments, at any time from the date of commencement of dealings in the Bonus Warrants on the Stock Exchange (which is expected

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## LETTER FROM THE BOARD

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to be on Wednesday, 4 August 2010) and expiring two years thereafter (both days inclusive), will be issued in registered form to the Bonus Issue Qualifying Shareholders in the proportion of 130 Bonus Warrants for every 1,000 Shares.

Fractional entitlements of the Bonus Warrants will not be issued but will be aggregated and sold and the proceeds of sale will be retained for the benefit of the Company.

The Company had 695,500,000 issued Shares as at the Latest Practicable Date. The number of Bonus Warrants which may be issued pursuant to the Bonus Warrant Issue will be increased in proportion to any additional Shares which will be issued and allotted on or before the Bonus Issue Record Date, which include the Rights Shares and Shares that 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 Latest Practicable Date, there were 34,842,000 outstanding Share Options, of which 12,681,500 Share Options are eligible for exercise on or before the Bonus Issue 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 Rights Issue 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 138,095,392 Bonus Warrants. 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 up to 138,095,392 New Shares, which represents approximately 13.0% of the Company's issued share capital comprising 708,181,500 Shares and the issue of 354,090,750 Rights Shares pursuant to the Rights Issue, and approximately 11.5% of the Company's issued share capital comprising 708,181,500 Shares and the issue of 354,090,750 Rights Shares pursuant to the Rights Issue and the 138,095,392 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).

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

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

### **Exercise Price**

The Exercise Price of HK\$0.45 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 the date of the 11 June Announcement,
- (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 the 11 June Announcement; and
- (iii) a premium of approximately 20% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **Condition of the Bonus Warrant Issue**

The issue of the Bonus Warrants is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Bonus Warrants, and the New Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants. **In the event this condition is not fulfilled, the Bonus Warrant Issue will not proceed.**

### **Bonus Issue Qualifying Shareholders**

The Bonus Warrants will not be registered or authorised under any securities or equivalent legislation of any jurisdiction outside Hong Kong and Bermuda and therefore the Bonus Warrants may not be offered or sold to or subscribed by any person(s) whose registered address(es), as shown on the register of members of the Company on the Bonus Issue Record Date, is outside Hong Kong. The Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant overseas jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the issue of the Bonus Warrants to such Overseas Shareholders. The Directors, having made reasonable enquiries under the laws of the relevant overseas jurisdictions, are of the view that the issue of the Bonus Warrants to the Excluded Shareholders would or might, in the absence of compliance with relevant registration or other special formalities in these jurisdictions, be unlawful or impracticable, and compliance with the registration and other special formalities in these jurisdictions could be both costly and time-consuming, and therefore inexpedient to do so. Accordingly, in view of the likely costs and time involved if overseas compliance were to be observed, and the insignificant shareholdings of the Excluded Shareholders, the costs of overseas compliance would outweigh the benefits which the Company and its Shareholders as a whole would receive by including the Excluded Shareholders in the Bonus Warrant Issue. Accordingly, no allotment of Bonus Warrants will be made to Excluded Shareholders on the Bonus Issue Record Date pursuant to the Bonus Warrant Issue. Arrangements will be made for the Bonus Warrants which would otherwise be issued to Excluded Shareholders to be sold in the market as soon as practicable after dealings in the Bonus Warrants commence if a premium, net of expenses, can be obtained. Any proceeds of sale, after deduction of expenses, will be distributed in Hong Kong currency to Excluded Shareholders at their own risk pro rata to their respective shareholding unless the amount falling to be distributed to any Excluded Shareholder shall be less than \$100, in which case such amount will not be distributed but will be retained for the benefit of the Company.

### **Application for listing**

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus Warrants and any New Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants. No Share or the Bonus Warrant is listed or dealt in, or on which the listing and permission to deal is being or is proposed to be sought, on any stock exchange other than the Stock Exchange.

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## LETTER FROM THE BOARD

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The proposed board lot for trading in the Bonus Warrants on the Stock Exchange is 40,000 units carrying aggregate subscription rights of HK\$18,000 at an initial Exercise Price of \$0.45 per Share, subject to adjustments. Dealings in the Bonus Warrants on the Stock Exchange are expected to commence from 9:30 a.m. on Wednesday, 4 August 2010.

Conditional upon the satisfaction of the condition to the Bonus Warrant Issue as described above, it is expected that certificates for the Bonus Warrants will be issued in board lots of 40,000 Bonus Warrants (so far as practicable) and posted to the persons entitled thereto at their own risk on or before Monday, 2 August 2010. In the case of a joint holding, the certificates for the Bonus Warrants will be posted to the address of the person whose name stands first on the register of members of the Company on the Bonus Issue Record Date.

Subject to satisfaction of the condition referred to above and subject to compliance with the stock admission requirements of HKSCC, the Bonus Warrants and the New Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS from the commencement date of dealings in the Bonus Warrants on the Stock Exchange or such other date(s) as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable the Bonus Warrants to be admitted into CCASS.

### **Closure of Register of Members**

In order to determine entitlements of Shareholders to the Bonus Warrant Issue, the register of members of the Company will be closed from Monday, 26 July 2010 to Tuesday, 27 July 2010, both days inclusive, during which period no transfer of Shares can be registered.

### **Other information**

Dealings in Bonus Warrants will be subject to Hong Kong stamp duty. Shareholders are recommended to consult their professional advisers as to the tax implications of the Bonus Warrant Issue, in particular, whether the Bonus Warrant Issue would be regarded as a transaction of an income or capital nature or make such Shareholders liable to taxation.

It is emphasised that taxation implications of the Bonus Issue, and the holding and exercise of the Bonus Warrants, are a matter for Shareholders themselves and neither the Company nor any of its Directors accept any responsibility for any tax effect on, or liabilities of, its Shareholders.

The Stock Exchange charges a trading fee of 0.005%, and the SFC also charges a transaction levy of 0.004%, in respect of each transaction effected on the Stock Exchange, payable by each of the seller and the buyer and is calculated on the value of consideration for the relevant securities. In addition, member brokers charge brokerage against both buyers and sellers and such brokerage is required to be no less than 0.25% of the value of the purchase or sale (calculated on the value of the consideration for the relevant securities).

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## LETTER FROM THE BOARD

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You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

Your attention is drawn to the information contained in Appendix III to this Prospectus which sets out a summary of the principal terms of the Bonus Warrants.

### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is consistently pursuing its long-term growth strategy by investing in entertainment driven properties, franchise acquisitions, the development of proprietary intellectual property and category expansion.

With the proceeds of US\$20 million received in December 2009 from the issuance of the convertible bonds by the Company to its immediate holding company, and taking into account the current available banking facilities, the Group did not have any outstanding loan and indebtedness in the nature of borrowings as at the close of business on 31 May 2010, albeit the sales of the Group in the first few months of 2010 have been lower than the corresponding period last year, the Directors are of the view that the working capital level of the Group will remain stable in the foreseeable future. Please refer to Appendices I and II of this Prospectus, particularly the paragraphs headed “Indebtedness” and “Working Capital” in Appendix I, for further details about the financial information of the Group.

The Directors consider that the proceeds of the Rights Issue can strengthen the financial position and capability of the Group to pursue new business opportunities in its principal toy and entertainment-related business, including the re-launch of *Teenage Ninja Mutant Turtles* with the partnership of Viacom group, the *Hearts For Hearts Girls* product line and a proprietary brand of products with interactive virtual play experience distributed through non-traditional channel to customers, which are in line with its long-term growth strategy. The Group 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.

### FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

Save for the Rights Issue and the Bonus Warrant Issue, the Company 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 the 11 June Announcement.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,  
For and on behalf of  
**PLAYMATES TOYS LIMITED**  
**Chan Chun Hoo, Thomas**  
*Chairman*



**FINANCIAL INFORMATION INCORPORATED BY REFERENCE**

The audited financial statements of the Group for the year ended 31 December 2007, 31 December 2008 and 31 December 2009, including the notes thereto, have been published in the annual reports of the Company for the year ended 31 December 2007 (pages 36 to 75), 31 December 2008 (pages 34 to 75) and 31 December 2009 (pages 38 to 99) respectively, which are incorporated by reference into this prospectus. The said annual reports of the Company are available on the Company's website at [www.playmatestoy.com](http://www.playmatestoy.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

**INDEBTEDNESS**

At the close of business on 31 May 2010, apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 May 2010 and up to and including the Latest Practicable Date.

**WORKING CAPITAL**

The Directors are of the opinion that, following completion, after taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements for at least 12 months from the date of this Prospectus, in the absence of any unforeseeable circumstances.

**MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as the sales of the Group in the first few months of 2010 have been lower than the corresponding period of last year and the matters disclosed in the Prospectus, the Director is not aware of any material change in the financial and trading position or outlook of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE GROUP**

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**A.      UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS  
OF THE GROUP**

The unaudited pro forma statement of consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group attributable to the equity holders of the Company has been prepared by the directors of the Company in accordance with Paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the rights issue (“Rights Issue”) of not less than 347,750,000 rights shares (the “Rights Shares”) at HK\$0.30 each on the basis of one Rights Shares for every two existing shares held on the rights issue record date payable in full on acceptance and the issue of the bonus warrants in the proportion of 130 bonus warrants (“Bonus Warrants”) for every 1,000 shares held by the Bonus Issue Qualifying Shareholders whose names appear on the register of members of the Company as at the Bonus Issue Record Date, on the consolidated net tangible assets of the Group as if the Rights Issue and the issue of the Bonus Warrants had been taken place on 31 December 2009.

The Unaudited Pro Forma Financial Information of the Group is based on a number of assumptions, estimates and uncertainties and is provided for illustrative purpose only because of its hypothetical nature, it may not purport to describe the actual financial position of the Group that would have been attained had the proposed transaction been completed on 31 December 2009. The Unaudited Pro Forma Financial Information may not be indicative of the financial position of the Group had the proposed transaction been completed as at the date of which they are made up to or an any future date.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2009, extracted from the annual report of the Group for the year ended 31 December 2009 which are (i) directly attributable to the Rights Issue and issue of Bonus Warrants; and (ii) factually supportable:

	Consolidated net tangible assets of the Group as at 31 December 2009 <i>HK\$'000</i> <i>(Note 1)</i>	Conversion of the convertible bond in January 2010 <i>HK\$'000</i> <i>(Note 2)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma consolidated net tangible assets of the Group after the Rights Issue <i>HK\$'000</i>	Estimated receipts from exercise of share options and proceeds from issue of warrant shares <i>HK\$'000</i> <i>(Note 4)</i>	Unaudited pro forma consolidated net tangible assets of the Group after the Rights Issue and issue of warrant shares <i>HK\$'000</i>
The Group	5,366	155,000	102,025	262,391	71,387	333,778

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE GROUP**

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	Consolidated net tangible assets of the Group per share as at 31 December 2009 HK\$ (Note 5)	Unaudited pro forma consolidated net tangible assets of the Group per share after the Rights Issue HK\$ (Note 6)	Unaudited pro forma consolidated net tangible assets of the Group per share after the Rights Issue and issue of warrant shares HK\$ (Note 7)
The Group	<u>0.01</u>	<u>0.25</u>	<u>0.28</u>

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to the shareholders as at 31 December 2009 is extracted from the 2009 annual report of the Company.
2. In January 2010, 200,000,000 shares of the Company have been issued and the carrying amount of the derivative and liability components of the convertible bond amounted to HK\$155,000,000 has been transferred to equity upon conversion of the Company's convertible bond. The consolidated net tangible assets of the Group were increased by HK\$155,000,000 and the consolidated net tangible assets of the Group per share were increased to HK\$0.23.
3. The estimated net proceeds from the Rights Issue is based on 347,750,000 Rights Shares to be issued at the subscription price of HK\$0.30 per Rights Share, after deduction of the estimated related expenses of approximately HK\$2,300,000. It is assumed no Shares Option will be exercised during the period from the date of the Announcements to the Rights Issue Record Date.
4. As at the Latest Practicable Date, the Company had 695,500,000 shares and 12,681,500 Share Options are eligible for exercise. If these Share Options were exercised on or before the Bonus Issue Record Date, the estimated receipts would be HK\$7,342,000. The number of shares will be increased to 708,181,500 and the number of Rights Shares will be 354,090,750. Compared to the estimated net proceeds referred to in note 3, the estimated net proceeds from the Rights Issue would be increased by HK\$1,902,000. The total number of shares after the Rights Issue will be 1,062,272,250. Accordingly, 138,095,392 Bonus Warrants will be issued on the basis of 130 Bonus Warrants for every 1,000 shares held by the Bonus Issue Qualifying Shareholders. The estimated proceeds from issue of warrant shares are HK\$62,143,000 at the exercise price of HK\$0.45 per warrant share. The total estimated receipts and proceeds from exercise of Share Options, extra Rights Shares and issue of warrant shares would be HK\$71,387,000.
5. The calculation of consolidated net tangible assets of the Group per Share is based on 495,500,000 shares as at 31 December 2009.

6. The calculation of the unaudited pro forma consolidated net tangible assets of the Group per share after the Rights Issue is arrived at after the adjustments referred to in notes 2 and 3 above, and on the basis of 1,043,250,000 shares which represent 495,500,000 shares in issue, 200,000,000 shares issued upon conversion of the convertible bond and 347,750,000 Rights Shares expected to be issued on the completion of the Rights Issue.
7. The calculation of the unaudited pro forma consolidated net tangible assets of the Group per share after the Rights Issue and issue of warrants shares is arrived at after the adjustments referred to in notes 2, 3 and 4 above and on the basis of 1,200,367,642 shares which represent 495,500,000 shares in issue, 200,000,000 shares issued upon conversion of the convertible bond, 12,681,500 shares to be issued upon exercise of Share Options, 354,090,750 Rights Shares expected to be issued on the completion of the Rights Issue and 138,095,392 warrants shares assumed to be issued after the exercise of all warrants.
8. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2009, except for the conversion of convertible bonds into 200,000,000 shares in January 2010 referred to in note 2 above.

**B.    REPORT ON UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS  
OF THE GROUP**

*The following is the text of an accountants' report dated 6 July 2010, prepared for the sole purpose of inclusion in this Prospectus, received from the independent reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong.*



Member of Grant Thornton International Ltd

6 July 2010

The Board of Directors  
Playmates Toys Limited  
21/F., The Toy House  
100 Canton Road  
Tsimshatsui, Kowloon  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Playmates Toys Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the rights issue of 347,750,000 rights shares at HK\$0.30 each on the basis of one rights share for every two existing shares held and the issue of bonus warrants in the proportion of 130 bonus warrants for every 1,000 shares held might have affected the financial information presented, as set out in Section A of the Unaudited Pro Forma Financial Information of the Group in Appendix II to the Company’s prospectus dated 6 July 2010 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 32 to 34 to the Prospectus.

**Respective responsibilities of directors of the Company and reporting accountants**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2009 or at any future date.

**Opinion**

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Grant Thornton  
Certified Public Accountants  
6th Floor, Nexxus Building  
41 Connaught Road Central  
Hong Kong

The Bonus Warrants will be issued subject to and with the benefit of the Instrument, which will be executed by the Company by way of deed poll. The Bonus Warrants will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

The principal terms and conditions of the Bonus Warrants will be set out in the Bonus Warrant Certificates and will include provisions to the effect set out below. Bonus Warrant holders will be entitled to the benefit of, be bound by and be deemed to have notice of, all terms and conditions to, and all provisions of, the Instrument, copies of which will be available from the Registrar.

## 1. SUBSCRIPTION RIGHTS

- (a) The registered holder for the time being of a Bonus Warrant will have the right (the “**Subscription Right**”), which may be exercised in whole or in part but not in respect of any fraction of a Share, to subscribe in cash the whole or part (in units of HK\$0.45 each, subject to adjustments) of the monetary amount stated on the certificate for such Bonus Warrant as being the monetary amount which such Bonus Warrant holder is entitled to subscribe for Shares upon exercise of the Subscription Rights represented thereby (the “**Exercise Moneys**”), for fully-paid Share(s) at a price (subject to adjustments as described below) of HK\$0.45 per Share (the “**Exercise Price**”). Any adjustment to the Exercise Price would result in the monetary amount stated on the certificates of the Bonus Warrants be adjusted correspondingly. The Subscription Rights may be exercised at any time after the commencement date of the trading of the Bonus Warrants on the Stock Exchange and expiring 2 years thereafter (the “**Subscription Period**”). Save as provided below, the date on which such rights or any part thereof are exercised is referred to in these particulars as a “**Subscription Date**”. Any Subscription Rights which have not been duly exercised on or before 4:00 p.m. (Hong Kong time) on the expiry date of the Subscription Period will lapse and the Bonus Warrants and Bonus Warrant Certificates will automatically cease to be valid for any purpose whatsoever. References in this summary to “Shares” are to the existing Shares and all other (if any) Shares from time to time and for the time being ranking *pari passu* therewith and references to share capital shall be construed accordingly.
- (b) The entitlement of the Bonus Warrant holders to their Bonus Warrants will be evidenced by the Bonus Warrant Certificates. Each Bonus Warrant Certificate will contain a subscription form (the “**Subscription Form**”). In order to exercise in whole or in part of the Subscription Rights, a Bonus Warrant holder must complete and sign the Subscription Form (which will be irrevocable) and deliver the Bonus Warrant Certificate (and, if the Subscription Form duly completed) to the Registrar, together with a remittance for the whole or the relevant portion of the Exercise Moneys, being the amount of the Exercise Price for the Shares in respect of which the Subscription Rights are being exercised. In each case, compliance must also be made by the exercising Bonus Warrant holder with any exchange control, fiscal or other laws or regulations for the time being applicable.

- (c) No fraction of a Share will be allotted but, if a Bonus Warrantholder remits Exercise Moneys in excess of the aggregate Exercise Price due for the Shares in respect of which he/she/it is exercising his/her/its Subscription Rights, any excess will be retained by the Company for its own benefit, provided always that, for the purpose of determining whether any (and if so what) fraction of a Share arises, if the Subscription Rights represented by any one or more Bonus Warrant Certificates are exercised on the same Subscription Date by the same Bonus Warrantholder, then the Subscription Rights represented by such Bonus Warrant Certificates will be aggregated.
- (d) Shares falling to be issued upon the exercise of the Subscription Rights will be allotted and issued not later than 21 business days (or such shorter period as may from time to time be required by the Listing Rules or the applicable laws and regulations) after the relevant Subscription Date and will rank *pari passu* with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant Subscription Date, unless an adjustment in respect thereof has been made as described in paragraph 2 below and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made and the record date therefor is before the relevant Subscription Date and notice of the amount and record date has been given to the Stock Exchange prior to the relevant Subscription Date.
- (e) As soon as reasonably practicable after the relevant allotment of Shares (and not later than 21 business days (or such shorter period as may from time to time be required by the Listing Rules or the applicable laws and regulations) after the relevant Subscription Date) there will be issued free of charge to the relevant Bonus Warrantholder(s) upon his/her/its exercise of any Subscription Rights:
  - (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Bonus Warrantholder(s);
  - (ii) (if applicable) a balancing Bonus Warrant Certificate in registered form in the name(s) of such Bonus Warrantholder(s) in respect of any Subscription Rights represented by the Bonus Warrant Certificate but remaining unexercised; and
  - (iii) (if applicable) the certificate mentioned in Clause 6(A)(4) of the Instrument.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Bonus Warrant Certificate (if any) and the certificate mentioned in Clause 6(A)(4) of the Instrument (if any) will be sent by post at the risk of such Bonus Warrantholder(s) to the address of such Bonus Warrantholder(s), or, in the case of a joint holding, to that one of them whose name stands first in the register of Bonus Warrantholders (which shall be deemed to be a sufficient despatch to all of them). If the Company agrees, such certificates may by prior arrangement be retained by the Registrar to await collection by the relevant Bonus Warrantholder(s).



**2. ADJUSTMENTS TO EXERCISE PRICE**

The Instrument contains 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:

- (a) The Exercise Price shall (except as mentioned in sub-paragraphs (b), (c) and (d) below) 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 the Company 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 the Company, whether on a reduction of capital or otherwise except pursuant to a purchase by the Company of any Shares, to holders of its Shares in their capacity as such as a result of which the Exercise Price in force immediately prior to such distribution shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the closing price of one Share on the Stock Exchange on the dealing day next preceding the date on which the Capital Distribution is publicly announced or (failing any such announcement) next preceding the date of the Capital Distribution;

and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an Approved Financial Adviser (as defined in the Instrument), or the Auditors (as defined in the Instrument)(at the option of the Company), of the portion of the Capital Distribution which is attributable to one Share;

- (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries (as defined in the Instrument) as a result of which the Exercise Price in force immediately prior to such grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the closing price of one Share on the Stock Exchange on the dealing day next preceding the date on which the grant is publicly announced or (failing any such announcement) next preceding the date of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an Approved Financial Adviser, or the Auditors (at the option of the Company), of the portion of such rights which is attributable to one Share;

- (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 (calculation as provided in the Instrument) as a result of which Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or Bonus Warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such Market Price (calculation as provided in the Instrument);

C = the number of Shares in issue on the date of such announcement plus the aggregate number of Shares being offered for subscription or comprised in the options or Bonus Warrants being granted;

- (vi) an issue wholly for cash being made by the Company 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 (calculation 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 as a result of which the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{C}$$

where:

- A = the number of Shares in issue immediately before the date of the issue of such securities;
- B = the number of Shares which the Total Effective Consideration (as defined in the Instrument) receivable for the securities issued would purchase at such Market Price (calculation as provided in the Instrument);
- C = the number of Shares in issue immediately before the date of the issue of such securities plus the maximum number of Shares to be issued upon conversion or exchange of, or the exercise of the acquisition or subscription rights conferred by, such securities at the initial conversion or exchange rate or acquisition or Exercise 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 as a result of which the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such Market Price (calculation as provided in the Instrument) and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued;

- (viii) a repurchase by the Company of Shares in circumstances where the Directors 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 as a result of which the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{S-T}{S-U}$$

where:

S = the number of Shares in issue immediately before the date of such purchase;

T = the number of Shares which the Total Effective Consideration (as defined in the Instrument) would have purchased at such closing price (exclusive of expenses); and

U = the number of Shares so purchased by the Company;

and

- (ix) a repurchase by the Company 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 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 the Company.
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraphs (a) (ii) to (vii) above will be made in respect of:
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into or exchangeable for Shares or upon the exercise of any rights (including the Subscription Rights) to acquire or subscribe for Shares;
  - (ii) an issue by the Company of Shares or other securities of the Company or any subsidiaries which are wholly or partly convertible into or exchangeable for, or otherwise having the rights to subscribe for or otherwise acquire, new Shares to any of the Directors, employees of and/or other persons related to the Company and/or any subsidiaries or their personal representatives pursuant to a Share Option Scheme (as defined in the Instrument);

- (iii) an issue by the Company of Shares or by the Company or any subsidiaries of securities which are convertible into or exchangeable for or otherwise having the rights to acquire or subscribe for new Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
  - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into, or otherwise having the rights to acquire or subscribe for Shares); or
  - (v) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the Market Value (calculation as provided in the Instrument) of such Shares is not more than 110% of the amount of dividends which holders of Shares could elect to or would otherwise receive in cash.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Exercise Price provided for under the said provisions should not be made or should be calculated on a different basis, or that an adjustment to the Exercise Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take place on a different date or with a different time from that provided for under the said provisions, the Directors may appoint an Approved Financial Adviser or the Auditors (both as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Approved Financial Adviser or the Auditors shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) or the adjustment shall take effect from other date and time as shall be certified by such Approved Financial Adviser or the Auditors to be in its opinion appropriate.
- (d) Any adjustment to the Exercise Price will be made to the nearest one cent so that any amount under half a cent will be rounded down and any amount of half a cent or more will be rounded up. No adjustment will be made to the Exercise Price in any case (i) in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required will not be carried forward and (ii) whereby the Exercise Price would fall below the par value of the Shares. No adjustment may be made (except on a consolidation or repurchase of Shares) which would increase the Exercise Price.

- (e) Every adjustment to the Exercise Price will be certified by an Approved Financial Adviser or the Auditors and notice of each adjustment (giving the relevant particulars) will be given to Bonus Warrantholders. In giving any certificate or making any adjustment hereunder, the Approved Financial Adviser or the Auditors shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, its decision will be conclusive and binding on the Company and the Bonus Warrantholders and all persons claiming through or under them respectively. Any such certificates of the Approved Financial Adviser and/or Auditors will be available for inspection at the principal place of business for the time being of the Company in Hong Kong, and copies thereof may be obtained without charge.

### **3. REGISTERED BONUS WARRANTS, TRANSFER AND TRANSMISSION**

- (a) The Bonus Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder(s) of any Bonus Warrant as the absolute owner(s) thereof and accordingly will not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Bonus Warrants on the part of any other person, whether or not it has express or other notice thereof.
- (b) The Bonus Warrants will be transferable, in whole amounts or integral multiples of 40,000 Bonus Warrants, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Company will maintain a register of Bonus Warrantholders in Hong Kong accordingly (or such other place as the Directors consider appropriate, having regard to the applicable rules governing the listing of Bonus Warrants). Transfers of Bonus Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited (or such other company as may from time to time be approved by the Directors for this purpose), the transfers may be executed under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s) as the case may be. The provisions of the Company's Bye-laws from time to time in force relating (inter alia) to the registration, transfer and transmission of Shares, the maximum number of holders of a Share and the register of members shall, mutatis mutandis and subject to the Instrument and the terms and conditions of the Bonus Warrants, apply to the registration, transfer and transmission of the Bonus Warrants, the maximum number of holders of a Warrant and the register of Bonus Warrantholders, save that the Company shall not be obligated (but may if the Directors so resolve) to maintain any branch register of Bonus Warrantholders at any place outside Hong Kong.

*Persons who hold Bonus Warrants and have not registered the Bonus Warrants in their own names and wish to exercise the Bonus Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Bonus Warrants prior to the transfer or exercise of the Bonus Warrants, in particular during the period commencing 10 business days prior to and including the last day for subscription.*

Since the Bonus Warrants will be admitted to CCASS, so far as applicable laws and regulations of relevant regulatory authorities, terms of the Instrument and/or circumstances permit, the Company may determine the last dealing date of the Bonus Warrants to be a date at least 3 dealing days before the expiry date of the Bonus Warrants.

#### **4. CLOSURE OF REGISTER OF BONUS WARRANTHOLDERS**

In accordance with the Bye-laws as they apply to the transfer of warrants, the registration of transfers of Bonus Warrants may be suspended and the register of Bonus Warrantholders may be closed for such period as the Directors may from time to time direct, provided that registration may not be suspended or such register of Bonus Warrantholders may not be closed for a period of more than 30 days, or, with the approval of an ordinary resolution of a meeting of the Bonus Warrantholders (being a resolution passed by simple majority), for a longer period not exceeding 60 days, in any one year. Any transfer or exercise of the Subscription Rights attached to the Bonus Warrants made while the register of Bonus Warrantholders is closed shall, as between the Company and the person claiming under the relevant transfer of Bonus Warrants or, as the case may be, as between the Company and the Bonus Warrantholder who has so exercised the Subscription Rights attached to his/her/its Bonus Warrant (but not otherwise), be considered as made immediately after the re-opening of the register of Bonus Warrantholders.

#### **5. PURCHASE AND CANCELLATION**

The Company or any of its subsidiaries may at any time purchase Bonus Warrants:

- (a) in the open market or by tender (available to all Bonus Warrantholders alike) at any price;  
or
- (b) by private treaty at a price, exclusive of expenses, not exceeding 110% of the closing price prior to the date of purchase of the Bonus Warrants on the Stock Exchange, but not otherwise.

All Bonus Warrants purchased as aforesaid will be cancelled forthwith and may not be re-issued or re-sold.

**6. MEETINGS OF BONUS WARRANTHOLDERS AND MODIFICATION OF RIGHTS**

- (a) The Instrument contains provisions for convening meetings of Bonus Warrantholders to consider any matter affecting the interests of Bonus Warrantholders, including the modification by Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the terms and conditions of the Bonus Warrants. At any such meeting two or more persons holding Bonus Warrants and/or being proxies and being or representing in the aggregate the holders of not less than 10% of the Subscription Rights of all Bonus Warrants for the time being outstanding and exercisable shall (except for the purpose of passing a Special Resolution) form a quorum for the transaction of business. The quorum at any such meeting for the passing of a Special Resolution shall be two or more persons holding Bonus Warrants or being proxies and being or representing in the aggregate holders of not less than one third of the Subscription Rights of all Bonus Warrants for the time being outstanding and exercisable. A Special Resolution duly passed at any such meeting will be binding on all of the Bonus Warrantholders, whether present or not. The Instrument also contains provisions which incorporate by reference certain provisions of the Company's Bye-laws from time to time in force to regulate (inter alia) the appointment of proxies, attorneys and corporate representatives by Bonus Warrantholders, the signing and delivery of instruments appointing the same and the quorum for and voting and rights to speak at meetings of Bonus Warrantholders.
- (b) All or any of the rights for the time being attached to the Bonus Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the conditions of the Bonus Warrants and/or the Instrument) and the sanction of a Special Resolution shall be necessary and sufficient to effect such alteration or abrogation, provided that the same may only be effected by deed poll executed by the Company and expressed to be supplemental to the Instrument.
- (c) Where the Bonus Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Bonus Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Bonus Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as the clearing house or its nominee(s) could exercise as if such person were an individual Bonus Warrantholder.



**7. OVERSEAS BONUS WARRANTHOLDERS**

The Instrument contains provisions restricting the rights of Bonus Warrantholders who are resident in or nationals of a Restricted Jurisdiction from exercising the Subscription Rights attaching to any Bonus Warrants held by such Bonus Warrantholders. “**Restricted Jurisdiction**” is defined as the United States of America, any of its territories or possessions, Canada, any jurisdiction under the laws of which an exercise of Subscription Rights by a Bonus Warrantholder who is a national or resident thereof or the performance by the Company of the obligations expressed to be assumed by it under the Instrument or the terms and conditions of the Bonus Warrants cannot be carried out lawfully or cannot be carried out lawfully without the Company first having taken any action in such jurisdiction (including complying with any filing, registration or any other special formalities in such jurisdiction) which would in the opinion of the Directors be unduly onerous or impracticable, and any other country, state or territory nominated by the Directors from time to time (Bonus Warrantholders shall be notified of any such nomination as soon as practicable after it has been made).

**8. REPLACEMENT OF BONUS WARRANT CERTIFICATES**

If a Bonus Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the Hong Kong principal place of business of the Registrar (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee (not exceeding such maximum amount as may from time to time be permitted under the Listing Rules) as the Directors may determine. Mutilated or defaced Bonus Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Bonus Warrant Certificates, Section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance shall apply as if shares referred to therein includes the Bonus Warrants.

**9. WINDING UP OF THE COMPANY**

- (a) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Bonus Warrantholders, or some persons designated by them for such purpose by Special Resolution, will be a party or in conjunction with which a proposal is made to the Bonus Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Bonus Warrantholders; and

- (b) In the event a notice is given by the Company to its Shareholders and at the same time to each Bonus Warrantholder as undertaken by the Company in the Instrument to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, every Bonus Warrantholder shall be entitled by irrevocable surrender of his/her/its Bonus Warrant Certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not less than two business days prior to the proposed Shareholders' meeting), to be allotted and issued by the Company, as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, the Shares to be issued pursuant to the exercise of the relevant Subscription Rights. The Company shall give notice to the Bonus Warrantholders of the passing of such voluntary winding-up resolution within seven days after the passing thereof.
- (c) Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding up will lapse and each Bonus Warrant Certificate will cease to be valid for any purpose.

#### **10. FURTHER ISSUES OF BONUS WARRANTS; DISTRIBUTIONS AND FURTHER ISSUES OF SECURITIES**

The Company will be at liberty to issue further subscription warrants to subscribe for Shares in such manner and on such terms as it sees fit. Save as referred to above, Bonus Warrantholders will not be entitled as of right to participate in any distributions or further issues of securities by the Company prior to exercise of Subscription Rights attached to the Bonus Warrants. However, as referred to above, the Bonus Warrant Certificates will incorporate provisions relating to the adjustment of the Exercise Price per Share in such circumstances and certain restrictions on the power of the Company to make such distributions and issues.

#### **11. CALL**

If at any time Bonus Warrants which have not been exercised carry rights to subscribe less than 10% of the aggregate of the amount of Exercise Moneys attached to the aggregate of all the Bonus Warrants issued under the Instrument, the Company may, on giving not less than one months' notice, require Bonus Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Bonus Warrants will be automatically cancelled without compensation to the Bonus Warrantholders.

**12. UNDERTAKINGS BY THE COMPANY AND PROTECTION OF THE SUBSCRIPTION RIGHTS**

The Company has undertaken in the Instrument that, inter alia:

- (a) it shall use its best endeavours to procure that:
  - (i) at all times during the Subscription Period the Bonus Warrants shall be admitted to listing on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Bonus Warrants on the Stock Exchange is withdrawn following an offer for, or scheme of arrangement or similar proposal made available to holders of, all or any of the Bonus Warrants); and
  - (ii) all Shares allotted on exercise of Subscription Rights shall be admitted to listing on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for, or scheme of arrangement or similar proposal made available to holders of, all or any of the Shares where a like offer, scheme or proposal is extended to holders of the Bonus Warrants).
- (b) at all times during the Subscription Period, it will send to each Bonus Warrantholder (or, in the case of joint holders, to the first named of them), at the same time as the same are sent to the holders of Shares, its annual audited accounts and interim accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (c) it will pay all Hong Kong stamp duties, registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of Bonus Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights (all other duties, fees and charges being for the account of the relevant Bonus Warrantholders); and
- (d) it will keep available for issue sufficient Shares to satisfy all rights for the time being outstanding of subscription for or conversion or exchange into new Shares.

**13. NOTICES**

The Instrument contains provisions relating to notices to be given to Bonus Warrantholders. Every Bonus Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Bonus Warrantholder are to be sent and if any Bonus Warrantholder shall fail to do, notice may be given to such Bonus Warrantholder by sending the same to his/her/its last known address. All notices with respect to Bonus Warrants standing in the names of joint holders shall be given to whichever such persons is named first in the register of Bonus Warrantholders and notice so given shall be sufficient notice to all the joint holders of such Bonus Warrants.

**14. GOVERNING LAW**

The Instrument and the Bonus Warrants will be governed by and construed in accordance with the laws of Hong Kong.

**RESPONSIBILITY STATEMENT**

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group, the Rights Issue and the Bonus Warrant Issue. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and therefore there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

**SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Rights Issue were and are expected to be as follows:-

<i>Authorised:</i>	<i>HK\$</i>
<u>3,000,000,000</u> Shares	<u>30,000,000</u>
<i>Issued and fully paid</i>	<i>HK\$</i>
<u>695,500,000</u> Shares as at the Latest Practicable Date	<u>6,955,000</u>
<u>347,750,000</u> Rights Shares to be issued	<u>3,477,500</u>
<i>Issued share capital upon completion of the Rights Issue</i>	<i>HK\$</i>
<u>1,043,250,000</u> Shares	<u>10,432,500</u>

All of the Shares in issue and to be issued rank and will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Rights Shares in issue and to be issued are or will be listed on the Stock Exchange.

**DIRECTORS' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at the Latest Practicable Date, the interests (all being long positions) of each Directors in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporation(s) (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

**Directors' interests in shares of the Company or its associated corporation***Long positions in shares of the Company*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Percentage interest held</b>
CHAN Chun Hoo, Thomas	Corporate ( <i>Note (a)</i> )	402,150,000 ordinary shares	57.82%
	Personal	9,270,000 ordinary shares	1.33%
CHENG Bing Kin, Alain	Personal	2,888,000 ordinary shares	0.42%
TO Shu Sing, Sidney	Personal	7,130,000 ordinary shares	1.03%

*Long positions in underlying shares and debentures of the Company*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of equity derivatives held</b>	<b>Number of underlying shares (ordinary shares)</b>	<b>Percentage interest held</b>
CHAN Chun Hoo, Thomas	Corporate ( <i>Note (a)</i> )	100,000,000 conversion shares	100,000,000 shares	14.38%
CHENG Bing Kin, Alain	Personal	2,000,000 share options	2,000,000 shares	0.29%
CHOW Yu Chun, Alexander	Personal	600,000 share options	600,000 shares	0.09%
LEE Ching Kwok, Rin	Personal	600,000 share options	600,000 shares	0.09%
TO Shu Sing, Sidney	Personal	2,500,000 share options	2,500,000 shares	0.36%
YANG, Victor	Personal	600,000 share options	600,000 shares	0.09%

*Long positions in shares of Playmates Holdings*

Name of Director	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	8,540,000 ordinary shares	3.44%
	Corporate ( <i>Note (b)</i> )	91,500,000 ordinary shares	36.81%
	Associate ( <i>Note (c)</i> )	10,000,000 ordinary shares	4.02%
CHENG Bing Kin, Alain	Personal	228,000 ordinary shares	0.09%
TO Shu Sing, Sidney	Personal	2,000,000 ordinary shares	0.80%

**Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation***Long positions in underlying shares of Playmates Holdings*

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares ( <i>ordinary shares</i> )	Percentage interest held
CHAN Chun Hoo, Thomas	Corporate ( <i>Note (b)</i> )	3,360,000 warrants	3,360,000 shares	1.35%
CHENG Bing Kin, Alain	Personal	159,000 share options	159,000 shares	0.06%
TO Shu Sing, Sidney	Personal	307,500 share options	307,500 shares	0.12%

*Notes:*

- (a) Mr. Chan is the beneficial owner of all of the issued share capital of TGC and is therefore deemed to be interested in the 54,350,000 shares of the Company in aggregate which TGC is interested in. Since TGC directly owns approximately 36.81% of the shareholding of Playmates Holdings and is deemed to be interested in the 347,800,000 shares and up to 100,000,000 conversion shares (which would fall to be issued by the Company upon full exercise of the conversion rights attached to the convertible bonds by Playmates Holdings pursuant to a subscription agreement dated 29 October 2009) of the Company in aggregate which Playmates Holdings is interested in, Mr. Chan is also deemed to be interested in the 347,800,000 shares and 100,000,000 conversion shares of the Company in aggregate Playmates Holdings is interested in.
- (b) Mr. Chan is the beneficial owner of all of the issued share capital of TGC and is therefore deemed to be interested in the 91,500,000 shares and 3,360,000 warrants of Playmates Holdings in aggregate which TGC is interested in.
- (c) 10,000,000 shares of Playmates Holdings were owned by Mr. Chan's wife and Mr. Chan is therefore deemed to be interested in those shares.

Except as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

#### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested (all being long positions) as at the Latest Practicable Date and required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 336 of the SFO and the percentages which the Shares represented to the issued share capital of the Company:

##### *Long positions in shares of the Company*

<b>Name</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Percentage interest held</b>
TGC	Corporate ( <i>Note (i)</i> )	402,150,000 ordinary shares	57.82%
Playmates Holdings	Corporate ( <i>Note (ii)</i> )	347,800,000 ordinary shares	50.01%
Playmates International Limited	Corporate ( <i>Note (ii)</i> )	347,800,000 ordinary shares	50.01%
PIL Investments Limited	Corporate ( <i>Note (ii)</i> )	347,800,000 ordinary shares	50.01%
PIL Toys Limited	Corporate	347,800,000 ordinary shares	50.01%



*Long positions in underlying shares and debentures of the Company*

<b>Name</b>	<b>Nature of interest</b>	<b>Number of equity derivatives held</b>	<b>Number of underlying shares (ordinary shares)</b>	<b>Percentage interest held</b>
TGC	Corporate (Note (i))	100,000,000 conversion shares	100,000,000 shares	14.38%
Playmates Holdings	Corporate (Note (ii))	100,000,000 conversion shares	100,000,000 shares	14.38%
Playmates International Limited	Corporate (Note (ii))	100,000,000 conversion shares	100,000,000 shares	14.38%
PIL Investments Limited	Corporate (Note (ii))	100,000,000 conversion shares	100,000,000 shares	14.38%
PIL Toys Limited	Corporate	100,000,000 conversion shares	100,000,000 shares	14.38%

*Notes:*

- (i) TGC directly owns approximately 36.81% of the shareholdings of Playmates Holdings and is therefore deemed to be interested in the 347,800,000 shares and up to 100,000,000 conversion shares (which would fall to be issued by the Company upon full exercise of the conversion rights attached to the convertible bonds by Playmates Holdings pursuant to a subscription agreement dated 29 October 2009) of the Company in aggregate which Playmates Holdings is interested in.
- (ii) Playmates International Limited is a wholly-owned subsidiary of Playmates Holdings; PIL Investments Limited is a wholly-owned subsidiary of Playmates International Limited; and PIL Toys Limited is a wholly-owned subsidiary of PIL Investments Limited. Playmates Holdings, Playmates International Limited and PIL Investments Limited are therefore deemed to be interested in the 347,800,000 shares of the Company and 100,000,000 conversion shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the convertible bond pursuant to a subscription agreement dated 29 October 2009, in which PIL Toys Limited is beneficially interested in.

Save as disclosed in this Prospectus, as at the Latest Practicable Date and so far as is known to the Directors or chief executive (if any) of the Company, no other person had, or was deemed or taken to have, any interests or short positions in Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, there existed no service contract, nor had there been any proposed service contract to be, entered into between any Director with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the date of this Prospectus and which is significant in relation to the business of the Group.

**DIRECTORS' INTERESTS IN ASSETS**

None of the Director has any interest, either directly or indirectly, in any assets which has since 31 December 2009 (being the date to which the latest published audited accounts of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

**MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group within the two years preceding the date of this Prospectus and are or may be material:—

- (a) the joint venture agreement dated 10 July 2008 entered into between Playmates Toys Inc. and Giochi Preziosi U.S.A., Inc., as supplemented by a supplemental agreement dated 25 July 2008;
- (b) the agreement dated 4 February 2009 entered into between the Company and Playmates Holdings in respect of the charges on cash deposits up to the aggregate sum of not exceeding HK\$80 million provided by the Playmates Holdings group (excluding the Group) in favour of certain banks as security for certain banking facilities;
- (c) the subscription agreement dated 29 October 2009 entered into between PIL Toys and the Company in relation to the issue and subscription of, inter alia, the convertible bonds of an aggregate principal amounts of US\$30 million;
- (d) the Underwriting Agreement; and
- (e) the Supplemental Underwriting Agreement.

**LITIGATIONS**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against the Company or any of its subsidiaries.

**EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has made statement in this Prospectus:

<b>Name</b>	<b>Qualification</b>
Grant Thornton	Certified Public Accountants

Grant Thornton has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter/opinion and references to its name in the form and context in which they are included.

**EXPERT'S INTERESTS**

As at the Latest Practicable Date,

- (a) Grant Thornton did not have any direct or indirect interest in any asset which had since 31 December 2009, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) Grant Thornton was not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**PARTICULARS OF DIRECTORS****Executive Directors**

**Chan Chun Hoo, Thomas**, age 60, joined the Group in 1967. He has been the principal driving force behind the growth, global expansion and diversification of the Group's business activities into multiple segments and markets. His decision to take on the promotional toy business in 1985 led to the evolution of the Group from a manufacturing entity into a pure toy development and marketing group. The Group's high level of productivity is attributable to his guiding management principles of creativity, flexibility and simplicity. Mr. Chan is also the chairman of the board of Playmates Holdings Limited.

**Cheng Bing Kin, Alain**, age 47, was appointed a director of the Company in March 2010. He was admitted to practice as solicitor in Hong Kong, England and Wales and has over 15 years of experience in the legal field. He is also a CPA of the Hong Kong Institute of Certified Public Accountants and an ACA of The Institute of Chartered Accountants in England and Wales. Mr. Cheng is also an executive director of Playmates Holdings Limited.

**To Shu Sing, Sidney**, age 53, joined the Group in 1986. Prior to joining the Group, he had 9 years experience with multi-national marketing and manufacturing companies. Over the years, he has served the Group in a number of functional areas including sales and marketing, licensing, strategic business development and corporate communication. He was appointed to his current position in May 2008. Mr. To is also an executive director of Playmates Holdings Limited. He holds an Executive Master of Business Administration degree from Simon Fraser University, British Columbia, Canada.

#### **Independent Non-Executive Directors**

**Chow Yu Chun, Alexander**, age 63, joined the Group in 2007. He is a fellow of The Association of Chartered Certified Accountants of the United Kingdom and a CPA of the Hong Kong Institute of Certified Public Accountants. He has over 32 years of experience in commercial, financial and investment management in Hong Kong and China. Mr. Chow was formerly a director of New World Mobile Holdings Limited, Playmates Holdings Limited and Yu Ming Investments Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited and he resigned from these appointments on 1 February 2007, 28 December 2007 and 23 May 2008 respectively. Mr. Chow is currently a director of New World China Land Limited and Top Form International Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited

**Lee Ching Kwok, Rin**, age 61, joined the Group in 2007. He has over 32 years of experience as a legal practitioner in the fields of property and financing, and was a partner and consultant in one of Hong Kong's largest law firms. Mr. Lee is previously a solicitor qualified to practice in Hong Kong and England and Wales, he now serves as an adviser to a number of private companies and organizations.

**Yang, Victor**, age 64, joined the Group in 2007. Mr. Yang holds a Bachelor of Commerce degree and a Juris Doctorate degree from the University of British Columbia, Canada. He is a founding partner of Messrs. Boughton Peterson Yang Anderson, a Canadian based law firm, and is presently the managing partner of Boughton Peterson Yang Anderson in Hong Kong SAR. He has over 36 years experience in legal practice and is a solicitor of the High Court of Hong Kong, a barrister and solicitor in British Columbia, Canada and a solicitor in England and Wales. Mr. Yang is presently a governor of the Canadian Chamber of Commerce in Hong Kong and an immediate past member of the Major Sports Committee of the Home Affairs Bureau, Hong Kong. He is an independent non-executive director of China Agri-Industries Holdings Limited and Singamas Container Holdings Limited, all of which are companies, shares of which are listed on the Stock Exchange of Hong Kong. He is also a non-executive director of Lei Shing Hong Limited, shares of which were listed on the Stock Exchange up to 17 March 2008 before their withdrawal on that date. Mr. Yang was also a director of Media Chinese International Limited until his resignation on 1 October 2009, shares of which were listed on the Stock Exchange of Hong Kong and Eupa International Corporation, shares of which were listed on the NASDAQ (Over-the-Counter Bulletin Board).

**PARTIES INVOLVED IN THE RIGHTS ISSUE****Underwriters**

PIL Toys Limited  
East Asia Chambers  
P.O. Box 901  
Road Town, Tortola  
British Virgin Islands

TGC Assets Limited  
East Asia Chambers  
P.O. Box 901  
Road Town, Tortola  
British Virgin Islands

**Legal adviser to the Company**

*As to Hong Kong law*  
Deacons  
5th Floor Alexandra House  
18 Charter Road  
Central, Hong Kong

*As to Bermuda law*  
Conyers Dill & Pearman  
2901, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Reporting Accountants**

Grant Thornton  
6th Floor, Nexxus Building  
41 Connaught Road Central  
Hong Kong

**Share Registrar**

Tricor Abacus Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East,  
Hong Kong

**OTHER PARTIES****Authorised Representatives**

Chan Chun Hoo, Thomas  
8 Middle Gap Road  
The Peak  
Hong Kong

To Shu Sing, Sidney  
Flat A, 8/F., Dragonview Court  
5 Kotewall Road, Mid-Levels  
Hong Kong

**Principal Bankers**

The Bank of East Asia, Limited  
10 Des Voeux Road Central  
Hong Kong

Chong Hing Bank Limited  
Ground Floor, Chong Hing Bank Centre  
24 Des Voeux Road Central, Hong Kong

**EXPENSES**

The expenses in connection with the Rights Issue, including the underwriting commission, printing, registration, translation, legal and accounting charges are estimated to be approximately HK\$2,300,000 and will be payable by the Company.

**MISCELLANEOUS**

- (a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is 21st Floor, The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The secretary of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Ms. Ng Ka Yan, who is a solicitor in Hong Kong.
- (d) The transfer office of the Company in Hong Kong is that of the Company's Hong Kong branch share registrar, namely, Tricor Abacus Limited, and is situate at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) The authorised representatives are Mr. Chan Chun Hoo, Thomas and Mr. To Shu Sing, Sidney.
- (f) The principal bankers are The Bank of East Asia Limited and Chong Hing Bank Limited.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of this Prospectus, together with copies of PAL and EAF and the written consent referred to in the paragraphs headed “Expert’s Qualification and Consent” in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 342C of the Companies Ordinance. A copy of this Prospectus, together with copies of PAL and EAF, has been filed with the Registrar of Companies in Bermuda.

**LEGAL EFFECT**

The Rights Issue Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all person concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from the date of this Prospectus up to and including 19 July 2010 at the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong:

- (a) the letter from the Board, the text of which is set out on pages 13 to 30 of this Prospectus;
- (b) the report on unaudited pro forma statement of consolidated net tangible assets of the Group as set out in Appendix II to this Prospectus;
- (c) the written consent referred to in the paragraphs headed “Expert’s Qualification and Consent” in this appendix;
- (d) the agreements referred to in the paragraph headed “Material Contracts” in this appendix;
- (e) the annual reports of the Company for the years ended 31 December 2007, 31 December 2008 and 31 December 2009;
- (f) the memorandum of association and the bye-laws of the Company; and
- (g) the Instrument.