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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 <i>(Chairman and Executive Director)</i>	<i>Registered Office:</i>
Mr. CHENG Bing Kin, Alain <i>(Executive Director)</i>	Clarendon House
Mr. IP Shu Wing, Charles <i>(Non-executive Director)</i>	2 Church Street
Mr. LEE Peng Fei, Allen <i>(Independent Non-executive Director)</i>	Hamilton HM 11
Mr. LO Kai Yiu, Anthony <i>(Independent Non-executive Director)</i>	Bermuda
Mr. TO Shu Sing, Sidney <i>(Executive Director)</i>	
Mr. TSIM Tak Lung <i>(Deputy Chairman and Non-executive Director)</i>	<i>Principal Office:</i>
Mr. YU Hon To, David <i>(Independent Non-executive Director)</i>	21/F., The Toy House
	100 Canton Road
	Tsimshatsui
	Kowloon
	Hong Kong

15 April 2010

To Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES RE-ELECTION OF DIRECTORS NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

At the annual general meeting of the Company held on 12 May 2009 resolutions were passed giving general mandates to the directors of the Company (“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 The Stock Exchange of Hong Kong Limited (“Stock Exchange”) of their own shares as contained in the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). These mandates will lapse at the conclusion of

* *For identification purpose only*

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the forthcoming annual general meeting of the Company which is to be held on 28 May 2010 (“Annual General Meeting”) 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.

The purpose of this document is to provide you with information regarding the above proposed renewal of the general mandates to issue and allot shares and to repurchase shares; to seek your approval of the ordinary resolutions relating to both matters and the re-election of Directors at the Annual General Meeting.

GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution will be put forward at the Annual General Meeting to give a general mandate to the Directors to exercise the powers of the Company to repurchase its own 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 Company’s bye-laws (“Bye-laws”) to be held or until the mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is earlier (“Repurchase Mandate”). The shares of the Company which may be repurchased pursuant to the Repurchase Mandate is limited to 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.

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

GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to issue new shares representing up to 20% of the entire issued share capital of the Company as at the date the resolution is passed (“Issue Mandate”). 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 of the Company 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 9 April 2010 (being the latest practicable date prior to the printing of this document) (“Latest Practicable Date”), the entire issued share capital of the Company comprised 226,814,751 shares of HK\$0.10 each.

Subject to the passing of the ordinary resolution to approve the Issue Mandate and on the basis that no further shares are issued prior to the Annual General Meeting, the Company would be allowed under the Issue Mandate to issue a maximum of 45,362,950 shares of HK\$0.10 each.

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 there is no share issued by the Company under the Issue Mandate granted in the last annual general meeting on 12 May 2009.

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RE-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 Designated Stock Exchange. At the forthcoming Annual General Meeting of the Company, Mr. Lo Kai Yiu, Anthony, Mr. To Shu Sing, Sidney and Mr. Yu Hon To, David are subject to retirement by rotation under Bye-law 87(1), will retire at the Annual General Meeting but all of them will be offering themselves for re-election at the same meeting. The biographical details of Mr. Lo Kai Yiu, Anthony, Mr. To Shu Sing, Sidney and Mr. Yu Hon To, David are set out in Appendix II to this document.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting is set out in Appendix III to this document. At the Annual General Meeting, ordinary resolutions will be proposed to approve the Issue Mandate and the Repurchase Mandate, the extension of the Issue Mandate to the number of shares which are repurchased pursuant to the Repurchase Mandate, and the re-election of Directors. 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 this meeting, 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 Annual General Meeting. Completion and return of the form of proxy will not preclude the shareholders from attending and voting in person at the Annual General Meeting if they so wish.

RECOMMENDATIONS

The Directors believe that the granting of the Repurchase Mandate and the Issue Mandate, as well as the re-election of Directors are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend all shareholders to vote in favour of the ordinary resolutions approving the Repurchase Mandate and the Issue Mandate, as well as the re-election of Directors at the Annual General Meeting.

Yours faithfully,
For and on behalf of the board
CHAN Chun Hoo, Thomas
Chairman

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 226,814,751 shares of HK\$0.10 each.

Subject to the passing of the ordinary resolution to approve the Repurchase Mandate and on the basis that no further shares are issued prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 22,681,475 shares of HK\$0.10 each.

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 By-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 2009). 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.

4. SHARE PRICES

The highest and lowest prices at which the shares of the Company have traded on the Stock Exchange in the previous twelve months were as follows:

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
April 2009	1.180	0.820
May 2009	2.060	0.970
June 2009	2.000	1.800
July 2009	2.030	1.800
August 2009	2.320	1.910
September 2009	2.500	1.980
October 2009	2.840	2.300
November 2009	3.050	2.590
December 2009	2.740	2.250
January 2010	2.620	2.340
February 2010	2.640	2.320
March 2010	3.900	2.410

5. GENERAL

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 the Hong Kong Code on Takeovers and Mergers ("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 Rule 26 of the Code.

The following table sets out the interests of substantial shareholders which fall to be disclosed to the Company under Part XV of the Securities and Futures Ordinance as at the Latest Practicable Date.

<u>Name</u>	<u>Total no. of shares held</u>	<u>% of shares</u>
Chan Chun Hoo, Thomas	98,400,000 (<i>Note</i>)	43.38%
TGC Assets Limited	91,500,000	40.34%

Note: These interests include 91,500,000 shares held by TGC Assets Limited. All the issued share capital of TGC Assets Limited is beneficially owned by Mr. Chan Chun Hoo, Thomas.

In the event that the Directors exercise in full the power to repurchase shares pursuant to the Repurchase Mandate, then the shareholding of Mr. Chan Chun Hoo, Thomas and TGC Assets Limited would be increased to approximately 48.20% and 44.82% respectively. In the opinion of the Directors, such increase may give rise to a mandatory offer in accordance with Rule 26 of the Code. However, the Directors have no current intention to exercise the Repurchase Mandate to an extent as would result in takeover obligations.

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, their 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.

No connected persons (as defined in the Listing Rules) 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.

6. SHARE PURCHASES 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.

Pursuant to the Listing Rules, the details of the Directors who will retire at the forthcoming Annual General Meeting and offer themselves for re-election are provided below:

LO Kai Yiu, Anthony

Independent Non-executive Director

Mr. Lo, age 61, was appointed a director of the Company in 1993. He is qualified as a chartered accountant by the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants. In addition to over 11 years of professional accounting experience, he has over 30 years of experience in investment banking and other financial services.

Mr. Lo does not hold any position with the Company and other members of the Group. He serves as a director of a number of public and private companies including Convenience Retail Asia Limited, IDT International Limited, Tristate Holdings Limited, Lam Soon (Hong Kong) Limited and The Taiwan Fund Inc. His chairmanship and Co-CEO position in Shanghai Century Acquisition Corporation, a company whose shares were previously listed on the American Stock Exchange, had ceased on 23 March 2009 upon completion of the voluntary liquidation of the said company.

Mr. Lo has entered into a service contract with the Company for a term of three years commencing from 1 July 2008, 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\$120,000 for each financial year of the Company as ordinary remuneration in respect of his capacity as a member of the board. He will be entitled to a fixed fee of HK\$105,000 and HK\$50,000 respectively for each financial year (or such other fixed fee as the Compensation Committee may recommend from time to time) as remuneration of being the chairman of the Audit Committee and a member of the Compensation Committee. In addition, the Company shall reimburse him an attendance expense of HK\$5,000 per meeting (or such other fixed fee as the Compensation Committee may recommend from time to time) for attending meetings of the Company. He does not have any personal relationship with any directors, senior management or any substantial or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Lo was deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in 286,800 shares, 57,360 warrants and 200,000 share options of the Company and 286,800 shares of Playmates Toys Limited. He has met the independence guidelines as set out in Rule 3.13 of the Listing Rules.

There is no other information relating to Mr. Lo 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 holders of securities of the Company.

TO Shu Sing, Sidney*Executive Director*

Mr. To, age 52, joined the Group in 1986. Prior to joining the Group, he had 9 years experience with multi-national marketing and manufacturing companies. Over the years, he has served the Group in a number of functional areas including sales and marketing, licensing, strategic business development and corporate communication. He joined the board of directors of the Company in 1997. Mr. To holds an Executive Master of Business Administration degree from Simon Fraser University, British Columbia, Canada.

Mr. To is also an executive director of Playmates Toys Limited and a director of a number of subsidiaries of the Group. Apart from the Company and Playmates Toys Limited, he has not held any directorship in any other listed companies in the last three years.

Mr. To has entered into a service contract with the Company for a term of three years commencing from 1 July 2008, 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\$10,000 for each financial year of the Company as ordinary remuneration in respect of his capacity as a member of the board. Apart from the in-law relationship with Mr. Tsim Tak Lung, he does not have any personal relationship with any directors, senior management or any substantial or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. To was deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in 2,000,000 shares and 307,500 share options of the Company and 6,130,000 shares and 2,500,000 share options of Playmates Toys Limited.

There is no other information relating to Mr. To 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 holders of securities of the Company.

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

Mr. Yu, age 62, was appointed a director of the Company in 1995. He is a fellow of The Institute of Chartered Accountants in England and Wales and a CPA of the Hong Kong Institute of Certified Public Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr. Yu is a founder and director of MCL Capital Limited, a company which is engaged in direct investment and financial advisory services.

Mr. Yu does not hold any position with the Company and other members of the Group. He was formerly a director of Shun Cheong Holdings Limited, Baltrans Holdings Limited and Cinda International Holdings Limited (previously known as Hantec Investment Holdings Limited) and he resigned from these appointments on 23 October 2007, 21 February 2008 and 23 December 2008 respectively. Mr. Yu is currently on the boards of a number of listed companies and private companies in Hong Kong including Great China Holdings Limited, Haier Electronics Group Co., Limited, Hong Kong Energy (Holdings) Limited, Media Chinese International Limited, One Media Group Limited, Synergis Holdings Limited, TeleEye Holdings Limited and VXL Capital Limited.

Mr. Yu has entered into a service contract with the Company for a term of three years commencing from 1 July 2008, 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\$120,000 for each financial year of the Company as ordinary remuneration in respect of his capacity as a member of the board. He will be entitled to a fixed fee of HK\$80,000 for each financial year (or such other fixed fee as the Compensation Committee may recommend from time to time) as remuneration of being a member of the Audit Committee. In addition, the Company shall reimburse him an attendance expense of HK\$5,000 per meeting (or such other fixed fee as the Compensation Committee may recommend from time to time) for attending meetings of the Company. He does not have any personal relationship with any directors, senior management or any substantial or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Yu was deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in 566,000 shares, 113,200 warrants and 175,000 share options of the Company and 566,000 shares of Playmates Toys Limited. He has met the independence guidelines as set out in Rule 3.13 of the Listing Rules.

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 are no other matters that need to be brought to the attention of holders of securities of the Company.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Fandango Spanish Restaurant, 9/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 28 May 2010 at 10:00 a.m. for the following purposes:

1. To receive and consider the accounts and the reports of the directors and auditors for the year ended 31 December 2009;
2. To re-elect the retiring directors, including:
 - (i) Mr. Lo Kai Yiu, Anthony;
 - (ii) Mr. To Shu Sing, Sidney;
 - (iii) Mr. Yu Hon To, David;
3. To appoint auditors; 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\$0.10 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 entire issued share capital 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 earlier 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.”

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 issued share capital 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 earlier 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 issued share capital of the Company as at the date of passing this Resolution.”

By order of the board
Ng Ka Yan
Company Secretary

Hong Kong, 15 April 2010

Notes:

- (1) Every member of the Company entitled to attend and vote at the meeting 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 meeting.