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## IMPORTANT

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### PLAYMATES TOYS LIMITED

彩星玩具有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 869)

Mr. CHAN Chun Hoo, Thomas <i>(Chairman and Executive Director)</i>	<i>Registered Office:</i>
Mr. CHOW Yu Chun, Alexander <i>(Independent Non-executive Director)</i>	Clarendon House
Mr. LEE Ching Kwok, Rin <i>(Independent Non-executive Director)</i>	2 Church Street
Mr. NOVAK, Lou Robert <i>(Executive Director)</i>	Hamilton HM 11
Mr. SOONG, Ronnie <i>(Executive Director)</i>	Bermuda
Mr. YANG, Victor <i>(Independent Non-executive Director)</i>	

*Principal Office:*  
21/F., The Toy House  
100 Canton Road  
Tsimshatsui  
Kowloon  
Hong Kong

31 March 2008

*To Shareholders*

Dear Sir or Madam,

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

#### **INTRODUCTION**

The purpose of this document is to provide you with information regarding the proposed granting 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 of the Company which is to be held on 5 May 2008 (“Annual General Meeting”).

\* *for identification purpose only*

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### **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 of the Company (“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 25 March 2008 (being the latest practicable date prior to the printing of this document) (“Latest Practicable Date”), the entire issued share capital of the Company comprised 495,000,000 shares of HK\$0.01 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 99,000,000 shares of HK\$0.01 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the Issue Mandate.

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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. Chan Chun Hoo, Thomas and Mr. Soong, Ronnie are subject to retirement by rotation under Bye-law 87(1), will retire at the Annual General Meeting but both of them will be offering themselves for re-election at the same meeting. The biographical details of Mr. Chan Chun Hoo, Thomas and Mr. Soong, Ronnie 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 the same 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 Annual General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

Pursuant to Rule 13.55(3) of the Listing Rules, the procedures for demanding a poll for any resolution at the Annual General Meeting is set out in Appendix IV.

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### 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 495,000,000 shares of HK\$0.01 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 49,500,000 shares of HK\$0.01 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 2007). 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 of Hong Kong Limited (“Stock Exchange”) in February 2008 (being the month of listing of the shares of the Company on the Stock Exchange) and during the period from 1 March 2008 to 25 March 2008 (being the Latest Practicable Date) were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
February 2008	0.820	0.375
1 March 2008 to 25 March 2008	0.380	0.320

#### 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.</u> <u>of shares held</u>	<u>% of</u> <u>shares</u>
Chan Chun Hoo, Thomas	361,075,044 ( <i>Note 1</i> )	72.94%
Angers Investments Limited	358,983,044 ( <i>Note 2</i> )	72.52%
Playmates Holdings Limited	271,275,044 ( <i>Note 3</i> )	54.80%
Playmates International Limited	271,275,044 ( <i>Note 3</i> )	54.80%
PIL Investments Limited	271,275,044 ( <i>Note 3</i> )	54.80%
PIL Toys Limited	271,275,044	54.80%

*Notes:*

- (1) *Mr. Chan Chun Hoo, Thomas is the beneficial owner of all of the issued share capital of Angers Investments Limited (“AIL”), and is therefore deemed to be interested in the 87,708,000 shares in aggregate which AIL is interested in and the 271,275,044 shares in aggregate which Playmates Holdings Limited (“PHL”) is interested in.*
- (2) *AIL directly owns approximately 39.20% of the shareholding of PHL, and is therefore deemed to be interested in the 271,275,044 shares in aggregate which PHL is interested in.*
- (3) *Playmates International Limited is a wholly owned subsidiary of PHL; PIL Investments Limited is a wholly owned subsidiary of Playmates International Limited; and PIL Toys Limited is a wholly owned subsidiary of PIL Investments Limited. PHL, Playmates International Limited and PIL Investments Limited are therefore deemed to be interested in the 271,275,044 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 shareholding of Mr. Chan Chun Hoo, Thomas, Angers Investments Limited, Playmates Holdings Limited, Playmates International Limited, PIL Investments Limited and PIL Toys Limited would be increased to approximately 81.05%, 80.58%, 60.89%, 60.89%, 60.89% and 60.89% respectively. In the opinion of the Directors, such increase would not give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the 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 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 (whether on the Stock Exchange or otherwise) 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 of the Company who will retire at the forthcoming Annual General Meeting and offer themselves for re-election are provided below.

**CHAN Chun Hoo, Thomas**

*Chairman and Executive Director*

Mr. Chan, age 57, joined the Group in 1967. He has been the principal driving force behind the growth, global expansion and diversification of the Group's business activities into multiple segments and markets. His decision to take on the promotional toy business in 1985 led to the evolution of the Group from a manufacturing entity into a pure toy development and marketing group. The Group's high level of productivity is attributable to his guiding management principles of creativity, flexibility and simplicity. He is also a director of a number of subsidiaries of the Group.

Mr. Chan is also an executive director and the Chairman of the board of Playmates Holdings Limited ("PHL"). Apart from the Company and PHL, he does not hold any directorship in any other listed companies in the last three years.

Mr. Chan has entered into a service contract with the Company for a term of three years in 2007. However, such term is 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 and subject to approval by the board, he will be entitled to a fixed sum of HK\$10,000 for each financial year as ordinary remuneration in respect of his capacity as a member of the board. Apart from the directorship and/or beneficial interest in PHL and Angers Investments Limited ("AIL"), substantial shareholders 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. Chan was deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, in 361,075,044 shares representing approximately 72.94% of the total issued share capital of the Company. These interests include 87,708,000 shares representing approximately 17.72% of the total issued share capital of the Company held by AIL and 271,275,044 shares representing approximately 54.80% of the total issued share capital of the Company held by PHL.

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

**SOONG, Ronnie***Executive Director*

Mr. Soong, age 61, joined the Group in 2000. Prior to joining the Group, he held several Asian based senior management positions with U.S. toy companies including Hasbro, Galoob & Ertl. He has 30 years of experience in the toy industry and brings with him a wide range of business and management experience and expertise. He manages the entire Asia operations in all facets of product development, engineering, sourcing and manufacturing activities in Hong Kong and the PRC.

Mr. Soong is also a director of a number of subsidiaries of the Company. Apart from the Company, he does not hold any directorship in any other listed companies in the last three years.

Mr. Soong has entered into a service contract with the Company for a term of three years in 2007. However, such term is 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 and subject to approval by the board, he will be entitled to a fixed sum of HK\$10,000 for each financial year as ordinary remuneration in respect of his capacity as a member of the board. 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. Soong deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, in 354,600 shares of the Company.

There are no other information relating to Mr. Soong 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 Four Seasons Ballroom, 2/F., Renaissance Kowloon Hotel Hong Kong, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 5 May 2008 at 9:00 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 2007;
2. To re-elect the retiring directors;
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\$0.01 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 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, 28 March 2008

*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.

Pursuant to Bye-law 66, at any general meeting a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members of the Company having the right to vote at the meeting; or
- (d) by a member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange, by the chairman of such meeting and/or a director or directors of the Company who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights of such meeting.

A demand by a person as proxy for a member of the Company or in the case of a member of the Company being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member of the Company.