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If you have sold or transferred all your shares in Playmates Toys Limited, you should at once hand this Circular, together with the enclosed form of proxy, 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).

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PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 869)

**PROPOSED TERMINATION OF THE 2018 SHARE OPTION SCHEME
PROPOSED ADOPTION OF THE NEW SHARE AWARD PLAN
GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES
ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A letter from the Board is set out in this circular. A notice convening the Annual General Meeting (“AGM”) to be held at 11/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 19 May 2023 at 10:30 a.m. to approve the matters referred to in this Circular.

A form of proxy for the AGM is enclosed with this circular. Whether or not you intend to attend the AGM, you are requested to complete the form of proxy and return it to the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the AGM or any adjournment thereof. The completion and return of a form of proxy will not preclude you from attending and voting at the AGM.

26 April 2023

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DEFINITIONS

In this Circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“2018 Share Option Scheme”	the share option scheme of the Company adopted on 21 May 2018;
“Adoption Date”	the date on which the New Share Award Plan is approved by the Shareholders at the AGM;
“Agent”	Tricor Trust (Hong Kong) Limited, a professional trustee appointed by the Company to act as the trustee for the trust under the Share Award Plan;
“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held on Friday, 19 May 2023 at 10:30 a.m.;
“AGM Notice”	the notice dated 26 April 2023 convening the Annual General Meeting as set out in Appendix IV to this Circular;
“Award”	a provisional award of the Awarded Shares made in accordance with the New Share Award Plan;
“Award Notice”	the notice to be sent to the Agent upon the making of an Award;
“Awarded Share(s)”	the number of Share(s) that a Selected Participant is entitled to receive pursuant to an Award (and where Related Scrip Dividend has accrued on such Shares, shall include such number of additional Shares), subject to the terms and conditions of the Award and the New Share Award Plan;
“associate(s)”	has the meaning as ascribed to it in the Listing Rules;
“Board”	the board of directors of the Company (and when such defined term is used in the context of Appendix I to this Circular, shall also include any duly authorized committee of the board of Directors from time to time delegated with the power and authority to administer the New Share Award Plan);
“Business Day”	a day on which the Stock Exchange is open for the business of dealing in securities;
“Bye-laws”	bye-laws of the Company;

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“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time);
“Company”	Playmates Toys Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“Compensation Committee”	the compensation committee of the Company;
“core connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules;
“Deed of Escrow Agreement”	the deed of escrow agreement constituting the trust under the New Share Award Plan executed by the Company as settlor and the Agent as the trustee in respect of the New Share Award Plan, the Awarded Shares, and other trust fund (if any) held or to be held by the Agent subject to the terms thereof, as amended, supplemented and restated from time to time;
“Director(s)”	director(s) of the Company;
“Earliest Vesting Date”	the earliest date on which the Agent may vest the legal and beneficial ownership of the Awarded Shares in the relevant Selected Participant, which shall be a date not less than twelve (12) months from Grant Date unless otherwise permitted under the Listing Rules;
“Eligible Participant(s)”	any person belonging to the following classes of participants: any Employee Participant; any Related Entity Participant; and any Service Provider Participant.
“Employee Participant(s)”	means any person who is a director, chief executive and employee of the Company or any of its Subsidiaries (including persons who are granted Awards under the New Share Award Plan as an inducement to enter into employment contracts with the Company or any of its Subsidiaries), provided that the Board shall have absolute discretion to determine whether or not one falls within such category;

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“Excluded Participant(s)”	Any person who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of Shares pursuant to the terms of the New Share Award Plan is not permitted under the laws and regulations of such place or where in the view of the Board or the Agent (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person;
“Grant Date”	the date on which an Award is made to a Selected Participant under the Share Award Plan, being the date of the Grant Notice in respect of such Award;
“Grant Notice”	the notice to be sent to the Selected Participants upon the making of an Award containing the particulars as required under the New Share Award Plan;
“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“inside information”	has the meaning ascribed thereto it under the SFO;
“Issue Mandate”	the general and unconditional mandate to the Directors to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the total number of issued shares of the Company as at the date of passing of the relevant resolution approving the grant of such mandate;
“Latest Practicable Date”	24 April 2023, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information for inclusion in this Circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Share Award Plan”	the new share award plan proposed to be adopted by the Shareholders at the AGM;

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“Personal Representative(s)”	the person or persons who, in accordance with the laws of succession applicable to a deceased Selected Participant, is or are entitled to collect and receive the Awarded Shares which have been vested in such Selected Participant and formed part of his estate;
“PHL”	Playmates Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange (Stock Code: 635), being the holding company of the Company;
“Plan Mandate Limit”	has the meaning ascribed to it in paragraph 5(a) of Appendix I hereto;
“Pure Cash Dividend”	any dividends and other distributions declared (other than dividends in connection with which the Company allows its Shareholders to elect to receive Shares in lieu of cash or distributions of the Company’s equity securities without receipt of consideration) and made in respect of any Awarded Shares;
“Related Entities”	the holding companies, fellow subsidiaries or associated companies of the Company;
“Related Entity Participant(s)”	means any director or employee of a Related Entity, provided that the Board shall have absolute discretion to determine whether or not one falls within such category;
“Relevant Event”	any variation in the share capital of the Company arising from any capitalization issue, sub-division, consolidation or reduction of share capital of the Company; or any rights issue or open offer of any share capital of the Company involving an offer of right to the existing Shareholders; or any other distribution of the Company’s equity securities without receipt of consideration (except where Shares are issued as consideration or part consideration in a transaction);

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“Related Scrip Dividend”	such number of additional Shares in the form of scrip dividend set aside for the relevant Selected Participant accrued on the respective batch of Awarded Shares subject to each outstanding Award, where the Agent has, in respect of the Awarded Shares which have not vested, elected to receive Shares in lieu of cash in respect of dividends declared by the Company and in connection with which the Company allows the Shareholders to elect to receive Shares in lieu of cash;
“Repurchase Mandate”	the general and unconditional mandate to the Directors to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the aggregate number of issued shares of the Company as at the date of passing of the relevant resolution approving the grant of such mandate;
“Residual Cash”	being cash remaining in the trust fund in respect of an Awarded Share (including interest income derived from deposits maintained with licensed banks in Hong Kong, and sale proceeds which have not been applied in the acquisition of Shares);
“Returned Shares”	such Awarded Shares which are not vested in the Selected Participant and/or are forfeited in accordance with the terms of the New Share Award Plan, or such Shares being deemed to be Returned Shares;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
“Selected Participant”	any Eligible Participant that has an outstanding Award or (where the context so permits under the New Share Award Plan) his Personal Representative(s);

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“Service Provider Participant(s)”	<p>any persons (natural person or corporate entity) that falls under one of the below sub-categories and that provides services to any member of the Group on a continuing and recurring basis in its ordinary course of business which are in the interests of the long term growth of the Group, as determined by the Board pursuant to the criteria set out in paragraph 3. Eligibility of Appendix I hereto:</p> <ul style="list-style-type: none">(i) suppliers of services to any member of the Group;(ii) advisors (professional or otherwise) or consultants; and(iii) independent contractors, <p>excluding (A) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and (B) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity;</p>
“Service Provider Sublimit”	has the meaning ascribed to it in paragraph 5(a) of Appendix I hereto;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	ordinary share(s) of a nominal or par value of HK\$0.01 each (or of such other nominal or par value as shall result from any such sub-division, consolidation, re-classification, reduction, or re-organisation of such shares from time to time) in the share capital of the Company;
“Shares Pool”	the pool of Shares from which an Award shall be made;
“share schemes”	has the meaning ascribed thereto under the Listing Rules;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiaries”	a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) or the Companies Act 1981 of Bermuda) of the Company, whether incorporated in Hong Kong or elsewhere, and “Subsidiaries” shall be construed accordingly;

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“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases;
“Vesting Date”	the date on which the legal and beneficial ownership of the Awarded Shares are vested in such Selected Participant pursuant to an Award;
“Vesting Period”	the period commencing on the date on which an Award is made a Selected Participant pursuant to an Award Notice and ending on the Vesting Date (both dates inclusive);
“%”	per cent.

LETTER FROM THE BOARD



PLAYMATES TOYS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 869)

Mr. CHAN Kwong Fai, Michael (*Chairman*)
Mr. CHAN Kong Keung, Stephen (*Executive Director*)
Mr. CHOW Yu Chun, Alexander
(Independent Non-executive Director)
Mr. IP Shu Wing, Charles (*Independent Non-executive Director*)
Mr. LAM Wai Hon, Ambrose (*Independent Non-executive Director*)
Mr. TRAN Vi-hang William
(Executive Director)
Mr. YU Hon To, David
(Independent Non-executive Director)

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal office:
23rd Floor,
The Toy House,
100 Canton Road,
Tsimshatsui,
Hong Kong

26 April 2023

To Shareholders

Dear Sir or Madam,

**PROPOSED TERMINATION OF THE 2018 SHARE OPTION SCHEME
PROPOSED ADOPTION OF THE NEW SHARE AWARD PLAN
GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES
ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

At the annual general meeting of the Company held on 27 April 2022 resolutions were passed giving general mandates to the Directors to issue and allot Shares and to exercise the powers of the Company to repurchase its own Shares in accordance with the rules regulating the repurchase by companies having a primary listing on Stock Exchange of their own shares as contained in the Listing Rules. These mandates will lapse at the conclusion of the forthcoming Annual General Meeting which is to be held on 19 May 2023 unless renewed at that meeting. It is therefore proposed that the general mandates to issue and allot Shares and to repurchase Shares will be renewed at the Annual General Meeting.

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The purpose of this Circular is to provide you with the relevant information regarding the proposed termination of the 2018 Share Option Scheme and proposed adoption of the New Share Award Plan, the Issue Mandate, the Repurchase Mandate and election of Directors and to seek your approval of the resolutions to be proposed at the Annual General Meeting.

PROPOSED TERMINATION OF THE 2018 SHARE OPTION SCHEME AND PROPOSED ADOPTION OF THE NEW SHARE AWARD PLAN

In light of the recent amendments to the requirements of Chapter 17 of the Listing Rules published by the Stock Exchange, the Board has taken the opportunity to review the 2018 Share Option Scheme and proposed to terminate it by the approval of the Shareholders at the AGM and to adopt the New Share Award Plan to comply with the requirements under the newly amended Chapter 17 of the Listing Rules.

Termination of the 2018 Share Option Scheme

The 2018 Share Option Scheme was adopted on 21 May 2018 and is valid for a period of 10 years from the date of its adoption.

Upon termination of the 2018 Share Option Scheme, no further options will be granted thereunder. In other respects, the provisions of the 2018 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its termination or otherwise as may be required in accordance with the rules of the 2018 Share Option Scheme. Therefore, the below outstanding options already granted under the 2018 Share Option Scheme shall continue to be valid and exercisable in accordance with the provisions of the 2018 Share Option Scheme and their terms of issue.

As at the Latest Practicable Date, there were 42,216,000 options granted but not yet exercised under the 2018 Share Option Scheme, representing approximately 3.58% of the total number of issued Shares. The table below shows the breakdown of the outstanding options granted by the Company but not yet exercised or lapsed under the 2018 Share Option Scheme:

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Name of grantee	Date of grant	Exercise Price HK\$	Balance as at the Latest Practicable Date	Vesting/ Exercise Period (Note)
<i>Directors of the Company</i>				
CHAN Kwong Fai, Michael (Note 3)	29 June 2018	0.826	2,000,000	(1)
CHAN Kong Keung, Stephen (Note 3)	29 June 2018	0.826	1,000,000	(1)
CHOW Yu Chun, Alexander	29 June 2018	0.826	500,000	(1)
TRAN Vi-Hang William	29 June 2018	0.826	1,000,000	(1)
<i>Continuous Contract Employees, excluding Directors (Note 4)</i>	29 June 2018	0.826	12,936,000	(1)
<i>Other participants (Note 5)</i>	29 June 2018	0.826	4,780,000	(1)
	12 April 2019	0.792	20,000,000	(2)

Notes:

- (1) Divided into 4 tranches (with each tranche covering one-fourth of the relevant share options) exercisable from 29 June 2018, 29 June 2019, 29 June 2020 and 29 June 2021 respectively to 28 June 2028.
- (2) Divided into 2 tranches: (i) 10,000,000 share options are exercisable from 12 April 2019 to 31 December 2023; and (ii) 10,000,000 share options are exercisable from 31 December 2020 to 31 December 2023.
- (3) Mr. Chan Kong Fai, Michael and Mr. Chan Kong, Keung, Stephen are also directors of PHL.
- (4) One of the continuous contract employees, Ms. Chan, Helen is also an executive director of PHL and serves as a director of a number of subsidiaries of the Group.
- (5) "Other participants" include (i) several consultants of the Company; and (ii) a licensor of the Company. The said consultants have extensive experience and expertise in the toy business and have been providing the Company with a wide range of advisory services including licensing and brand management, product design and development, sourcing and manufacturing, sales and marketing. The Company recognized their valuable contributions to the Company and their continued long-term service would be beneficial to the Company's business. The Company believed that granting share options to the said consultants would be conducive to retaining and maintaining ongoing business relationship with them. Such consultants fall under the category of "service providers", but not Related Entity Participants, under the current Chapter 17 of the Listing Rules and they have no relationship with PHL. The said licensor does not fall under the category of "service provider" or "Related Entity Participants" under the current Chapter 17 of the Listing Rules, and it has no relationship with PHL (details of the grant to the licensor are disclosed in the announcement of the Company dated 13 March 2019).

The Board confirms that it will not grant any further options under the 2018 Share Option Scheme prior to the AGM.

Having considered that (i) the total number of Shares which may be issued in respect of all options and awards to be granted under all share schemes of the Company is limited to 10% of the total number of Shares in issue from time to time in accordance with Rule 17.03B(1) of the Listing Rules, (ii) the Company does not expect to grant further options under the 2018 Share Option Scheme, and (iii) the Company proposes to adopt the New

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Share Award Plan in compliance with the requirements of the newly amended Chapter 17 of the Listing Rules, it is proposed that, subject to the approval of the Shareholders and the shareholders of PHL for the adoption of the New Share Award Plan, the 2018 Share Option Scheme will be terminated immediately upon the adoption of the New Share Award Plan.

Other than the 2018 Share Option Scheme, the Company currently does not maintain any other share scheme which remains in force.

Adoption of the New Share Award Plan

The purpose of the proposed adoption of the New Share Award Plan is to, through an Award, (a) recognise and reward the contribution of certain Eligible Participants (as defined below) to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group, and (b) to attract suitable personnel for further development of the Group. The New Share Award Plan will involve the grant of new Shares and/or existing Shares to be purchased from the Stock Exchange or off-market.

Conditions Precedent of the New Share Award Plan

The New Share Award Plan shall take effect subject to the following conditions:

- (1) the passing of the resolution by the Shareholders in the Annual General Meeting to approve and adopt the New Share Award Plan and to authorise the Board to grant Awards under the New Share Award Plan and to allot and issue, procure the transfer of and otherwise deal with the Awarded Shares in connection with the New Share Award Plan;
- (2) the passing of the resolution by the shareholders of PHL in a general meeting to approve and adopt the New Share Award Plan; and
- (3) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, such number of Shares representing the Plan Mandate Limit to be allotted and issued by the Company pursuant the Awards which may be granted in accordance with the terms and conditions of the New Share Award Plan.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be allotted and issued by the Company pursuant to the grant of Awards in accordance with the terms and conditions of the New Share Award Plan.

Subject to the satisfaction of the conditions above, the New Share Award Plan shall be valid and effective for a term of 10 years commencing on the Adoption Date.

LETTER FROM THE BOARD

Explanation of the terms of the New Share Award Plan

(a) Eligible Participants

Eligible Participants of the New Share Award Plan include:

- (1) any Employee Participant;
- (2) any Related Entity Participant; and
- (3) any Service Provider Participant.

In assessing the eligibility of an Employee Participant, the Board will mainly take into account the experience of the Employee Participant on the Group's business, the length of service of the Employee Participant with the Group, the amount of contribution the Employee Participant has made or is likely to make towards the success of the Group and such other factors as the Board may at its discretion consider appropriate.

In assessing the eligibility of a Related Entity Participant, the Board will mainly take into account the experience of the Related Entity Participant on the Related Entity's business, the length of service of the Related Entity Participant with the Related Entity, the amount of contribution the Related Entity Participant has made or is likely to make towards the success of the Group through his/her involvement and participation at the Related Entity, the shareholding relationship between the Group and the Related Entity, the benefits and synergies provided by the Related Entity to the Group and such other factors as the Board may at its discretion consider appropriate.

The eligibility criteria for each category of the Service Provider Participant are as follows:

	Category	Eligibility criteria for Service Provider Participant
(i)	suppliers of services to any member of the Group	Those that (a) operate in the industries in which the Group operates from time to time; (b) engage with the Group on a regular or recurring basis; (c) provide significant contribution to the Group and its business.
(ii)	advisors (professional or otherwise) or consultants to any area of business of any member of the Group	Those with specialties or expertise in areas that supplement the Group or with which the Group would consider important to maintain a close business relationship on an ongoing basis; and bring benefits and strategic value to the Group's development and future prospects.
(iii)	independent contractors	Those that provides advisory services, consultancy services, licensing services, product development services, sales and marketing services and/or other professional services.

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The Board (including the independent non-executive Directors) is of the view that, apart from the contributions from directors and employees of the Group, the success of the Group might also come from efforts and contributions from non-employees (including Related Entity Participants and Service Provider Participants). The grant of Awards to Eligible Participants who is a Related Entity Participant or a Service Provider Participant would not only align the interest of the Group with these Participants but also provide incentive and reward for (i) their participation and involvement in promoting the business of the Group, (ii) their joint and collaborative efforts in co-creating value for the Group's customers, and (iii) maintaining a good and long-term relationship with the Group. The Board (including the independent non-executive Directors) believes that the adoption of New Share Award Plan with such scope of Eligible Participants will enable the Group to preserve its cash resources and use equity incentives to encourage persons within and outside the Group to continue to contribute to the growth and development of the Group's business, and therefore aligns with the purpose of the New Share Award Plan.

More specifically, the Board (including the independent non-executive Directors) is of the view that:

- (i) Related Entity Participants will have a sufficiently close working relationship with the Group and would likely be in a position to influence the Group's business, reputation, operations and performance given their close corporate and collaborative relationships, for example having joint involvement in work projects from time to time.
- (ii) The collaboration and long-term working relationship with the Service Provider Participants, and the contribution of their specialized skills and connections in the industry such as market research and product development, sales and marketing, IT and systems, and other areas in relation to the Group's business operation, is considered to be particularly important to the success of the Group's future business and developments.

For example, the entertainment industry and toy invention and design community are the major sources of concepts and ideas for the creation and development of new products. It is of utmost importance for the Group to maintain close working relationships or contacts with major entertainment licensors and the toy invention and design community worldwide who usually work for the Group as independent contractors, advisors and/or consultants on a continuing and recurring basis. These relationships or contacts help the Group gain access to licensed rights in entertainment properties, technologies and toy inventions.

As disclosed in the Company's annual results recently published on 10 March 2023, the Group is optimistic about the year ahead, in particular (i) the relaunch of our *Teenage Mutant Ninja Turtles* toy line to coincide with the global release of the *Teenage Mutant Ninja Turtles: Mutant Mayhem* animated film in the summer of 2023; and (ii) the expansion and continued strong demand of our *Miraculous: Tales of Ladybug & Cat Noir* toy line with the upcoming animated

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musical feature, *Miraculous Ladybug & Cat Noir: The Movie*, being scheduled for global release in 2023. Such upcoming innovative product launches will no doubt require the support from the Group's service providers.

The adoption of the New Share Award Plan which provides flexibility to the Board to grant Awards to Service Provider Participants will enable the Company to attract persons of talent outside of the Group, whilst aligning their interests with and increasing their loyalty to the Group.

For the reasons above, the Board (including the independent non-executive Directors) considers the proposed categories of Related Entity Participants and Service Provider Participants to be in line with the Group's business needs and industry norm and that the criteria for the selection of Eligible Participants align with the purpose of the New Share Award Plan. The Board believes that by giving the Eligible Participants incentive through their participation in the New Share Award Plan, such Eligible Participants and the Group will have a common goal in the growth and development of the Group's business, and they could participate in the future prospect of the Group and share the additional reward through their sustainable contribution, which cannot be achieved through pure monetary compensation.

(b) Plan Mandate Limit and Service Provider Sublimit

As at the Latest Practicable Date, there were 1,180,000,000 Shares in issue. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of adoption of the Share Award Plan, (i) the maximum number of Shares which may be issued in respect of all awards and options to be granted under the New Share Award Plan and other share schemes of the Company will be 118,000,000 Shares, representing 10% of the total number of Shares in issue as at the Adoption Date (i.e. the Plan Mandate Limit); and (ii) the maximum number of Shares that may be issued in respect of all Awards granted under the New Share Award Plan to the Service Provider Participants will be 59,000,000 Shares, representing 5% of the total number of Shares in issue as at the Adoption Date (i.e. the Service Provider Sublimit).

The Service Provider Sublimit is determined based on the estimated number of Awarded Shares in the form of newly issued Shares that the Company intends to grant to the Service Provider Participants and the Company's future business and development plans (in particular the *Teenage Mutant Ninja Turtles* toy line and *Miraculous: Tales of Ladybug & Cat Noir* toy line as mentioned in the sub-section headed "(a) Eligible Participants" above). The Board considers the Service Provider Sublimit to be appropriate and reasonable given the nature of the industries in which the Group operates and the Group's current and future business needs, and taking into account: (i) the rationale behind the scope and eligibility criteria of Service Provider Participants, as detailed above, (ii) this sublimit provides the Group with flexibility to provide equity incentives (instead of expending cash resources in the form of monetary consideration) to reward and collaborate with persons who are not employees or directors of the Group, but who may have exceptional expertise in their fields or who may be able to provide valuable services to the Group, which is in line with the purpose of the New Share Award Plan, and (iii) the fact that the sublimit represents a

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maximum limit and that the Company retains the flexibility to allocate Awarded Shares from this sublimit to satisfy Awards to other Eligible Participants depending on business growth and needs in the future as and when appropriate.

The dilution of Shareholders' interest resulting from the adoption of the New Share Award Plan will not be significant each year given that (i) the grants of Awards to be made pursuant to the Plan Mandate Limit (and the Service Provider Sublimit) are expected to be spread out over the 10-year term of the New Share Award Plan (unless the Plan Mandate Limit or the Service Provider Sublimit is sought to be refreshed, in which case further approval of the Shareholders will be required), and (ii) the Listing Rules prescribe annual limits on grants to individual Selected Participants and Connected Persons of the Company.

Considering that there are no other share schemes involving grant of new Shares or existing Shares other than the New Share Award Plan after the termination of the 2018 Share Option Scheme, and that the administration costs and expenses from arranging the New Share Award Plan and granting Awards are minimal for a share scheme that lasts for ten years, and added thereto the fact that the Board may impose appropriate performance targets in the Grant Notice catered specifically for the Selected Participant (be they related to financial / business / sales results, individual performance appraisal, transaction milestones or results of strategic plans involving collaborations with the Selected Participant etc.), the Board is of the view that, the arrangement of the New Share Award Plan (including the Service Provider Sublimit) is fair and reasonable.

(c) Vesting

The vesting period of the Awarded Shares shall not be less than 12 months from the Grant Date saved for certain circumstances permitted under the rules of the New Share Award Plan as disclosed in the paragraph headed "9. Vesting of Awarded Shares" in Appendix I to this circular. The Board and the Compensation Committee believe that its ability to provide for flexible accelerated exercisability or vesting of an Award in certain cases allows it to provide a competitive remuneration package to attract and retain individuals to provide services to the Group, therefore, such arrangements are appropriate and align with the purpose of the New Share Award Plan as disclosed above.

(d) Basis of determining the purchase price of the Awarded Shares

The Selected Participant is not required to pay any purchase price to receive the Awarded Shares comprising an Award which will offer a favourable and accepted means of providing incentive to Selected Participants (as compared to the grant of share options which require option holders to have immediately available funds for payment of subscription prices), and hence, aligns with the purpose of the New Share Award Plan.

LETTER FROM THE BOARD

(e) Performance target and clawback mechanism

Unless otherwise determined by the Board and specified in the Grant Notice, vesting of Awards is not subject to any performance target that needs to be achieved by the Selected Participant.

In addition, all Awarded Shares awarded to them which are unvested shall automatically lapse under certain circumstances specified in the New Share Award Plan, such as the Eligible Participants having committed any breach of any contract, any act of bankruptcy or having become insolvent, becoming convicted of any criminal offence involving his/her integrity or honesty, or being no longer able to make any contribution to the growth and development of any member of the Group or Related Entity.

The Company considers that it is not practicable to expressly set out a generic set of performance targets in the rules of the New Share Award Plan since each Selected Participant has a different position/role with respect to the Group or the Related Entity and will contribute differently to the Group in nature, duration and significance. While there is no performance target prescribed under the rules New Share Award Plan at the outset, the Board may, in respect of each grant of Award and subject to all applicable laws, rules and regulations, determine and specify in the Grant Notice such performance target(s) for vesting of the Awards in its sole and absolute discretion considers appropriate in light of the particular circumstances of the Award. Such performance targets may be based on, among others, business or financial performance results, transaction milestones, individual performance appraisal, results of strategic plans formulated by the Selected Participant, developments or breakthroughs in certain markets of the Group and/or the Selected Participant's contribution to the Group (via his/her/its position at the Group or at the Related Entity, or as a Service Provider Participant) and as evaluated by the Group over a specified evaluation period. By giving maximum flexibility for the Board to impose conditions in the Grant Notice as and when required, the Board will be able to ensure that all Awards granted will align with the purpose of the New Share Award Plan as far as possible.

The Board believes it is in the best interests of the Company to retain the flexibility to impose appropriate conditions in light of the particular circumstances of each grant of an Award, to align with the Eligible Participants' contribution or potential contribution. Further, by allowing the Company to grant Awards under the New Share Award Plan and to impose such clawback mechanism along the scope as described above and/or require the Eligible Participants to achieve such performance targets as may be stipulated in the Grant Notice on a case-by-case basis, the Company may be in a better position to retain such Eligible Participants to continue serving and achieving the goals of the Group, and therefore aligns with the purpose of the New Share Award Plan.

LETTER FROM THE BOARD

(f) General

A summary of the principal terms of the rules of the New Share Award Plan is set out in Appendix I to this Circular.

A copy of the rules of the New Share Award Plan will be published on the websites of the Stock Exchange and the Company for display for a period of not less than 14 days before the date of the Annual General Meeting and the New Share Award Plan will be made available for inspection at the Annual General Meeting.

The Agent is independent of the Company and its connected persons (as defined under the Listing Rules). None of the Directors is a trustee/agent of the New Share Award Plan or has a direct or indirect interest in the Agent.

As far as the Directors are aware, no Shareholder is required to abstain from voting on the resolution in respect of the adoption of the New Share Award Plan under the Listing Rules.

GENERAL MANDATE TO REPURCHASE SHARES

At the last annual general meeting of the Company held on 27 April 2022, resolutions were passed giving general mandate to the Directors to repurchase its own Shares in accordance with the rules regulating the repurchase by companies having a primary listing on Stock Exchange of their own shares as contained in the Listing Rules. Such mandate will lapse at the conclusion of the forthcoming Annual General Meeting unless renewed at that meeting.

An ordinary resolution will be put forward at the Annual General Meeting to give a Repurchase Mandate to the Directors to repurchase the Shares at any time until either the conclusion of the next annual general meeting of the Company following the passing of the resolution (unless the mandate is renewed at such meeting) or the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Bye-laws to be held or until the mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest. The Shares which may be repurchased pursuant to the Repurchase Mandate is limited to a maximum of 10% of the entire issued share capital of the Company at the date of the passing of the resolution approving the Repurchase Mandate.

As at the Latest Practicable Date, the entire issued share capital of the Company comprised 1,180,000,000 Shares.

Subject to the passing of the ordinary resolution to approve the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 118,000,000 Shares.

An explanatory statement as required under the Listing Rules to provide the requisite information is set out in Appendix II hereto.

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES

At the last annual general meeting of the Company held on 27 April 2022, resolutions were passed giving general mandate to the Directors to issue and allot Shares up to 20% of the total issued share of the Company as at the date of passing of the relevant resolution. Such mandate will lapse at the conclusion of the forthcoming Annual General Meeting unless renewed at that meeting.

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given an Issue Mandate to issue new Shares representing up to 20% of the total number of issued shares of the Company as at the date the resolution is passed. In addition, an ordinary resolution will also be proposed at the Annual General Meeting to authorise an extension of such general mandate to the Directors to issue new Shares during the period up to the next annual general meeting of the Company or such earlier period as stated in the relevant resolution by adding to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate such number of Shares that will be repurchased under the Repurchase Mandate, if granted.

As at the Latest Practicable Date, the entire issued share capital of the Company comprised 1,180,000,000 Shares.

Subject to the passing of the ordinary resolution to approve the Issue Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Issue Mandate to issue a maximum of 236,000,000 Shares.

The Directors consider that the Issue Mandate will enhance the flexibility for the Company to raise equity financing in future to the extent permitted under the Listing Rules and the Issue Mandate. The Directors confirm that no Share has been issued by the Company under the Issue Mandate granted at the last annual meeting on 27 April 2022.

ELECTION OF DIRECTORS

Pursuant to Bye-law 87(1), at each annual general meeting at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement according to the rules of the Stock Exchange. At the forthcoming Annual General Meeting, Mr. Chow Yu Chun, Alexander, Mr. Ip Shu Wing, Charles and Mr. Yu Hon To, David, who are subject to retirement by rotation under Bye-law 87(1), will retire at the Annual General Meeting. Mr. Ip Shu Wing, Charles and Mr. Yu Hon To, David will offer themselves for re-election at the same meeting. The biographical details of Mr. Ip Shu Wing, Charles and Mr. Yu Hon To, David are set out in Appendix III to this Circular.

Mr. Chow will retire from the Board upon expiry of his present term of directorship at the forthcoming Annual General Meeting due to his intention to devote more time to pursue his personal interests after retirement and will not offer himself for re-election.

LETTER FROM THE BOARD

Consequently, Mr. Chow will cease to be a director of the Company at the conclusion of the Annual General Meeting. He has confirmed that he has no disagreement with the Board and there is no matter in relation to his retirement that needs to be brought to the attention of the Shareholders. The Board would like to express its sincere appreciation to Mr. Chow for his invaluable contribution to the Group during his tenure of office.

In accordance with Bye-law 88 and subject to the approval by the Shareholders at Annual General Meeting, the Board proposed that Ms. Chan, Helen be appointed as an executive director of the Company at the Annual General Meeting. The biographical details of Ms. Chan, Helen are set out in Appendix III to this Circular.

ANNUAL GENERAL MEETING

The AGM Notice is set out in Appendix IV to this Circular. At the Annual General Meeting, ordinary resolutions will be proposed to approve the proposed termination of the 2018 Share Option Scheme, the proposed adoption of the New Share Award Plan, the Issue Mandate, the Repurchase Mandate and the extension of the Issue Mandate to include the number of Shares which are repurchased pursuant to the Repurchase Mandate and the election of Directors. As far as the Directors are aware, no Shareholder or its associate(s) is considered as having material interests different from other Shareholders in any of the resolutions proposed to be passed at the Annual General Meeting and therefore all Shareholders will be entitled to vote on all resolutions at the Annual General Meeting.

A form of proxy for use at the Annual General Meeting is enclosed. Whether or not you are able to attend the Annual General Meeting or any adjournment thereof, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrars, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the Annual General Meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

VOTING BY POLL AT THE ANNUAL GENERAL MEETING

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, each of the resolutions set out in the AGM Notice will be taken by way of poll.

RECOMMENDATION

The Board believes that (i) the adoption of the Share Award Plan, (ii) the termination of the 2018 Share Option Scheme, (iii) the grant of the Repurchase Mandate, (iv) the grant of the Issue Mandate, and (v) the election of Directors as set out in the AGM Notice are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions at the Annual General Meeting.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This Circular, 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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

Yours faithfully,
For and on behalf of the Board
CHAN Kwong Fai, Michael
Chairman

The following is a summary of the principal terms of the New Share Award Plan proposed to be approved and adopted by ordinary resolution of the Shareholders at the AGM. It does not form part of, nor is it intended to be part of, the New Share Award Plan. The Directors reserve the right at any time prior to the AGM to make amendments to the New Share Award Plan as they may consider necessary or appropriate provided that such amendments do not conflict in any material aspect with the summary set out in this Appendix I.

1. PURPOSE AND OBJECTIVES OF THE NEW SHARE AWARD PLAN

The purpose of the proposed adoption of the New Share Award Plan is, through an award of Shares, to (i) recognise and reward the contribution of certain Eligible Participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group.

2. ADMINISTRATION

The New Share Award Plan shall be subject to the administration of the Board whose decisions on all matters arising in relation to the New Share Award Plan or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby, provided that such administration shall not prejudice the powers of the Agent as provided under the Deed of Escrow Agreement.

The Board will also have final discretion on how the rules set forth in this New Share Award Plan are applied and administered for Selected Participants who reside outside of Hong Kong for the purpose of complying with overseas securities laws and restrictions provided that such application and administration shall in all respects be subject to the Company's compliance of the Listing Rules at all times.

3. ELIGIBILITY

The following classes of participants are eligible for participation in the New Share Award Plan:

- (a) any Employee Participant;
- (b) any Related Entity Participant; and
- (c) any Service Provider Participant.

The Service Provider Participants include any person (natural person or corporate entity) that falls under one of the below sub-categories and that provides services to any member of the Group on a continuing and recurring basis in its ordinary course of business which are in the interests of the long-term growth of the Group, as determined by the Board pursuant to the criteria set out below:

- (a) suppliers of services to any member of the Group;
- (b) advisors (professional or otherwise) or consultants; and
- (c) independent contractors,

excluding (A) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and (B) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

The eligibility criteria for each category of the Service Provider Participants shall be as follows:

	Category	Eligibility criteria for Service Provider Participants
(i)	suppliers of services to any member of the Group	Those that (a) operate in the industries in which the Group operates from time to time; (b) engage with the Group on a regular or recurring basis; (c) provide significant contribution to the Group and its business.
(ii)	advisors (professional or otherwise) or consultants to any area of business of any member of the Group	Those with specialties or expertise in areas that supplement the Group or with which the Group would consider important to maintain a close business relationship on an ongoing basis; and bring benefits and strategic value to the Group's development and future prospects.
(iii)	Independent contractors	Those that provides advisory services, consultancy services, licensing services, product development services, sales and marketing services and/or other professional services.

The eligibility of any of the Eligible Participants to an Award shall be determined by the Board from time to time on the basis of the Board's opinion as to their contribution and/or future contribution to the development and growth of the Group.

4. SHARES POOL

The Agent may, only for the benefit of specified Selected Participants with outstanding Awards granted to them, by utilising the trust fund of the trust constituted by the Deed of Escrow Agreement to (i) subscribe for new Shares, and/or (ii) purchase the Shares on the Stock Exchange at the prevailing market price (subject to the maximum price as may be from time to time prescribed by the Board) or off-market.

In the event that the Agent effects any purchases by off-market transactions:

- (i) the purchase price for such purchases shall not be higher than the lower of (a) the closing market price on the date of such purchase, and (b) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange; and
- (ii) the purchase shall not be completed unless and until the vendor confirms in writing to the Agent that it is not a Connected Person of the PHL and/or Company, and written consent from the Board for such purchase has been obtained.

The Agent shall set aside from the Shares Pool the number of Awarded Shares that are subject to Awards which have been granted to the Selected Participants pending the transfer and vesting of the Awarded Shares under the Award. The Agent shall hold the Awarded Shares so set aside during the Vesting Period on the terms of the Deed of Escrow Agreement. At any time during any particular financial year, the Board after having regard to all relevant circumstances and affairs of the Group (including without limitation the Group's business and operational conditions, its business plans and cashflow requirements currently and in the near future), may from time to time cause to be paid to the Agent from the Company's resources such amount of moneys which may be utilised by the Agent to subscribe for and/or purchase Shares which will constitute the Shares Pool. The Agent may also utilise Pure Cash Dividends to subscribe for and/or purchase Shares which will constitute the Shares Pool.

5. MAXIMUM NUMBER OF SHARES

(a) Plan Mandate Limit and Service Provider Sublimit

The maximum number of Shares which may be issued in respect of all awards and options to be granted under the New Share Award Plan and other share schemes of the Company will be 118,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of approval of the New Share Award Plan ("**Plan Mandate Limit**"), unless the Company obtains an approval from its Shareholders for refreshment of this Plan Mandate Limit in accordance with paragraph 5(b) below.

The maximum number of Shares which may be newly issued in respect of all Awards granted to Service Provider Participants under the New Share Award Plan will be 59,000,000 Shares, representing 5% of the total number of issued Shares as at the

Adoption Date (“**Service Provider Sublimit**”), unless the Company obtains an approval from its Shareholders for a refreshment of this Service Provider Sublimit pursuant to paragraph 5(b) below.

Awards lapsed in accordance with the terms of the New Share Award Plan will not be regarded as utilised for the purpose of calculating the Plan Mandate Limit or the Service Provider Sublimit.

The Board shall not instruct the Agent to subscribe for and/or purchase any Shares for the purpose of the New Share Award Plan when such subscription and/or purchase will result in the Plan Mandate Limit or the Service Provider Sublimit being exceeded.

(b) Refreshment of the Plan Mandate Limit and Service Provider Sublimit

The Company may seek approval by its shareholders in general meeting for refreshing the Plan Mandate Limit and/or the Service Provider Sublimit after three (3) years from the date of shareholders’ approval for the last refreshment or the adoption of the New Share Award Plan and in accordance with the applicable Listing Rules.

6. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT OTHER THAN ANY DIRECTOR, CHIEF EXECUTIVE OR SUBSTANTIAL SHAREHOLDER OF THE COMPANY

The maximum number of Shares, in a 12-month period up to and including the date of Award, which may be subject to an Award or Awards to a Selected Participant together with any Shares issued and to be issued under any options and awards granted to such Selected Participant under any other share schemes of the Company shall not (i) in aggregate exceed 1% of the issued share capital of the Company in issue; and (ii) exceed any limits applicable to such Selected Participant under the Listing Rules.

7. AWARD OF AWARDED SHARES

The Board shall, subject to and in accordance with the rules of the New Share Award Plan, be entitled (but shall not be bound) to, at any time during the continuation of the New Share Award Plan, make an Award to any of the Eligible Participants (as it shall in its absolute discretion select but excluding any Excluded Participant) such number of issued Shares, fully paid or credited as fully paid.

Any grant of Awards to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of Awards). In addition:

- (a) where any grant of Awards (excluding grant of share options) to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all Awards granted (excluding any Awards lapsed in

accordance with the terms of the New Share Award Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue at the date of such grant; or

- (b) where any grant of Awards to an independent non-executive Director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon the grant of all awards and exercise of all options already granted and the options and awards already granted under other share schemes of the Company (excluding any options or awards lapsed in accordance with the terms of the New Share Award Plan or the other share schemes of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue,

such further grant of Awards must be approved by Shareholders in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules. In particular, the Company shall send a circular to the Shareholders. The Selected Participants, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. The Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

8. DEALING RESTRICTIONS

An Award or, as the case may be, any instruction of the Board to the Agent to acquire Shares for purpose of increasing the Shares in the Shares Pool may not be made or given when inside information has come to the Company's knowledge until (and including) the trading day after such inside information has been published in accordance with the SFO. The Board may not make any Award to any Eligible Participant or give any instruction to the Agent to acquire Shares for the purpose of increasing the Shares in the Shares Pool during the periods or times when such an Award is prohibited under the Listing Rules, any corresponding code or securities dealing restrictions adopted by the Company and all applicable laws from time to time.

Without limiting the generality of the foregoing, no Award may be made and no instruction may be given by the Board to the Agent to acquire Shares for the purpose of increasing the Shares in the Shares Pool during the period commencing one (1) month immediately before the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, no Award may be granted during any period of delay in publishing a results announcement.

Without limiting the generality of the foregoing, no Award may be made and no instruction may be given by the Board to the Agent to acquire Shares with respect to a grant of an Award to an Eligible Participant (including a director of the Company) who is subject to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (“**Model Code**”) during the periods or times in which such Eligible Participant is prohibited from dealing in Shares pursuant to the Model Code.

9. VESTING OF AWARDED SHARES

Subject to the terms and conditions of the New Share Award Plan, the Agent shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares (or net sale proceeds thereof) to which such Selected Participant is entitled under the relevant Award as soon as practicable after the latest of:

- (a) the Earliest Vesting Date as specified in the Award Notice to which such Award relates;
- (b) the receipt by the Agent of the requisite information and documents stipulated by the Agent within the stipulated period; and
- (c) where applicable, the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related Award Notice have been attained or paid and notified to the Agent by the Board in writing.

An Award will not vest unless all relevant conditions to which it is subject have been satisfied, altered, waived or, by the terms of grant, treated as having been waived.

Subject to the terms and conditions of the New Share Award Plan, at any time prior to a Vesting Date, unless the Board otherwise determines, in respect of a Selected Participant who: (a) has died, all the Awarded Shares of the Selected Participant shall be deemed to be vested in respect of that Selected Participant on the day immediately prior to his/her death; or (b) is an employee or a director of the Company, a Subsidiary or a Related Entity has retired at his/her normal retirement date or an earlier retirement date (with prior written agreement given by the Company or the Subsidiary or the Related Entity (as the case may be)), all the Awarded Shares of the Selected Participant shall be deemed to be vested in respect of that Selected Participant on the day immediately prior to his/her retirement date.

If a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner being made to all the Shareholders (or all Shareholders other than the offeror, any persons controlled by the offeror and any persons acting in association or concert with the offeror) becoming or being declared unconditional prior to the vesting of the Awarded Shares, the Selected Participant shall be entitled to, subject to the direction of the Board, be vested with all of his/her Awarded Shares at any time before the expiry of the period of ten (10) Business Days following the date on which the offer becomes or is declared unconditional.

Subject to the Listing Rules, the Board may from time to time, at its discretion, determine the Earliest Vesting Date and other subsequent date(s), if any, upon which the Awarded Shares (or the net sale proceeds thereof) held by the Agent upon trust and which are referable to a Selected Participant shall vest in that Selected Participant.

The Vesting Date in respect of any Award shall be not less than twelve (12) months from the Grant Date, provided that for Employee Participants, the Vesting Date may be less than twelve (12) months from the Grant Date (including the Grant Date) in the following circumstances:

- (a) grants of “make whole” Awards to new Employee Participants to replace share awards such Employee Participants forfeited when leaving their previous employers;
- (b) grants to an Employee Participant whose employment is terminated due to death or disability or retirement or an earlier retirement (with prior written agreement given by the Company or the Subsidiary) or event of force majeure;
- (c) grants with performance-based vesting conditions in lieu of time-based vesting criteria, which allows flexibility for the Company to reward exceptional performers who fulfilled the performance targets in less than 12 months;^{Note 1}
- (d) grants of Awards with accelerated vesting to recruit and/or retain talented personnel taking into account of business needs of the Group, changing market conditions and industry competition;^{Note 2}
- (e) grants of Awards the timing of which is determined by administrative requirements not connected with the performance of the relevant Employee Participant, in which case the Vesting Date may be adjusted to take account of the time from which the Award would have been granted if not for such administrative requirements; or^{Note 3}
- (f) grants of Awards with a mixed vesting schedule such that the Awards vest evenly over a period of twelve (12) months.^{Note 4}

Notes:

1. The Company may choose to impose in the Grant Notice such performance target(s) based on one or more of the factors as listed out in the section headed “(e) Performance target and clawback mechanism” in the Letter from the Board. The Board will have regard to the purpose of the New Share Award Plan in making such determinations, with performance targets generally being in line with common key performance indicators in the industry of the Group, such as quantitative performance targets to be achieved, the Selected Participant’s background/experience, qualitative contributions made or potentially to be made to the Group. The Company will not set artificially low performance target(s) and thus accelerate the vesting period for the purpose of circumventing rule 17.03F of the Listing Rules.

Rather, the circumstance where the Company may allow the vesting period to be accelerated upon the fulfilment of performance target(s) is where the relevant Employee Participant is an exceptional performer who has fulfilled the performance targets in less than 12 months.

The specific circumstances which performance targets may be set in a manner that may be achieved in 12 months range from any specific business or financial performance results, transaction milestones, results of strategic plans, developments or breakthroughs in the Group’s business which the Group targets to reach within 12 months of inception of a business plan/strategy or setting up of business/sales targets.

2. The Company will from time to time launch new products or undergo new business projects for the sustainable growth, expansion and development of the Group’s business, and such plans take time to come to fruition which may not be readily seen in the financial results within a short period of time. It is equally important that during the process, the Company will be able to offer equity incentives to the Employee Participants to retain them for their continual support and operation of such in-progress projects, and to incentivize them to strive for the projects’ success. An accelerated vesting schedule will be particularly important in such circumstances since it provides the Board flexibility to recognize, if it deems fit, certain Employee Participants for their exceptional hard work and dedication in such product launches and business projects notwithstanding that additional time is required for the same to be reflected in the Group’s results. Such flexibility is crucial when market conditions are optimistic and it becomes highly competitive in the Group’s industry to recruit and/or retain talented individuals to support the Group’s operations. For the above reasons, the Company should be allowed discretion to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition.

For example, as at the Latest Practicable Date, the business needs relate to the work in progress of the *Teenage Mutant Ninja Turtles* toy line and *Miraculous: Tales of Ladybug & Cat Noir* toy line as mentioned in the sub-section headed “(a) Eligible Participants” of the Letter from the Board above, which are the two on-going projects that the Group is optimistic about in the coming year. The Board is of the view that by providing an accelerated incentive through a shorter vesting period for certain Employee Participants while in the process of launching certain products would provide an upside to the current business needs of the Group, and to retain them for the continual operation and development of the Group with changing market conditions and industry competitions. Therefore, it is in line with the purpose of the New Share Award Plan.

The Board and the Compensation Committee are of the view that the vesting period (including the circumstances in which a shorter vesting period may apply), as detailed above, enables the Company to offer competitive remuneration and reward packages to Employee Participants, on an ad hoc basis, in such circumstances that would be appropriate and reasonable, which is also in compliance with the Listing Rules. Therefore, the above vesting period is considered appropriate and is in line with the purpose of the New Share Award Plan.

3. The Board and the Compensation Committee are of the view that allowing for acceleration of the vesting period under such circumstances would provide the Company with the flexibility to grant Awards to the relevant Employee Participants under the New Share Award Plan, without being affected by any delays (unexpected or otherwise) due to any administrative or compliance requirements (for example, the management team of the Company will only review and assess if any

grants should be made to the Employee Participants on a regular basis and make such grants in batches, and there might be delays (i.e. having to wait for a subsequent batch) in rewarding certain Employee Participants for their outstanding performance while going through the administrative process and obtaining necessary approvals) that are not connected with the performance of the relevant Employee Participant. The Board and the Compensation Committee consider that a shorter vesting period under such circumstances to reward the Employee Participants for their contributions and performance is fair and reasonable, which is also in consistent with the Listing Rules (and FAQ 092-2022) and arrangement of other listed issuers. Therefore, it is considered appropriate and is in line with the purpose of the New Share Award Plan.

4. The Board or the Compensation Committee may consider granting Awards to the Employee Participants in different batches spread evenly over a period of 12 months in circumstances where the Company is optimistic about a certain business/development plan that is a work-in-progress, for the purposes of providing incremental incentives as the business/development continues to develop. Since the reward under in the form of equity incentive materializes incrementally over the 12-month period, it will offer the Group better flexibility to retain Employee Participants for the continual operation and development of the business/development plan of the Group. Therefore, the Company believes that such vesting schedule is reasonable and aligns with the purposes of the New Share Award Plan.

10. LAPSE OF AWARDS

Any Award made to Selected Participant(s) shall lapse forthwith and be cancelled on the occurrence of any of the following (unless the Board otherwise determines not to consider such an Award to have lapsed):

- (a) a Selected Participant ceases to be an Employee Participant or Related Entity Participant other than due to retirement or death or due to the reasons specified in sub-paragraph 10(c) below (including without limitation, ceasing to be an Employee Participant or Related Entity Participant by virtue of a corporate reorganization of the Group or the Related Entity); or
- (b) the Subsidiary or Related Entity by which a Selected Participant is employed ceases to be a Subsidiary or Related Entity of the Company (or of a member of the Group); or
- (c) the relationship or engagement between the member of the Group or the Related Entity and the Selected Participant terminates by any of the following reasons that: (i) the Selected Participant that has committed any breach of any contract (including any service contracts) entered into between the Selected Participant on one part and any member of the Group or the Related Entity on the other part; or (ii) the Selected Participant is convicted of any offence; (iii) the Selected Participant could no longer make any contribution to the growth and development of any member of the Group. In case there is a legal dispute, a resolution of the board of directors of the member of the Group or the Related Entity (as the case may be) to the effect that the relationship or engagement between the relevant member of the Group or the Related Entity and the Selected Participant has or has not been terminated on one or more of the three specified grounds shall be conclusive; or
- (d) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; or

- (e) a Selected Participant is found to be an Excluded Participant; or
- (f) a Selected Participant fails to return duly executed transfer documents prescribed by the Agent for the relevant Awarded Shares within the stipulated period; or
- (g) a Selected Participant is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her/its creditors.

In the event of lapse of any Award, the Award or the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and all the Awarded Shares or the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the New Share Award Plan.

Where any Award is specified in the Grant Notice to be satisfied by an allotment and issue of new Shares, the Board may in its sole discretion, determine to cancel the Award made to such Selected Participant where reasonable efforts have been made by the Company to obtain the approval of the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Shares to be allotted and issued pursuant to a relevant Award (“**Listing Approval**”), but such Listing Approval was not granted, and the Board shall notify the Selected Participant and the Agent in writing accordingly.

11. PERFORMANCE TARGETS

Unless otherwise determined by the Board and specified in the Grant Notice, vesting of Awards is not subject to any performance target that needs to be achieved by the Selected Participant.

12. AMOUNT PAYABLE ON APPLICATION OR ACCEPTANCE OF AN AWARD

No amount is payable on application or acceptance of an Award.

13. PURCHASE PRICE OF AWARDED SHARES

The Selected Participant is not required to pay any purchase price to receive the Awarded Shares comprising an Award.

14. VOTING AND DIVIDEND RIGHTS

The Agent shall not exercise the voting rights in respect of any Shares held under the trust constituted by the Deed of Escrow Agreement. In particular, the Agent holding unvested Shares under the New Share Award Plan, whether directly or indirectly, shall abstain from voting on matters that require Shareholders’ approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner’s direction and such a direction is given.

Any dividends and other distributions declared and made in respect of any Awarded Shares during the Vesting Period shall be held by the Agent in accordance with the terms of the New Share Award Plan and the Deed of Escrow Agreement and treated and dealt with as income of the trust (except in the case of Related Scrip Dividend (if any)) constituting the Deed of Escrow Agreement generally.

15. DURATION AND TERMINATION OF THE NEW SHARE AWARD PLAN

Subject to early termination, the New Share Award Plan shall be valid and effective for a term of 10 years commencing on the Adoption Date, after which period no further Awards shall be made but the provisions of the New Share Award Plan shall remain in full force and effect the extent necessary to give effect to any Awards made prior thereto and the administration of the trust property held by the Agent pursuant to the Deed of Escrow Agreement.

The New Share Award Plan shall terminate on the earlier of (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board and notified to the Agent in writing, provided that such termination shall not affect any subsisting rights of any Selected Participant(s).

Upon termination of the New Share Award Plan:

- (a) Subject to the decision of the Board and in the event that the Selected Participant died or retired as provided in the paragraph headed “9. Vesting of Awarded Shares” of this Appendix I, all the Awarded Shares shall become vested in the Selected Participant on such date of termination, save in respect of the events of lapse of all the Awarded Shares pursuant to the terms of the New Share Award Plan;
- (b) Returned Shares and such non-cash income remaining in the trust fund shall be sold by the Agent, within twenty-one (21) Business Days (on which the trading of the Shares has not been suspended) of receiving notice of such termination of the New Share Award Plan (or such longer period as the Board may otherwise determine);
- (c) Residual Cash, net proceeds of sale referred to in preceding paragraph (b) above and such other funds remaining in the trust constituted by the Deed of Escrow Agreement (after making appropriate deductions in respect of all disposal costs, liabilities and expenses in accordance with the Deed of Escrow Agreement) shall be remitted to the Company forthwith after the sale. For the avoidance of doubt, the Agent may not transfer any Shares to the Company nor may the Company otherwise hold any such Shares as described in the preceding paragraph (b) above whatsoever (other than its interest in the proceeds of sale of the same).

16. ADJUSTMENTS AND EFFECT OF ALTERATION OF CAPITAL STRUCTURE

If the Company conducts a Relevant Event while any Award remains outstanding, the maximum number of Shares that may be issued by the Company, subscribed for by the Agent pursuant to the New Share Award Plan and all other share option schemes and share award scheme of the Company under the unutilised Plan Mandate Limit or the Service Provider Sublimit shall be adjusted accordingly, with reference to the total number of issued Shares at the date immediately before and after such Relevant Event and rounded to the nearest whole Share, such that the Selected Participants will be entitled to the same proportion of the Company's equity capital as to which such Selected Participants was previously potentially entitled to under the relevant outstanding Awards.

Upon the occurrence of any Relevant Event, the number of Awarded Shares may be adjusted in a manner as determined by the Board to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits which the Selected Participants are potentially entitled under the outstanding Awards granted. The adjustment must give a Selected Participant the same proportion of the Awarded Shares, rounded to the nearest whole share, as that to which that person was previously potentially entitled under an outstanding Award, but no such adjustment may be made to the extent that a Share would be issued at less than its nominal or par value. All fractional Shares (if any) arising out of such Relevant Event shall be deemed as Returned Shares and shall not be transferred to the relevant Selected Participant on the relevant vesting date.

In respect of any the aforesaid adjustments, other than any made on a capitalisation issue, an independent financial adviser or the Company's auditors must confirm to the Directors in writing that the adjustments satisfy the requirements under the Notes to Rule 17.03(13) of the Listing Rules.

17. RANKING OF SHARES

The Awarded Shares shall be identical to all existing issued Shares and shall be allotted and issued subject to all the provisions of the bye-laws of the Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue, save that the Selected Participants shall not have any voting rights, or rights to participate in any Pure Cash Dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders prior to vesting.

With respect to any dividends declared by the Company and in connection with which the Company allows its Shareholders to elect to receive Shares in lieu of cash (as provided for in the relevant announcement and/or circular of the Company), then in respect of the Awarded Shares held by the Agent which have not vested, the Agent shall (unless objected to by written notice of the Board) elect to receive Shares in lieu of cash in respect of such dividends, and Related Scrip Dividend accrued on the respective batch of Awarded Shares subject to each outstanding Award shall be set aside for the relevant Selected Participant, the legal and beneficial ownership of which shall be transferred to the relevant Selected Participant together with the number of original Awarded Shares at vesting. For the avoidance of doubt, no Selected Participants shall have any right to give any direction to the Agent in relation to the making of the said election.

18. TRANSFERABILITY

An Award shall be personal to the Selected Participant and shall not be transferable or assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any security or adverse interest whatsoever in favour of any third party over or in relation to an Award or enter or purport to enter into any agreement to do so. Any breach of the foregoing by any Selected Participant shall entitle the Company to cancel the Award made to such Selected Participant, and the Board shall notify the Agent in writing accordingly.

19. CANCELLATION OF AWARDS

Where the Company cancels any Award granted to a Selected Participant, and makes a new grant of Award to the same Selected Participant, such new grant of Award may only be made under the New Share Award Plan with available Plan Mandate Limit approved by Shareholders. The Award cancelled will be regarded as utilised for the purpose of calculating the Plan Mandate Limit and Service Provider Sublimit.

20. ALTERATION OF THE NEW SHARE AWARD PLAN

Subject to compliance with the relevant requirements under the Listing Rules, the rules of the New Share Award Plan may be altered by the prior sanction of a resolution passed by the Board provided that no such alteration shall operate to affect adversely any rights of any Selected Participant in respect of his/her Awarded Shares which remain unvested except with the consent in writing of the majority of the Selected Participants whose Awarded Shares remained unvested on that date (but, for the avoidance of doubt, excluding for this purpose any such Shares in respect of which that date is a Vesting Date), as would be required of the holders of Shares under the Bye-laws for a variation of the rights attached to such Shares. The amended terms of the rules of the New Share Award Plan must comply with all applicable laws, rules and regulations (including without limitation the Listing Rules). Any alteration to the rules of the New Share Award Plan which are of material nature or relating to the matters as set out in Rule 17.03 of the Listing Rules to the advantage of Eligible Participants must be approved by the Shareholders in general meeting.

Any change made to the terms of the Awards granted to a Selected Participant must be approved by the Board, the Compensation Committee, the independent non-executive Directors and/or Shareholders (as the case may be) if the initial grant of the Awards was approved by the Board, the Compensation Committee, the independent non-executive Directors and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the New Share Award Plan.

Any change to the authority of the Directors or scheme administrators to alter the terms of the New Share Award Plan must be approved by the Shareholders in general meeting.

APPENDIX II REPURCHASE MANDATE EXPLANATORY STATEMENT

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate and should be read in conjunction with the letter from the Board hereinbefore appearing.

1. SHARE CAPITAL

As at the Latest Practicable Date, the entire issued share capital of the Company comprised 1,180,000,000 Shares.

Subject to the passing of the ordinary resolution to approve the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 118,000,000 Shares.

2. FUNDING OF REPURCHASES

Repurchases would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available for the purpose in accordance with the Bye-laws and the laws of the jurisdiction in which the Company is incorporated.

The Companies Act 1981 of Bermuda provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares or the funds of the Company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of shares made for the purpose. The amount of premium payable on repurchase may only be paid out of the funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company.

3. FINANCIAL EFFECT OF REPURCHASES

In the event that the share repurchase proposed to be authorised were to be carried out in full at any time during the proposed repurchase period, there might be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Company's audited accounts for the year ended 31 December 2022). However, the Directors have no current intention to exercise the Repurchase Mandate to an extent that might result in, having regard to the relevant circumstances, a material adverse impact on the working capital or gearing position of the Company.

APPENDIX II REPURCHASE MANDATE EXPLANATORY STATEMENT

4. SHARE PRICES

The highest and lowest prices at which Shares have been traded on the Stock Exchange during each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2022	0.490	0.430
May 2022	0.510	0.435
June 2022	0.550	0.470
July 2022	0.510	0.440
August 2022	0.640	0.480
September 2022	0.620	0.530
October 2022	0.600	0.500
November 2022	0.590	0.470
December 2022	0.610	0.540
January 2023	0.600	0.530
February 2023	0.600	0.530
March 2023	0.620	0.550

5. EFFECT OF TAKEOVERS CODE

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the ordinary resolution to be proposed at the Annual General Meeting in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Takeovers Code.

As a result, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

The following table sets out the interests of substantial Shareholders which fall to be disclosed to the Company under Part XV of the SFO as at the Latest Practicable Date.

APPENDIX II REPURCHASE MANDATE EXPLANATORY STATEMENT

Name	Total no. of Shares held	% of Shares
Chan Chun Hoo, Thomas	626,000,000 (<i>Note 1</i>)	53.05%
TGC Assets Limited	626,000,000 (<i>Note 2</i>)	53.05%
Playmates Holdings Limited	600,000,000 (<i>Note 3</i>)	50.85%
PIL Management Limited	600,000,000 (<i>Note 3</i>)	50.85%
PIL Investments Limited	600,000,000 (<i>Note 3</i>)	50.85%
PIL Toys Limited	600,000,000	50.85%

Notes:

- (1) Mr. Chan Chun Hoo, Thomas (“**Mr. Chan**”) is the beneficial owner of all of the issued share capital of TGC Assets Limited (“**TGC**”) and is therefore deemed to be interested in the 626,000,000 Shares in aggregate which TGC is interested in.
- (2) TGC is directly interested in 26,000,000 Shares. Furthermore, since TGC directly owns approximately 51.78% of the shareholding of PHL and it is also deemed to be interested in the 600,000,000 Shares in aggregate which PHL is interested in.
- (3) PIL Management Limited is a wholly-owned subsidiary of PHL; PIL Investments Limited is a wholly-owned subsidiary of PIL Management Limited; and PIL Toys Limited is a wholly-owned subsidiary of PIL Investments Limited. PHL, PIL Management Limited and PIL Investments Limited are therefore deemed to be interested in the 600,000,000 Shares in which PIL Toys Limited is beneficially interested in.

In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, then the respective shareholding of (i) Mr. Chan and TGC; and (ii) PHL, PIL Management Limited, PIL Investments Limited and PIL Toys Limited would be increased to approximately 58.95% and 56.50%. In the opinion of the Directors, such increase would not give rise to a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code. The Directors shall ensure that no share repurchase would result in the aggregate number of Shares held by public Shareholders falling below the minimum percentage specified by the stock exchange in respect of the Company.

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, their close associates has any present intention to sell any Shares to the Company under the Repurchase Mandate if such Repurchase Mandate is approved by the Shareholders.

None of the core connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

APPENDIX II REPURCHASE MANDATE EXPLANATORY STATEMENT

6. SHARE REPURCHASES MADE BY THE COMPANY

No share repurchases have been made by the Company on the Stock Exchange in the previous six months.

7. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders as a whole for the Directors to have the power to repurchase Shares pursuant to the Repurchase Mandate. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per share of the Company and will only be made when the Directors believe that such a share repurchase will benefit the Company and its Shareholders as a whole.

APPENDIX III DETAILS OF THE DIRECTORS TO BE ELECTED

Pursuant to the Listing Rules, the details of the Directors to be elected at the forthcoming Annual General Meeting are provided below:

IP Shu Wing, Charles

Independent Non-executive Director

Mr. Ip, aged 72, was appointed a director of the Company in May 2021. He has 40 years of experience in business management and has held a number of key management positions in various multi-national corporations. Mr. Ip was an independent non-executive director of PHL until 21 May 2021. Apart from the above disclosed, Mr. Ip has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

Mr. Ip has entered into a service contract with the Company for a term of three years commencing from 21 May 2021, subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Bye-laws. Pursuant to the terms of the service contract, he will be entitled to a fixed sum of HK\$330,000 (or such other fixed fee as the Compensation Committee may recommend from time to time) for each financial year of the Company as ordinary remuneration in respect of his capacity as a member of the Board which is determined with reference to the remuneration policy of the Group and recommendation from the Compensation Committee.

He does not hold any position with the Company and other members of the Group. He does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Ip is deemed to be interested, within the meaning of Part XV of the SFO, in 2,487,026 shares of the Company, which represents approximately 0.21% of the total issued share capital of the Company and 3,320,800 shares of PHL, which represents approximately 0.16% of the total issued share capital of PHL.

The Directors consider that Mr. Ip will contribute to the Board on the development of the Company's strategy and policies by his skills and expertise. His extensive experience in commercial and business management will also contribute to the diversity of the Board. The nomination has been considered in accordance with the Nomination Policy and the objective criteria therein (including but not limited to skills, knowledge, experience, expertise, professional and educational qualifications), with due regard for the benefits of diversity as set out in the Board Diversity Policy. Mr. Ip has given a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules to the Company. The Board and the Nomination Committee of the Company have assessed his independence and are not aware of any circumstance that might influence Mr. Ip in exercising independent judgement. The Board is satisfied of the independence of Mr. Ip. The Board recommends Mr. Ip to be re-elected.

There is no other information relating to Mr. Ip that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

YU Hon To, David*Independent Non-executive Director*

Mr. Yu, aged 74, was appointed a director of the Company in May 2021. He is a fellow member of The Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance.

He is an independent non-executive director of various listed companies in Hong Kong including MS Group Holdings Limited, China Resources Gas Group Limited, Keck Seng Investments (Hong Kong) Limited and One Media Group Limited. All these companies are listed on the main board of the Stock Exchange. He is also a non-executive director of Haier Smart Home Co., Limited, the shares of which are listed on Shanghai Stock Exchange and the main board of the Stock Exchange. In the last three years, he was an independent non-executive director of Haier Electronics Group Co., Limited, Media Chinese International Limited, Playmates Holdings Limited, China Renewable Energy Investment Limited and New Century Asset Management Limited, the Manager of New Century Real Estate Investment Trust, all currently or previously listed on the Stock Exchange. Apart from the above disclosed, Mr. Yu has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

Mr. Yu has entered into a service contract with the Company for a term of three years commencing from 21 May 2021, subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Bye-laws. Pursuant to the terms of the service contract, he will be entitled to a fixed sum of HK\$330,000 (or such other fixed fee as the Compensation Committee may recommend from time to time) for each financial year of the Company as ordinary remuneration in respect of his capacity as a member of the Board which is determined with reference to the remuneration policy of the Group and recommendation from the Compensation Committee.

He does not hold any position with the Company and other members of the Group. He does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Yu was deemed to be interested, within the meaning of Part XV of the SFO, in 1,241,600 shares of the Company, which represents approximately 0.11% of the total issued share capital of the Company and 5,700,000 shares of PHL, which represents approximately 0.27% of the total issued share capital PHL.

The Directors consider that Mr. Yu will contribute to the Board on the development of the Company's strategy and policies by his skills, expertise and qualifications. His extensive experience in commercial, finance and investment management will also contribute to the diversity of the Board. The nomination has been considered in accordance with the Nomination Policy and the objective criteria therein (including but not limited to skills, knowledge, experience, expertise, professional and educational qualifications), with due regard for the benefits of diversity as set out in the Board Diversity Policy. Mr. Yu has given a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules to the Company. The Board and the Nomination Committee of the Company have assessed his

APPENDIX III DETAILS OF THE DIRECTORS TO BE ELECTED

independence and are not aware of any circumstance that might influence Mr. Yu in exercising independent judgement. The Board is satisfied of the independence of Mr. Yu. The Board recommends Mr. Yu to be re-elected.

There is no other information relating to Mr. Yu that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

CHAN, Helen

Executive Director

Ms. Chan, aged 43 is proposed by the Board to be appointed as an executive director of the Company at the AGM. She graduated magna cum laude from Yale University in 2001 with a bachelor's degree in Economics. She subsequently worked in New York City as a consultant with one of the leading financial consulting firms for 2 years. She then obtained her Masters of Business Administration in Marketing and Finance at the Wharton School of Business in 2005.

After graduating business school, Ms. Chan pursued a career in retail with one of the largest global luxury retailers. She joined the company as a Merchandising Senior Analyst in their New York headquarters. Her responsibilities increased over time as she rotated through various teams in the organization. She was then transferred to Hong Kong in 2009 to assist with the regionalization initiative of the company. She was promoted to Director of Asia Merchandising in 2011 where she was responsible for spearheading the merchandising needs of the region.

In 2014, after 9 years in the retail industry, Ms. Chan joined PHL where she is responsible for the management of the real estate portfolio and treasury investments.

Ms. Chan is an executive director of PHL. She is also a director of a number of subsidiaries of the Company. Apart from the above disclosed, Ms. Chan has not held any directorship in any other listed companies in the last three years.

Ms. Chan is proposed to be appointed for a fixed term of three years commencing on the date of the Annual General Meeting pursuant to a service agreement to be entered into between the Company and Ms. Chan, and will be subject to re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Bye-laws. Ms. Chan will be entitled to a fixed sum of HK\$10,000 (or such other fixed fee as the Compensation Committee may recommend from time to time) for each financial year of the Company as ordinary remuneration in respect of her capacity as a member of the Board which is determined with reference to the remuneration policy of the Group and recommendation from the Compensation Committee.

APPENDIX III DETAILS OF THE DIRECTORS TO BE ELECTED

Apart from being the daughter of Mr. Chan Chun Hoo, Thomas who is a substantial shareholder of the Company, the sister of Mr. Chan Kwong Fai, Michael who is the Chairman of the Company and PHL and the sister of Mr. Chan Kong Keung, Stephen who is an executive director of the Company and PHL, Ms. Chan does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Ms. Chan was deemed to be interested, within the meaning of Part XV of the SFO, in 28,000,000 shares of PHL and in 1,000,000 share options of the Company.

There is no other information relating to Ms. Chan that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there are no other matters that need to be brought to the attention of the shareholders of the Company.

**PLAYMATES TOYS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 869)

Unless otherwise specified, terms defined in this notice shall have the same meanings in the circular of the Company dated on the same day as this notice (the “**Circular**”)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Playmates Toys Limited (the “**Company**”) will be held at 11/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 19 May 2023 at 10:30 a.m. for the following purposes:

1. To receive and consider the accounts and the reports of the directors and auditors of the Company for the year ended 31 December 2022;
2. (a) To re-elect the retiring directors of the Company, including:
 - (i) Mr. Ip Shu Wing, Charles;
 - (ii) Mr. Yu Hon To, David;
- (b) To approve the appointment of Ms. Chan, Helen as a director of the Company;
3. To appoint Grant Thornton Hong Kong Limited as the auditors of the Company; and
4. As special business to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS**A. “THAT:**

- (a) the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to repurchase shares of HK\$0.01 each in the capital of the Company, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares of the Company which may be repurchased by the Company on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the

Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of issued shares of the Company on the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company’s bye-laws (“**Bye-laws**”) to be held; or
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

B. **“THAT:**

the granting of an unconditional general mandate to the directors of the Company to issue, allot and deal with unissued shares in the capital of the Company, and to make or grant offers, agreements and options or other rights, and issue warrants and other securities, which would or might require the exercise of such power, subject to the following conditions, be and is hereby generally and unconditionally approved:

- (a) such mandate shall not extend beyond the Relevant Period (as defined below) save that the directors of the Company may during the Relevant Period make or grant offers, agreements and options or other rights, and issue warrants and other securities, which would or might require the exercise of such powers after the expiry of the Relevant Period;
- (b) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the mandate granted under this Resolution otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) any share option plan or similar arrangement of the Company from time to time adopted for the grant or issue to eligible participants under such plan and arrangement of the Company and/or any of its subsidiaries of shares or rights to subscribe or otherwise acquire shares of the Company; (iii) the exercise

of the subscription rights attaching to warrants; (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company; (v) any adjustment, after the date of grant or issue of any options, warrants or other securities referred to above, in the price at which shares shall be subscribed, and/or the number of shares which shall be subscribed, on exercise of relevant rights under such options, rights to subscribe, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, warrants or other securities; or (vi) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20% of the total number of issued shares of the Company as at the date of passing this Resolution, and the said approval under this Resolution shall be limited accordingly;

(c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company’s bye-laws to be held; or
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company made to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong).”

C. **“THAT**, conditional upon the passing of Resolution No. 4A set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot shares pursuant to Resolution No. 4B set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted or agreed conditionally or unconditionally to

be allotted by the directors of the Company pursuant to such general mandate, of an aggregate number of shares of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 4A set out in the notice convening this meeting, provided that such number shall not exceed 10% of the total number of issued shares of the Company as at the date of passing this Resolution.”

- D. **“THAT:** conditional upon the fulfilment of all conditions as set out in the Circular in respect of the adoption of the New Share Award Plan, the rules of the New Share Award Plan (a copy of which has been tabled at the meeting marked “A” and signed by the Chairman for purpose of identification) be and are hereby approved;

AND the directors of the Company be and are hereby authorized to do all such acts and things as they consider necessary or expedient at their absolute discretion to give effect to the transactions contemplated by and implement the New Share Award Plan, including but without limitation:

- (a) to administer or authorize the Board to administer the New Share Award Plan under which Awards will be awarded to the Eligible Participants under the New Share Award Plan, including but not limited to determining and granting the Awards in accordance with the terms of the New Share Award Plan;
- (b) to modify and/or amend the New Share Award Plan from time to time provided that such modification and/or amendment is effected in accordance with the terms of the New Share Award Plan and subject to the Listing Rules;
- (c) to allot and issue from time to time such Shares which shall not in aggregate exceed 10% of the total number of Shares outstanding as at the date of approval of the New Share Award Plan by the Shareholders, as may be required to be allotted and issued pursuant to the grant of the Awards under the New Share Award Plan and subject to the Listing Rules;
- (d) to allot and issue to Service Provider Participants from time to time such Shares which shall not in aggregate exceed 5% of total number of Shares outstanding as at the date of approval of the New Share Award Plan by the Shareholders, as may be required to be allotted and issued pursuant to the grant of the Awards under the New Share Award Plan and subject to the Listing Rules; and
- (e) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Award Plan.”

- E. “**THAT:** conditional on the passing of the ordinary resolution No. 4D set out in the notice convening this meeting and adoption of the New Share Award Plan, the Service Provider Sublimit on the total number of Awarded Shares that may be issued in respect of all Awards to be granted to Service Provider Participants under the New Share Award Plan be and is hereby approved and adopted and the Directors be and are hereby authorised to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as the Directors may consider necessary, desirable or expedient to effect and implement the Service Provider Sublimit.”
- F. “**THAT** subject to and conditional upon passing of the ordinary resolution No. 4D set out in the notice convening this meeting, the 2018 Share Option Scheme of the Company adopted by the Company on 21 May 2018 be and is hereby terminated upon the New Share Award Plan becoming effective (after the fulfilment of all the conditions as set out in the New Share Award Plan).”

By Order of the Board
Ng Ka Yan
Company Secretary

Hong Kong, 26 April 2023

Notes:

1. All registered shareholders will be able to join the Annual General Meeting.
2. Any registered shareholder entitled to attend and vote at the Annual General Meeting convened by this notice is entitled to appoint one or more (if he/she/it holds two or more Shares) proxies to attend and vote in his/her/its stead. A proxy need not be a Shareholder of the Company.
3. In order to be valid, the completed form of proxy together with a power of attorney or other authority (if any) under which it is signed (or a notarial certified copy of that power or other authority) must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof (as the case may be).
4. Completion and return of the form of proxy will not preclude a member from attending and voting at the Annual General Meeting or at any adjournment thereof (as the case may be) and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In order to determine the entitlement to attend and vote at the AGM to be held on Friday, 19 May 2023, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on the record date, i.e. 12 May 2023.