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PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 869)

CONNECTED TRANSACTIONS IN RELATION TO LEASE AGREEMENTS

The Board announces that on 31 December 2019, PICL, an indirect wholly-owned subsidiary of the Company, as tenant, entered into the following Leases:

- (1) HK Lease with PPML, an indirect wholly-owned subsidiary of PHL, as agent for the HK Landlord as landlord in respect of the HK Premises with effect from 1 January 2020; and
- (2) UK Lease with GWL, an indirect wholly owned subsidiary of PHL, as landlord in respect of the UK Premises with effect from 1 January 2020.

PHL indirectly owns and controls approximately 50.85% shareholding of the Company. Consequently, PHL is a connected person of the Company under the Listing Rules.

The Leases were made on normal commercial terms and are in the ordinary and usual course of business of the Company.

In accordance with HKFRS 16 "Leases", the Group shall recognise right-of-use asset on its consolidated statement of financial position in connection with the Leases. Accordingly, the transactions under the Leases would be regarded as an acquisition of asset and constitute connected transactions for the Company under the Listing Rules.

As the Leases are entered within a 12-month period and are of similar nature, the Leases are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. Since each of the relevant percentage ratios in respect of the aggregate amount of the right-of-use asset under the Leases are more than 0.1% but less than 5%, the entering into the Leases are only subject to the announcement requirements and is exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

HK LEASE

The Board announces that on 31 December 2019, PICL, an indirect wholly-owned subsidiary of the Company, entered into the HK Lease with PPML, an indirect wholly-owned subsidiary of PHL, as agent for the HK Landlord, in respect of the HK Premises with effect from 1 January 2020.

Date : 31 December 2019

Parties : PPML, an indirect wholly-owned subsidiary of PHL, as agent for the HK Landlord, as landlord
PICL, an indirect wholly-owned subsidiary of the Company, as tenant

HK Premises : a portion of 5th Floor, 9th Floor and 11th Floor, The Toy House, No. 100 Canton Road, Tsimshatsui, Kowloon, with a gross floor area of approximately 11,305 square feet

Term : 36 months, from 1 January 2020 to 31 December 2022

Charges : Rental of HK\$452,200 per month (exclusive of rates, Government rent, utilities and other outgoings)

Pursuant to the HK Lease, PICL is required to pay rental monthly in advance to PPML.

UK LEASE

The Board further announces that on 31 December 2019, PICL, an indirect wholly-owned subsidiary of the Company, entered into the UK Lease with GWL, an indirect wholly owned subsidiary of PHL, in respect of the UK Premises with effect from 1 January 2020.

Date : 31 December 2019

Parties : GWL, an indirect wholly-owned subsidiary of PHL, as landlord
PICL, an indirect wholly-owned subsidiary of the Company, as tenant

UK Premises : An event and storage space at Great Westwood, Bucks Hill, Kings Langley, Hertfordshire WD4 9AD, United Kingdom with a gross floor area of approximately 3,299 square feet

Term : 36 months, from 1 January 2020 to 31 December 2022

Charges : Rental of £5,700 per month (inclusive of utilities but exclusive of government taxes)

Pursuant to the UK Lease, PICL is required to pay the rental monthly in advance to GWL.

REASONS FOR AND BENEFITS OF THE LEASES

The Company considers that use of the HK Premises and the UK Premises is beneficial to the Group as a whole as it satisfies the business needs of the Group and for administrative convenience.

The terms of the Leases have been negotiated on an arm's length basis between the parties with reference to prevailing market rent of similar properties at the nearby locations of the HK Premises and the UK Premises respectively. Having considered all relevant factors, the directors of the Company (including the independent non-executive directors) are of the view that the terms of the Leases are on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole. These connected transactions are conducted in the ordinary and usual course of business of the Company.

CHAPTER 14A OF THE LISTING RULES

PHL indirectly owns and controls approximately 50.85% shareholding of the Company. Consequently, PHL is a connected person of the Company under the Listing Rules.

In accordance with HKFRS 16 "Leases", the Group shall recognise right-of-use asset on its consolidated statement of financial position in connection with the Leases. Accordingly, the transactions under the Leases would be regarded as an acquisition of asset and constitute connected transactions for the Company under the Listing Rules. On the basis of the acquisition of right-of-use asset under the Leases, the aggregate amount to be recognized by the Group pursuant to HKFRS 16 is estimated to be approximately HK\$17 million.

As the Leases are entered within a 12-month period and are of similar nature, the Leases are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. Since each of the relevant percentage ratios in respect of the aggregate amount of the right-of-use asset under the Leases are more than 0.1% but less than 5%, the entering into the Leases are only subject to the announcement requirement and is exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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, and related investment activities.

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

PHL is an investment holding company with its principal subsidiaries 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, and related investment activities.

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

GWL, an indirect wholly-owned subsidiary of PHL, is engaged in property investment.

PPML, an indirect wholly-owned subsidiary of PHL, is 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;
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules;
“Group”	the Company and its subsidiaries;
“GWL”	Great Westwood Limited, a company incorporated in British Virgin Islands and is an indirect wholly-owned subsidiary of PHL;
“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;

“HKFRS”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time;
“HK Landlord”	Belmont Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of PHL;
“HK Lease”	the tenancy agreement dated 31 December 2019 between PPML and PICL relating to the renting of the HK Premises with effect from 1 January 2020.
“HK Premises”	the premises known as: <ul style="list-style-type: none"> (1) a portion of 5th Floor, The Toy House, No.100 Canton Road, Tsimshatsui, Kowloon, Hong Kong; (2) 9th Floor, The Toy House, No.100 Canton Road, Tsimshatsui, Kowloon, Hong Kong; and (3) 11th Floor, The Toy House, No.100 Canton Road, Tsimshatsui, Kowloon, Hong Kong;
“Leases”	HK Lease and UK Lease collectively.
“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;
“PICL”	Playmates International Company 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;

“UK Lease” the tenancy agreement dated 31 December 2019 between GWL and PICL relating to the renting of the UK Premises with effect from 1 January 2020;

“UK Premises” the premises known as an event and storage space at Great Westwood, Bucks Hill, Kings Langley, Hertfordshire WD4 9AD, United Kingdom.

By Order of the Board
Ng Ka Yan
Company Secretary

Hong Kong, 31 December 2019

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

Mr. To Shu Sing, Sidney (*Chairman*); Mr. Chan Kong Keung, Stephen (*Executive Director*); Mr. Cheng Bing Kin, Alain (*Executive Director*); Mr. Chow Yu Chun, Alexander (*Independent Non-executive Director*); Mr. Lam Wai Hon (*Independent Non-executive Director*); Mr. Lee Ching Kwok, Rin (*Independent Non-executive Director*) and Mr. Tran Vi-hang William (*Executive Director*)