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PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 869)

CONTINUING CONNECTED TRANSACTION

The Board announces that on 3 January 2014, PICL, an indirect wholly-owned subsidiary of the Company, entered into Tenancy Agreement with PPML, an indirect wholly-owned subsidiary of PHL, in respect of the Premises effective from 1 January 2014. The Tenancy Agreement between PICL as tenant and PPML as agent for the Landlord, made on normal commercial terms and in the ordinary and usual course of business of the Company, constitutes continuing connected transaction for the Company under the Listing Rules.

PHL indirectly owns and controls approximately 57.47% shareholding of the Company. Consequently, PHL is a connected person of the Company under the Listing Rules.

Since each of the relevant percentage ratios in respect of the maximum aggregate amounts of rentals and management charges payable under the Tenancy Agreement is, on an annual basis, more than 0.1% but less than 5%, this continuing connected transaction is only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules and is exempt from independent shareholders' approval requirements under the Listing Rules.

The Board announces that on 3 January 2014, PICL, an indirect wholly-owned subsidiary of the Company, entered into Tenancy Agreement with PPML, an indirect wholly-owned subsidiary of PHL, as agent for the Landlord, in respect of the Premises effective from 1 January 2014.

TENANCY AGREEMENT

- Date : 3 January 2014
- Parties : PPML, an indirect wholly-owned subsidiary of PHL, as agent for the Landlord
- PICL, an indirect wholly-owned subsidiary of the Company, as tenant
- Premises : 11th, 22nd and 23rd Floor, The Toy House, No. 100 Canton Road, Tsimshatsui, Kowloon, with a gross floor area of approximately 10,915 square feet
- Term : 36 months from 1 January 2014 to 31 December 2016
- Charges : Rental of HK\$436,600 per month (exclusive of rates, Government rent, utilities and other outgoings) and management charges of HK\$65,490 per month (the management charges are subject to review from time to time by the Landlord)

The aggregate rentals and management charges payable under the Tenancy Agreement are subject to proposed annual caps of HK\$6,100,000 for the year ending 31 December 2014, HK\$6,200,000 for the year ending 31 December 2015 and HK\$6,300,000 for the year ending 31 December 2016. The proposed annual caps were calculated with reference to: (i) a monthly rental of HK\$436,600 (exclusive of rates, Government rent, utilities and other outgoings) and monthly management charges of HK\$65,490 (the management charges are subject to review by the Landlord); and (ii) the possible adjustment in the amount of the management charges for each of the three financial years ending 31 December 2014, 2015 and 2016. Pursuant to the Tenancy Agreement, both the rental and management charges are required to be paid monthly in advance by PICL to PPML.

SURRENDER AGREEMENT

As disclosed in the announcement of the Company on 2 September 2011, PTA, an indirect wholly-owned subsidiary of the Company, had entered into a tenancy agreement with PPML, as agent for the Landlord, in respect of 22nd Floor of The Toy House, No. 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong (which is part of the Premises of the Tenancy Agreement) for a term from 1 September 2011 to 31 August 2014. In view of the Tenancy Agreement, the parties mutually agreed to early terminate such tenancy without compensation by entering into a surrender agreement under which the premises of 22nd Floor of The Toy House has been surrendered on 31 December 2013.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company considers that the use of the Premises is beneficial to the Group as a whole given that the location of the Premises is suitable for its business and the saving of relocation costs.

The terms of the Tenancy Agreement have been negotiated on an arm's length basis between the parties with reference to prevailing rentals of the premises in the nearby location and on normal commercial terms and are considered by the directors of the Company (including the independent non-executive directors) to be fair and reasonable and in the interests of the Company and its shareholders as a whole. This continuing connected transaction is conducted in the ordinary course of business of the Company in accordance with the terms of the Tenancy Agreement.

CHAPTER 14A OF THE LISTING RULES

PHL indirectly owns and controls approximately 57.47% shareholding of the Company. Consequently, PHL is a connected person of the Company under the Listing Rules.

Accordingly, the Tenancy Agreement is a continuing connected transaction for the Company under the Listing Rules.

Since each of the relevant percentage ratios in respect of the maximum aggregate amounts of rentals and management charges payable under the Tenancy Agreement is, on an annual basis, more than 0.1% but less than 5%, this continuing connected transaction is only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules and is exempt from independent shareholders' approval requirements under the Listing Rules.

Mr. Chan Chun Hoo, Thomas, Mr. Cheng Bing Kin, Alain and Mr. To Shu Sing, Sidney being the directors of the Company and PHL have abstained from voting on the relevant resolutions at the board meeting for approving the Tenancy Agreement.

GENERAL

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

PICL, an indirect wholly-owned subsidiary of the Company, is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products.

PHL is an investment holding company with its principal subsidiaries principally engaged in property investments, property management business, securities and other investments, and in the design, development, marketing and distribution of toys and family entertainment activity products.

The Landlord, an indirect wholly-owned subsidiary of PHL, is principally engaged in property investment.

PPML, an indirect wholly-owned subsidiary of PHL, is principally engaged in property management.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Board”	the board of directors of the Company;
“Company”	Playmates Toys Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Landlord”	Belmont Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of PHL;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PHL”	Playmates Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“PPML”	Prestige Property Management Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of PHL;
“Premises”	the premises known as: <ol style="list-style-type: none">(1) 11th Floor, The Toy House, No.100 Canton Road, Tsimshatsui, Kowloon, Hong Kong;(2) 22nd Floor, The Toy House, No.100 Canton Road, Tsimshatsui, Kowloon, Hong Kong; and(3) 23rd Floor, The Toy House, No.100 Canton Road, Tsimshatsui, Kowloon, Hong Kong;
“PICL”	Playmates International Company Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company;

“PTA”	Playmates Toys Asia Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Tenancy Agreement”	the tenancy Agreement dated 3 January 2014 between PPML and PICL relating to the renting of the Premises effective from 1 January 2014.

By Order of the Board
Ng Ka Yan
Company Secretary

Hong Kong, 3 January 2014

As at the date of this announcement, the Board comprises the following directors:

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