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PLAYMATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

executive:

Chan Chun Hoo, Thomas (*Chairman*)
To Shu Sing, Sidney

non-executive:

Tsim Tak Lung (*Deputy Chairman*)
Ip Shu Wing, Charles
Lee Peng Fei, Allen
Lo Kai Yiu, Anthony
Yu Hon To, David

Registered office:

Clarendon House,
2 Church Street,
Hamilton HM 11
Bermuda

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place of business:*

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100 Canton Road,
Tsimshatsui,
Kowloon,
Hong Kong.

31st March, 2003

To Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

At the annual general meeting of the Company held on 28th June, 2002 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 the forthcoming annual general meeting of the Company which is to be held on 9th May, 2003 ("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 and to seek your approval of the ordinary resolutions relating to both matters 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 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 a maximum of 10 per cent. 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 the appendix 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 per cent. of the entire issued share capital of the Company as at the date the resolution is passed. In addition, an ordinary resolution will also be proposed at the Annual General Meeting to authorise an extension of such general mandate to the Directors to issue new shares during the period up to the next annual general meeting of the Company or such earlier period as stated in the relevant resolution by adding to the aggregate number of shares 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.

ACTION TO BE TAKEN

A form of proxy for use at the Annual General Meeting is enclosed. Whether or not you intend to attend this meeting, you are requested to complete the form of proxy and return the same to the Company's Branch Registrars, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive not less than 48 hours before the time fixed for holding the Annual General Meeting. The return of a form of proxy will not preclude you from attending and voting in person at the Annual General Meeting if you so wish.

RECOMMENDATION

The Directors believe that the Repurchase Mandate and the general mandate to issue new shares are in the best interests of the Company and its shareholders. Share 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. Accordingly, the Directors recommend all shareholders to vote in favour of the ordinary resolutions approving the Repurchase Mandate and the general mandate to issue new shares at the Annual General Meeting.

On behalf of the Board
Chan Chun Hoo, Thomas
Chairman

APPENDIX

REPURCHASE MANDATE EXPLANATORY STATEMENT

The 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 Chairman hereinbefore appearing.

1. SHARE CAPITAL

As at 24th March, 2003 (the latest practicable date prior to the printing of this document), the entire issued share capital of the Company comprised 1,219,276,410 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 121,927,641 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 bye-laws of the Company 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 31st December, 2002). However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would in the circumstances have 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>
March 2002	0.302A	0.260A
April 2002	0.277A	0.240
May 2002	0.285	0.240
June 2002	0.250	0.225
July 2002	0.235	0.160
August 2002	0.211	0.157
September 2002	0.179	0.132
October 2002	0.190	0.158
November 2002	0.275	0.185
December 2002	0.260	0.220
January 2003	0.440	0.232
February 2003	0.850	0.400

A-Adjusted for the rights issue 1 for 5 @ HK\$0.26 with ex-date of 12th April, 2002.

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 of the Company 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. As at 24th March, 2003 (the latest practicable date prior to the printing of this document), Angers Investments Limited was the beneficial owner of 570,040,000 shares representing 46.752 per cent. of the issued share capital of the Company. Based on that beneficial ownership and on the assumption that no shares held by Angers Investments Limited were repurchased, Angers Investments Limited may become obliged to make a mandatory offer in accordance with Rule 26 of the Code in the event that the Directors exercise in full the power to repurchase shares pursuant to the Repurchase Mandate. The Directors do not propose to exercise the Repurchase Mandate to such an extent. However, in the event that the Directors exercised in full the power to repurchase shares pursuant to the Repurchase Mandate, the shareholding of Angers Investments Limited would be increased to approximately 51.947%.

None of the Directors nor, to the best of their knowledge 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 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.