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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Playmates Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



CIMB-GK Securities (HK) Limited

A notice convening a special general meeting of the Company to be held at 22/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 3 March 2009 at 9:00 a.m. is contained in page 24 of this document. Whether or not you are able to attend the special general meeting, you are requested to complete and return the form of proxy enclosed with this document, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the special general meeting to the branch share registrars of the Company, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong. Completion of the form of proxy shall not preclude you from attending and voting at the special general meeting should you so wish.

Please note that NO refreshments will be served at the special general meeting.

13 February 2009

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Agreement”	the conditional Agreement dated 4 February 2009 entered into between the Company and PTL in respect of the Charge on Deposit;
“AIL”	Angers Investments Limited, a substantial shareholder of both the Company and PTL, the entire issued share capital of which is beneficially owned by Mr. Chan;
“Annual Cap”	the sum of HK\$80 million;
“associate”	has the meaning ascribed to it under the Listing Rules;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Banking Facilities”	the revolving banking facilities which are subsisting and/or to be renewed in respect of the existing facilities to the PTL Group;
“Board”	the board of directors of the Company;
“Charge on Deposit”	the securities in the form of charge(s) on cash deposit(s) maintained with the relevant Principal Bankers proposed to be given by the Company or a subsidiary within the Group in connection with the Banking Facilities;
“Company”	Playmates Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“Group”	the Company and its subsidiaries, excluding the PTL Group;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Lee Peng Fei, Allen, Mr. Lo Kai Yiu, Anthony and Mr. Yu Hon To, David, being all the independent non-executive directors of the Company;

DEFINITIONS

“Independent Financial Adviser”	CIMB-GK Securities (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting at the SGM;
“Latest Practicable Date”	10 February 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Chan”	Mr. Chan Chun Hoo, Thomas, the chairman of the Board and board of directors of PTL respectively;
“Principal Bankers”	certain current principal bankers of PTL, all of whom are independent third parties not connected with the Company or PTL, and each, a “Principal Banker”;
“PTL”	Playmates Toys Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“PTL Group”	PTL and its subsidiaries;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the shareholders of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement, the transactions contemplated thereunder and the Annual Cap;
“Shareholders”	holders of shares of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

LETTER FROM THE BOARD



PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)

Mr. CHAN Chun Hoo, Thomas *(Chairman and Executive Director)*
Mr. CHENG Bing Kin, Alain *(Executive Director)*
Mr. IP Shu Wing, Charles *(Non-executive Director)*
Mr. LEE Peng Fei, Allen *(Independent Non-executive Director)*
Mr. LO Kai Yiu, Anthony *(Independent Non-executive Director)*
Mr. TO Shu Sing, Sidney *(Executive Director)*
Mr. TSIM Tak Lung *(Deputy Chairman and Non-executive Director)*
Mr. YU Hon To, David *(Independent Non-executive Director)*

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office:

21/F., The Toy House
100 Canton Road
Tsimshatsui, Kowloon
Hong Kong

13 February 2009

To the Shareholders and holders of the share options of the Company

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. BACKGROUND

The Company indirectly owns and controls approximately 54.8% of PTL. Consequently, the Company is a connected person of PTL under the Listing Rules. Mr. Chan, being a director and the ultimate controlling shareholder (as defined in the Listing Rules) of the Company and hence a connected person of the Company, holds directly and indirectly through AIL an aggregate of approximately 18.99% of PTL, which results in PTL being a connected person of the Company.

2. THE CHARGE ON DEPOSIT

The Principal Bankers of PTL have agreed in principle to renew the relevant expiring banking facilities given to the PTL Group and/or to allow the PTL Group to continue utilising the relevant subsisting banking facilities given to the PTL Group, upon terms to be finalised and subject to the execution of the relevant facilities agreements. As requested by each Principal Banker concerned, the availability of the relevant Banking Facilities from the bank is conditional upon the Company or a subsidiary within the Group providing them with the relevant Charge on Deposit.

* For identification purpose only

LETTER FROM THE BOARD

3. THE AGREEMENT

Date: 4 February 2009

Parties: (1) the Company; and
(2) PTL

Conditions Precedent

The Agreement is conditional upon: (1) the necessary approval for the provision of the Charge on Deposit by the Group having been duly obtained from the Independent Shareholders; and (2) the relevant Charge on Deposit having been duly executed by the relevant subsidiary of the Group.

Unless otherwise agreed by the parties, if the above conditions precedent cannot be fulfilled by 30 April 2009, the Agreement shall automatically terminate with immediate effect and all the rights and obligations of the parties hereto shall cease immediately upon termination.

If the above conditions precedent can be duly fulfilled, the Company shall procure a subsidiary within the Group to provide the Charge on Deposit to the relevant Principal Bankers in connection with the Banking Facilities, subject to the terms therein.

The principal terms under the Agreement for the provision of the Charge on Deposit are as follows:

Principal Terms

- (a) The maximum liability of the Group under the Charge on Deposit for the payment obligations of the PTL Group to the relevant Principal Bankers in respect of the Banking Facilities shall be for an aggregate amount of not exceeding HK\$80 million.
- (b) The term of the Charge on Deposit shall be for one year, with the total exposure of the Group under the Charge on Deposit up to the Annual Cap.
- (c) The maximum amount of deposit(s) to be charged pursuant to the Charge on Deposit shall be up to HK\$80 million. The Company shall only be required to procure its subsidiary to place the deposit(s) for the Charge on Deposit when the PTL Group draws the relevant amount of the Banking Facilities, and the amount of deposit(s) to be placed by such subsidiary of the Group for the Charge on Deposit shall be equivalent to the corresponding amount of the Banking Facilities to be drawn down by the PTL Group.
- (d) PTL undertakes to the Company that the PTL Group will not draw the Banking Facilities to such extent which will result in the Group's total exposure under the Charge on Deposit exceeding the Annual Cap.

LETTER FROM THE BOARD

- (e) The Company shall charge PTL a fee equivalent to 1% per annum of the Annual Cap for the provision of the Charge on Deposit.
- (f) It is currently expected the Charge on Deposit shall substantially contain the following principal terms:
 - (i) the relevant subsidiary of the Group shall charge the relevant deposit as security for the repayment of all the indebtedness owing to the relevant Principal Banker by the PTL Group;
 - (ii) if the PTL Group fails to pay any sum as secured under the Charge on Deposit when due, the relevant Principal Banker concerned shall be entitled to apply the relevant deposit towards settlement of the sum so secured; and
 - (iii) such other terms as customarily seen in a usual charge on cash deposit given in favour of a bank in Hong Kong.

In the event that the actual terms of the Charge on Deposit have any material deviation from the above principal terms to be substantially contained in the Charge on Deposit, the Company will re-comply with the applicable requirements in the Listing Rules in this regard.

Annual Cap

The amount of the Annual Cap is determined by the Board on a commercial basis, having regard to (i) the increasing difficulty for the PTL Group to secure the required Banking Facilities from the Principal Bankers without the support of the Charge on Deposit from the Group and (ii) the funding requirement of the PTL Group. The fee charged by the Company which is equivalent to 1% per annum of the Annual Cap for the provision of the Charge on Deposit is determined with reference to recent similar transactions and the amount which may be charged by the Principal Bankers for provision of guarantees.

4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board has considered the following key factors in arriving at the conclusion that the Company should enter into the proposed transactions:

- (i) The Banking Facilities to be renewed and/or relaxed for drawdown by the Principal Bankers have been and will continue to be used by the PTL Group to finance its seasonal cash flow for general operation or as general working capital.

In view of the current unprecedented global financial crisis and recessionary economic environment ignited by the series of high profile failures of major U.S. and European financial institutions in the late third and fourth quarters of 2008, banking institutions are reluctant to extend loans or other forms of trade credit and borrowing facilities. Under these circumstances, it has become increasingly difficult under the said current environment for the PTL Group to secure the required Banking Facilities from the Principal Bankers without the support of securities acceptable to the Principal Bankers.

LETTER FROM THE BOARD

- (ii) The Company indirectly owns approximately 54.8% of the issued share capital of PTL which forms a significant part of its investment portfolio. The Company intends to maintain and protect its investment in PTL and the Board believes it is in the best interest of the Company to provide the Charge on Deposit to support the business operation and the long term growth of the PTL Group. In spite of the prevailing general pessimism in the global economy, the PTL Group has indicated that, while as at the Latest Practicable Date it is unable to predict the financial performance of the PTL Group for 2009, it expects to better perform in 2009 in terms of improvements in sales and operating results on the strength of its product portfolio, including the launch of two major marquee brands supported by worldwide theatrical releases in the first half of the year, which has been disclosed in the interim report of PTL for 2008. Preliminary indications in terms of customer feedback and bookings support these positive expectations.
- (iii) The Charge on Deposit will only be contingent liabilities of the Group and will have no material adverse impact on the operations of the Group or its ability to meet all its liabilities and commitments.
- (iv) The Company will be fairly compensated by PTL for providing the Charge on Deposit.
- (v) It will be more efficient and timely for the Group to provide the requisite financial support in order to make the Banking Facilities available than other limited alternative financial arrangements available to the PTL Group.

Having considered these factors carefully, the Board (including the independent non-executive directors) believes that the support given to the PTL Group by virtue of the Charge on Deposit is beneficial to the Company and its shareholders as a whole, and the proposed arrangement for the provision of the Charge on Deposit are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

The relevant percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Agreement and the transactions contemplated thereunder will exceed 2.5%. Therefore, the Agreement and the transactions contemplated thereunder will constitute non-exempt continuing connected transactions, and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. AIL, which is indirectly controlled by Mr. Chan, given their interests in PTL, are considered to have a material interest in the Agreement and the transactions contemplated thereunder. Accordingly, AIL and its associates will abstain from voting at the SGM on the resolution in relation to the Agreement, the transactions contemplated thereunder and the Annual Cap. As at the Latest Practicable Date, Mr. Chan and his associates together hold approximately 41.41% of all the shareholders' voting rights of the Company.

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Independent Shareholders on the Agreement, the transactions contemplated thereunder and the Annual Cap and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Agreement, the transactions contemplated thereunder and the Annual Cap.

6. GENERAL

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

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

7. SGM

A notice convening the SGM is set out in Appendix II to this circular for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Agreement, the transactions thereunder and the Annual Cap.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM if they so wish.

Under the Listing Rules, the Agreement, the transactions thereunder and the Annual Cap constitute non-exempt continuing connected transactions of the Company and require the approval of the Independent Shareholders at the SGM by vote to be taken by poll. AIL, which is indirectly controlled by Mr. Chan, given their interests in PTL, are considered to have a material interest in the Agreement and the transactions contemplated thereunder. Accordingly, AIL and its associates will abstain from voting at the SGM on the resolution in relation to the Agreement, the transactions contemplated thereunder and the Annual Cap.

8. RECOMMENDATIONS

The directors consider that the terms of the Agreement, the transactions contemplated thereunder and the Annual Cap are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement, the transactions contemplated thereunder and the Annual Cap.

LETTER FROM THE BOARD

9. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Chan Chun Hoo, Thomas
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in relation to the Agreement, the transactions contemplated thereunder and the Annual Cap for inclusion in this circular:



PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 635)

13 February 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 13 February 2009 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder and the Annual Cap, details of which are set out in the Letter from the Board set out on pages 3 to 8 of this Circular.

Having considered the terms of the Agreement, the transactions contemplated thereunder and the Annual Cap, and the advice of the Independent Financial Adviser in relation thereto as set out on pages 10 to 15 of the Circular, the Independent Board Committee considers that the terms of the Agreement, the transactions contemplated thereunder and the Annual Cap are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement, the transactions contemplated thereunder and the Annual Cap.

The Independent Board Committee draws the attention of the Independent Shareholders to the Letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which sets out the considerations and factors taken into account in arriving at its recommendations.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Lee Peng Fei, Allen Lo Kai Yiu, Anthony Yu Hon To, David

Independent Non-executive Directors

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



25th Floor Central Tower
28 Queen's Road Central
Hong Kong

13 February 2009

*To the Independent Board Committee and the Independent Shareholders of
Playmates Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole, whether the continuing connected transactions contemplated under the Agreement (the “**Continuing Connected Transactions**”) are in the interests of the Group and the Independent Shareholders as a whole, and whether the Annual Cap is fair and reasonable so far as the Group and the Independent Shareholders are concerned, details of which are contained in a circular of the Company (the “**Circular**”) to the Shareholders dated 13 February 2009 of which this letter forms part, and to advise the Independent Shareholders how to vote at the SGM. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, the Company indirectly owned and controlled approximately 54.8% of PTL, and therefore the Company was a connected person of PTL under the Listing Rules. As at the Latest Practicable Date, Mr. Chan, being a director and the ultimate controlling shareholder (as defined in the Listing Rules) of the Company and hence a connected person of the Company, held directly and indirectly through AIL an aggregate of approximately 18.99% of PTL, and therefore PTL was a connected person of the Company under the Listing Rules. Therefore, the Agreement and the transactions contemplated thereunder will constitute continuing connected transactions for the Company under the Listing Rules, and will be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Given its interests in PTL, AIL, which was indirectly controlled by Mr. Chan as at the Latest Practicable Date, is considered to have a material interest in the Agreement and the Continuing Connected Transactions. Accordingly, AIL and its associates will abstain from voting at the SGM on the resolution in relation to the Agreement, the Continuing Connected Transactions and the Annual Cap.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An independent board committee comprising Mr. Lee Peng Fei, Allen, Mr. Lo Kai Yiu, Anthony and Mr. Yu Hon To, David, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Agreement, the Continuing Connected Transactions and the Annual Cap.

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the SGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, PTL, or any of their respective subsidiaries (as defined in the Listing Rules) or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

(I) Background of entering into of the Agreement

It was announced by the Company on 4 February 2009 that the Principal Bankers have agreed in principle to renew the relevant expiring banking facilities given to the PTL Group and/or to allow the PTL Group to continue utilising the relevant subsisting banking facilities given to the PTL Group, upon terms to be finalised and subject to the execution of the relevant facilities agreements. As requested by each Principal Banker concerned, the availability of the relevant Banking Facilities from the bank is conditional upon the Company or a subsidiary within the Group providing them the relevant Charge on Deposit.

In this connection, on 4 February 2009, the Company and PTL entered into the Agreement in respect of the provision of the Charge on Deposit by the Group to support the PTL Group to obtain the Banking Facilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(II) Reasons for and benefits of entering into of the Agreement

We have discussed with the management of the Company and understand that the following factors have been taken into account in relation to the reasons for entering into of the Agreement:

Support the business operation and long term growth of the Group's investment in PTL

We note from the listing document of PTL dated 31 December 2007 that the business of PTL formed part of the Group since December 1993. Prior to the spin-off of the PTL Group from the Group on 1 February 2008, PTL was an indirectly wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Company indirectly owned approximately 54.8% of the issued share capital of PTL which forms a significant part of the investment portfolio of the Company.

As stated in the annual report of the Company for the financial year ended 31 December 2007, the Company is an investment holding company with its principal subsidiaries engaged in the design, development, marketing and distribution of toys and family entertainment activity products, and in property investments, property management business, securities and other investments.

As stated in the annual report of PTL for the financial year ended 31 December 2007, PTL, together with its subsidiaries, is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products.

Based on our discussion with the management of the Company, the tight credit market condition as a result of the current global financial crisis has made bank borrowings difficult and costly, and it has become increasingly difficult for the PTL Group to secure its required Banking Facilities from the Principal Bankers without the support of securities acceptable to the Principal Bankers.

As stated in the letter from the Board, as requested by each Principal Banker concerned, the availability of the relevant Banking Facilities from the bank is conditional upon the Company or a subsidiary within the Group providing them the relevant Charge on Deposit. The Banking Facilities to be renewed and/or relaxed for drawdown by the Principal Bankers have been and will continue to be used by the PTL Group to finance its seasonal cash flow for general operation or as general working capital.

We also note that two out of three executive directors of PTL are directors of the Company. Accordingly, the Company should be able to closely monitor the operation and financial position of the PTL Group.

Taking into account the Group's substantial investment in PTL, we concur with the Company's view that the provision of the Charge on Deposit serves to support the business operation and long term growth of the PTL Group which is in line with the Company's interest.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial impact to the Group

As noted in the letter from the Board, the Charge on Deposit will only be contingent liabilities of the Group. The Company shall only be required to procure its subsidiary to place the deposit(s) for the Charge on Deposit when the PTL Group draws the relevant amount of the Banking Facilities, and the amount of deposit(s) to be placed by such subsidiary of the Group for the Charge on Deposit shall be equivalent to the corresponding amount of the Banking Facilities to be drawn down by the PTL Group. Such deposit(s) will only be applied towards the settlement of the Banking Facilities to be drawn down by the PTL Group if the PTL Group fails to pay any sum as secured under the Charge on Deposit when due.

We note from the interim report of the Group for the six months ended 30 June 2008 that as at 30 June 2008, the Group had current assets of approximately HK\$1.0 billion, including cash and bank balances of approximately HK\$220.4 million and financial assets at fair value through profit or loss of approximately HK\$581.5 million, and current liabilities of approximately HK\$393.3 million, including bank loans of approximately HK\$243.4 million. The Annual Cap represents approximately 4% of the unaudited total equity attributable to equity holders of the Company of approximately HK\$2.3 billion as at 30 June 2008.

We also note that the Company announced a profit warning (the “**Profit Warning**”) on 14 November 2008 in respect of the further decrease of the fair value of its investment in various types of financial instruments as compared to the fair values announced in its interim results announcement dated 21 August 2008. As stated in the Profit Warning, the Board is of the view that the Group’s financial position remains healthy and the principal business activities of the Group will not be materially affected by the losses from its investments.

We have also reviewed the cash flow projection of the Group for the period from 1 February 2009 to 31 March 2010.

Having considered the above, we concur with the view of the management of the Company that the Charge on Deposit shall have no material adverse impact on the operations of the Group or its ability to meet all its liabilities and commitments during the term of the Agreement.

Financial position of the PTL Group

We note from the interim report of PTL for the six months ended 30 June 2008 (the “**PTL Interim Report**”) that as at 30 June 2008, the PTL Group had current assets of approximately HK\$250.0 million, including cash and bank balances of approximately HK\$51.5 million, and current liabilities of approximately HK\$159.6 million, including the secured bank loans of approximately HK\$48.1 million which represents approximately 12% of the total assets of the PTL Group of approximately HK\$400.1 million, and unaudited net assets of approximately HK\$240.3 million. The Annual Cap represents approximately 33% of the unaudited consolidated net assets of the PTL Group as at 30 June 2008.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the PTL Interim Report, despite the challenging business environment, PTL remains focused on its long term strategy of growing its core business and expanding its presence in targeted growth categories and for 2009, PTL's pipeline of brands has expanded with the addition of several marquee licenses. We note from the letter from the Board that, although the PTL Group recorded a decreased turnover and an increased loss for the six months ended 30 June 2008 as compared with that of the same period of 2007, the PTL Group has indicated that, while as at the Latest Practicable Date, it is unable to predict the financial performance of the PTL Group in 2009, it expects to perform better in 2009 in terms of improvements in sales and operating results on the strength of its product portfolio, which has been supported by preliminary indications in terms of customer feedback and bookings.

Fair compensation to be provided to the Group

As stipulated in the Agreement, in consideration of the provision of the Charge on Deposit by the Group, the Company shall charge PTL a fee (the "Fee") equivalent to 1% per annum of the Annual Cap. Details of the analysis regarding the fairness and reasonableness of the Fee are set out below.

Our view

Having considered the above, we concur with the view of the management of the Company that the entering into of the Agreement is in the ordinary and usual course of business, fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

(III) Principal terms of the Continuing Connected Transactions

As stipulated in the Agreement, the maximum liability of the Group under the Charge on Deposit for the payment obligations of the PTL Group to the relevant Principal Bankers in respect of the Banking Facilities shall be for an aggregate amount of not exceeding HK\$80 million, for a term of one year, and the Company shall charge PTL the Fee.

As noted in the letter from the Board, the Fee is determined with reference to recent similar transactions and the amount which may be charged by the Principal Bankers for provision of guarantees. We have conducted a market research in relation thereto and note that the fee charged by banks for provision of guarantees is in line with the Fee.

As stipulated in the Agreement, the Company shall only be required to procure its subsidiary to place the deposit(s) for the Charge on Deposit when the PTL Group draws the relevant amount of the Banking Facilities, and the amount of deposit(s) to be placed by such subsidiary of the Group for the Charge on Deposit shall be equivalent to the corresponding amount of the Banking Facilities to be drawn down by the PTL Group.

PTL also undertakes to the Company that the PTL Group will not draw the Banking Facilities to such extent which will result in the Group's total exposure under the Charge on Deposit exceeding the Annual Cap.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, we concur with the view of the management of the Company that the principal terms of the Agreement, particularly the Fee, are on normal commercial terms and fair and reasonable so far as the Group and the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole.

(IV) Annual Cap

As stipulated in the Agreement, the maximum liability of the Group under the Charge on Deposit for the payment obligations of the PTL Group to the relevant Principal Bankers in respect of the Banking Facilities shall be for an aggregate amount of not exceeding HK\$80 million.

We have discussed with the management of the Company in relation to the Annual Cap and also reviewed the cash flow projection of the PTL Group for the period from 1 February 2009 to 31 March 2010 provided by the Company, and understand that the Annual Cap is determined by the Board on a commercial basis, having regard to (i) the increasing difficulty for the PTL Group to secure the required Banking Facilities from the Principal Bankers without the support of the Charge on Deposit from the Company; and (ii) the funding requirement of the PTL Group.

Having considered the above, we are of the view that the basis adopted by the management of the Company in determining the Annual Cap is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Shareholders should note that the Annual Cap relates to future events and do not represent a forecast of transaction amounts to be incurred as a result of the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual transaction amounts of the Continuing Connected Transactions correspond with the Annual Cap as discussed above.

RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, we are of the opinion that (i) the terms of Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole; (ii) the Continuing Connected Transactions are in the ordinary and usual course of business and in the interests of the Group and the Independent Shareholders as a whole; and (iii) the Annual Cap is fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in relation to the entering into of the Agreement, the Continuing Connected Transactions and the Annual Cap.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Heidi Cheng

Director

Anthony Ng

Senior Vice President

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS**Directors' and chief executive's interests and short positions in shares and underlying shares of the Company or any associated corporation**

As at the Latest Practicable Date, the interests of each director and chief executive of the Company in the shares and underlying shares of equity derivatives of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares held	Percentage interest held
Chan Chun Hoo, Thomas	Personal	2,892,000 ordinary shares	1.32%
	Corporate (<i>Note (a)</i>)	87,708,000 ordinary shares	40.09%
Cheng Bing Kin, Alain	Personal	190,000 ordinary shares	0.09%
Ip Shu Wing, Charles	Personal	245,400 ordinary shares	0.11%
Lee Peng Fei, Allen	Personal	60,000 ordinary shares	0.03%
Lo Kai Yiu, Anthony	Personal	286,800 ordinary shares	0.13%
To Shu Sing, Sidney	Personal	1,860,000 ordinary shares	0.85%
Tsim Tak Lung	Personal	163,680 ordinary shares	0.07%
Yu Hon To, David	Personal	110,000 ordinary shares	0.05%
	Corporate (<i>Note (b)</i>)	456,000 ordinary shares	0.21%

Long positions in underlying shares of the Company

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares <i>(ordinary shares)</i>	Percentage interest held
Cheng Bing Kin, Alain	Personal	159,000 share options	159,000 shares	0.07%
Ip Shu Wing, Charles	Personal	137,600 share options	137,600 shares	0.06%
Lee Peng Fei, Allen	Personal	175,000 share options	175,000 shares	0.08%
Lo Kai Yiu, Anthony	Personal	200,000 share options	200,000 shares	0.09%
To Shu Sing, Sidney	Personal	307,500 share options	307,500 shares	0.14%
Tsim Tak Lung	Personal	175,000 share options	175,000 shares	0.08%
Yu Hon To, David	Personal	175,000 share options	175,000 shares	0.08%

Long positions in shares of PTL

Name of director	Nature of interest	Number of shares held	Percentage interest held
Chan Chun Hoo, Thomas	Personal	6,292,000 ordinary shares	1.27%
	Corporate (<i>Note (c)</i>)	358,983,044 ordinary shares	72.52%
Cheng Bing Kin, Alain	Personal	474,000 ordinary shares	0.10%
Ip Shu Wing, Charles	Personal	245,400 ordinary shares	0.05%
Lee Peng Fei, Allen	Personal	60,000 ordinary shares	0.01%
Lo Kai Yiu, Anthony	Personal	286,800 ordinary shares	0.06%
To Shu Sing, Sidney	Personal	1,730,000 ordinary shares	0.35%
Tsim Tak Lung	Personal	163,680 ordinary shares	0.03%
Yu Hon To, David	Personal	110,000 ordinary shares	0.02%
	Corporate (<i>Note (d)</i>)	456,000 ordinary shares	0.09%

Long positions in underlying shares of PTL

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interest held
Cheng Bing Kin, Alain	Personal	500,000 share options	500,000 shares	0.10%
To Shu Sing, Sidney	Personal	500,000 share options	500,000 shares	0.10%

Notes:

- (a) 87,708,000 ordinary shares of the Company were beneficially owned by AIL. All of the issued share capital of AIL is beneficially owned by a private company which is in turn wholly-owned by Mr. Chan Chun Hoo, Thomas.
- (b) 456,000 ordinary shares of the Company were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.
- (c) Mr. Chan Chun Hoo, Thomas is the beneficial owner of all of the issued share capital of AIL and is therefore deemed to be interested in the 87,708,000 shares of PTL in aggregate which AIL is interested in. Since AIL directly owns approximately 40.09% of the shareholding of the Company and is deemed to be interested in the 271,275,044 shares of PTL in aggregate which the Company is interested in, Mr. Chan is also deemed to be interested in the 271,275,044 shares of PTL in aggregate which the Company is interested in.
- (d) 456,000 ordinary shares of PTL were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.

All the aforesaid shares and equity derivatives were beneficially owned by the directors concerned. The percentage shown was the number of shares or underlying shares the relevant director was interested expressed as a percentage of the number of issued shares as at the Latest Practicable Date.

Details of the share options held by the directors of the Company as at the Latest Practicable Date are disclosed below:

Share options of the Company

Name of director	Date of grant	Exercise Price per share of the Company HK\$	Number of share options
Cheng Bing Kin, Alain	7 January 2004	13.60	59,000
	22 September 2005	12.06	62,500
	4 May 2006	9.10	37,500
Ip Shu Wing, Charles	22 September 2005	12.06	100,000
	4 May 2006	9.10	37,600
Lee Peng Fei, Allen	22 September 2005	12.06	100,000
	4 May 2006	9.10	75,000
Lo Kai Yiu, Anthony	9 August 2002	1.99	25,000
	22 September 2005	12.06	100,000
	4 May 2006	9.10	75,000
To Shu Sing, Sidney	7 January 2004	13.60	120,000
	22 September 2005	12.06	150,000
	4 May 2006	9.10	37,500
Tsim Tak Lung	22 September 2005	12.06	100,000
	4 May 2006	9.10	75,000
Yu Hon To, David	22 September 2005	12.06	100,000
	4 May 2006	9.10	75,000

The above share options are exercisable in stages in accordance with the terms of the Share Option Scheme of the Company adopted on 28 June 2002 within ten years after the date of grant.

Share options of PTL

Name of director	Date of grant	Exercise price per share of PTL HK\$	Number of share options
Cheng Bing Kin, Alain	31 March 2008	0.35	500,000
To Shu Sing, Sidney	31 March 2008	0.35	500,000

The above share options are exercisable in stages in accordance with the terms of the Share Option Scheme of PTL adopted on 25 January 2008 within ten years after the date of grant.

As at the Latest Practicable Date, none of the directors and chief executive of the Company were interested or deemed to be interested in short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the directors had entered into any service contract with the Company which will not expire or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the directors are aware of, no director or his associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS

There are no contracts or arrangements subsisting as at the Latest Practicable Date in which a director is materially interested or which is significant in relation to the business of the Group.

As at the Latest Practicable Date, no director has any interest, direct or indirect, in any assets which have been, since 31 December 2007, acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the directors to be pending or threatened against any member of the Group.

7. EXPERT QUALIFICATION AND CONSENT

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

Name	Qualification
CIMB-GK Securities (HK) Limited (“ CIMB-GK ”)	A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

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

8. EXPERTS’ INTERESTS

As at the Latest Practicable Date,

- (a) CIMB-GK did not have any direct or indirect interest in any asset which had since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) CIMB-GK was not beneficially interested in the share capital of any member of the Group or did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MATERIAL ADVERSE CHANGE

The directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group was made up, save and except the matters disclosed in the announcement of the Company on 14 November 2008.

10. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is located at 21/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) Ms. Ng Ka Yan is the company secretary who is a solicitor in Hong Kong.
- (d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Deacons at 5/F., Alexandra House, 18 Chater Road, Central, Hong Kong for a period of 14 days (except public holidays) from the date of this circular:

- (a) the letter from the Board, the text of which is set out on pages 3 to 8 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 10 to 15 of this circular;
- (c) the Agreement entered into between the Company and PTL;
- (d) the written consent from CIMB-GK referred to in the section headed "Expert Qualification and Consent" in this appendix; and
- (e) this circular.

**PLAYMATES HOLDINGS LIMITED****彩星集團有限公司****(Incorporated in Bermuda with limited liability)*

(Stock Code: 635)

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of Playmates Holdings Limited (“Company”) will be held at 22/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 3 March 2009 at 9:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution of the Company as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** the entering into of the Agreement by the Company, the terms of the Agreement, the transactions contemplated thereunder (including but not limited to the provision of the Charge on Deposit in conformity with the provisions of the Agreement, and the execution of the relevant Charge on Deposit by the relevant subsidiary of the Group) and the Annual Cap be and are hereby approved, confirmed and ratified; AND that the directors of the Company be and are hereby authorised to do for and on behalf of the Company all such further acts and things and execute all such documents (including but not limited to the Charge on Deposit) for and on behalf of the Company by hand or under seal, which, at their absolute discretion, may be necessary, desirable or expedient to give effect to the transactions contemplated in the Agreement and all other matters in relation thereto or in connection therewith.

Capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 13 February 2009, unless the context requires otherwise.”

By order of the Board
Ng Ka Yan
Company Secretary

Hong Kong, 13 February 2009

Notes :

- (1) Every member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be delivered to the Company’s branch share registrars, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM.

* *For identification purpose only*