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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 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: 0635)

DISCLOSEABLE TRANSACTION

IN RELATION TO ACQUISITION OF PROPERTIES

5th December 2005

* *for identification purpose only*

CONTENTS

| | <i>Page</i> |
|---------------------------------------------------|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD | |
| Introduction | 3 |
| Acquisition of the First Property | 4 |
| Acquisition of the Second Property | 6 |
| Reasons for and benefits of the Acquisition | 7 |
| General | 7 |
| APPENDIX – GENERAL INFORMATION | 8 |

DEFINITIONS

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

| | |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Acquisition” | acquisition of the First Property and the Second Property by the Purchaser pursuant to the terms of the Conditions of Sale by Tender and the Provisional Agreement respectively; |
| “Company” | Playmates Holdings Limited, a company incorporated in Bermuda and the shares and warrants of which are listed on the Stock Exchange; |
| “Conditions of Sale by Tender” | the Particulars and Conditions of Sale By Public Tender in respect of the First Property which constitutes a formal agreement between the First Vendor and the Purchaser upon the acceptance of the Tender by the First Vendor; |
| “Date of Completion” | 20th January 2006; |
| “Directors” | the directors of the Company; |
| “First Property” | a number of properties being (a) the property situate at Nos. 21 and 21A, MacDonnell Road, Hong Kong; (b) the Ground Floor Garage of No. 23 MacDonnell Road, Hong Kong; (c) the First Floor and the Second Floor, No. 23A MacDonnell Road, Hong Kong; (d) the twelve chauffeur rooms or servants quarters situate on the three floors below the Garage of No. 23 MacDonnell Road, Hong Kong; and (e) the machine room and the watchman’s room on the roof of No. 23 and No. 23A MacDonnell Road, Hong Kong; |
| “First Vendor” | Shiu Wing Limited, so far as the Directors are aware, is a company incorporated in the Isle of Man; |
| “Formal Agreement” | the Formal Agreement for Sale and Purchase entered into between the Purchaser and the Second Vendor on 21st November 2005 in relation to the Second Property; |
| “Group” | the Company and its subsidiaries; |
| “Independent Third Party(ies)” | to the best knowledge, information and belief of the Directors, third party(ies) independent of the Company and connected persons of the Company as defined in the Listing Rules; |
| “Latest Practicable Date” | 30th November 2005; |

DEFINITIONS

| | |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Memorandum of Agreement” | the Memorandum of Agreement for Sale and Purchase entered into between the Purchaser and the First Vendor on 21st November 2005 in relation to the First Property; |
| “Provisional Agreement” | the Provisional Agreement for Sale and Purchase dated 16th November 2005 entered into between the Purchaser and the Second Vendor in relation to the Second Property; |
| “Purchaser” | City Style Properties Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company; |
| “Second Property” | Flat 302, Sixth Floor of No. 23A MacDonnell Road, Hong Kong; |
| “Second Vendor” | Lucky Smart Investment Limited, so far as the Directors are aware, is a company incorporated in Hong Kong; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “Tender” | the Form of Tender dated 9th November 2005 submitted by the Purchaser for the purchase of the First Property. |

LETTER FROM THE BOARD



PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0635)

Executive Directors:

Thomas CHAN Chun Hoo (*Chairman*)

Sidney TO Shu Sing

Independent Non-executive Directors:

Allen LEE Peng Fei

Anthony LO Kai Yiu

David YU Hon To

Non-executive Directors:

TSIM Tak Lung (*Deputy Chairman*)

Charles IP Shu Wing

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal office:

21/F, The Toy House

100 Canton Road

Tsimshatsui, Kowloon

Hong Kong

5th December 2005

To the shareholders and warrant holders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

IN RELATION TO ACQUISITION OF PROPERTIES

INTRODUCTION

On 16th November 2005, the Company announced that the Purchaser submitted the Tender to the First Vendor for the acquisition of the First Property at an aggregate consideration of HK\$209,000,000 on 9th November 2005. The Tender was accepted by the First Vendor on 15th November 2005. Pursuant to the terms of the Conditions of Sale by Tender, such acceptance constitutes a formal agreement between the First Vendor and the Purchaser on the date of acceptance in relation to the sale and purchase of the First Property.

Under the said announcement on 16th November 2005, the Company further announced that on 16th November 2005, the Purchaser and the Second Vendor entered into the Provisional Agreement for the acquisition of the Second Property at a consideration of HK\$9,350,000.

* *for identification purpose only*

LETTER FROM THE BOARD

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide the shareholders and warrant holders of the Company with the relevant information relating to the Acquisition.

ACQUISITION OF THE FIRST PROPERTY

- Contract date: 15th November 2005
- First Vendor: Shiu Wing Limited. So far as the Directors are aware, the First Vendor is a limited company incorporated in the Isle of Man and one of its businesses is investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the First Vendor and its ultimate beneficial owner(s) are Independent Third Parties.
- Purchaser: City Style Properties Limited, a wholly-owned subsidiary of the Company.
- First Property: A number of properties being (a) the property situate at Nos. 21 and 21A, MacDonnell Road, Hong Kong; (b) the Ground Floor Garage of No. 23 MacDonnell Road, Hong Kong; (c) the First Floor and the Second Floor, No. 23A MacDonnell Road, Hong Kong; (d) the twelve chauffeur rooms or servants quarters situate on the three floors below the Garage of No. 23 MacDonnell Road, Hong Kong; and (e) the machine room and the watchman's room on the roof of No. 23 and No. 23A MacDonnell Road, Hong Kong. The gross area of the residential units of the First Property is approximately 30,400 square feet.
- Summary: On 9th November 2005, the Purchaser submitted the Tender for the acquisition of the First Property. The Purchaser received an acceptance of offer from the First Vendor on 15th November 2005. Pursuant to the terms of the Conditions of Sale by Tender, such acceptance constitutes a formal agreement between the First Vendor and the Purchaser on the date of acceptance in relation to the sale and purchase of the First Property.
- Consideration: The aggregate consideration is HK\$209,000,000, which was determined by the Group by reference to prevailing market conditions and prices of similar properties located in the nearby area. No independent valuation has been conducted on the First Property.

LETTER FROM THE BOARD

An initial deposit of HK\$10,000,000 was paid by the Purchaser upon the submission of the Tender. Under the Conditions of Sale by Tender, a further deposit of HK\$10,900,000 was paid by the Purchaser on 21st November 2005 upon signing of the Memorandum of Agreement and the balance of the consideration of HK\$188,100,000 shall be payable by the Purchaser upon completion, which is scheduled to take place on or before 20th January 2006.

The First Property is subject to existing tenancy agreements in relation to (i) 15 out of 19 residential units (occupying an aggregate gross area of approximately 24,000 square feet); (ii) a roof top of the First Property; (iii) 8 out of 11 carparking spaces; and (iv) 6 out of 24 chauffeur rooms or servants quarters, with an aggregate monthly rental of approximately HK\$437,750. The expiry dates of the respective terms of these existing tenancy agreements range from 30th November 2005 to 15th May 2007.

The acquisition of the First Property is currently expected to be funded through a combination of internal resources of the Group and bank financing, in the ratio of approximately 50% and 50%.

Condition:

Completion of the sale and purchase of the First Property is conditional upon the First Vendor being able to show, prove and give good title to the First Property at its own expense to the satisfaction of the Purchaser not later than 14 days before the Date of Completion. Such condition shall not be waived.

If the First Vendor is unable to show and prove good title within the time period aforesaid, the initial deposit and further deposit paid pursuant to the Conditions of Sale by Tender and the Memorandum of Agreement shall be returned to the Purchaser in full forthwith whereupon the Tender and the Memorandum of Agreement shall become null and void and neither party shall have any further claim against the other in respect thereof.

LETTER FROM THE BOARD

ACQUISITION OF THE SECOND PROPERTY

- Contract date: 16th November 2005
- Second Vendor: Lucky Smart Investment Limited. So far as the Directors are aware, the Second Vendor is a limited company incorporated in Hong Kong and one of its businesses is investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Second Vendor and its ultimate beneficial owner(s) are Independent Third Parties.
- Purchaser: City Style Properties Limited, a wholly-owned subsidiary of the Company.
- Second Property: A residential property situate at Flat 302, Sixth Floor of No. 23A MacDonnell Road, Hong Kong. The gross area of the Second Property is approximately 1,600 square feet. The Second Property is currently vacant.
- Summary: On 16th November 2005, the Purchaser and the Second Vendor entered into the Provisional Agreement for the acquisition of the Second Property. The parties had entered into the Formal Agreement on 21st November 2005.
- Consideration: The consideration is HK\$9,350,000 which was determined by the Group by reference to prevailing market conditions and prices of similar properties located in the nearby area. No independent valuation has been conducted on the Second Property.
- An initial deposit of HK\$400,000 was paid by the Purchaser upon signing of the Provisional Agreement. Under the Provisional Agreement, a further deposit of HK\$535,000 was paid by the Purchaser on 21st November 2005 and the balance of the consideration of HK\$8,415,000 will be payable by the Purchaser upon completion which is scheduled to take place on or before 20th January 2006.
- The acquisition of the Second Property is currently expected to be funded by internal resources of the Group.
- Condition: Completion of the sale and purchase of the Second Property is conditional upon the completion of the sale and purchase of the First Property. Such condition shall not be waived.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider that the Acquisition provides a good investment opportunity for the Group to enlarge its property investment portfolio with high quality assets, and believe that the First Property and the Second Property will generate a steady income stream and provide significant value enhancement prospects due to its redevelopment potential in a prime residential location. Both the First Property and the Second Property are expected to be used by the Group for investment purpose.

The Directors consider that the Acquisition will not cause any adverse impact on the working capital or gearing ratio of the Group. The Directors also do not expect the Acquisition to have any material impact on the earnings, assets and liabilities of the Group.

The Directors therefore are of the view that the Acquisition is in the best interests of the Company, and the Acquisition are on normal commercial terms, which are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

GENERAL

The Company 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, and property investment and management.

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made in the event that the Acquisition is not completed on or before 20th January 2006.

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

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

As at the Latest Practicable Date, the interests of each director and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“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 Companies were as follows:

Long position in shares

| Name of Director | Name of company | Nature of interest | Number of shares held | Percentage interests held |
|-------------------------|----------------------------|---------------------------------------|--------------------------------|---------------------------|
| Thomas CHAN Chun Hoo | Playmates Holdings Limited | Corporate (Note (a)) | 730,600,000 ordinary shares | 39.08% |
| Sidney TO Shu Sing | Playmates Holdings Limited | Personal | 9,360,000 ordinary shares | 0.50% |
| Charles IP Shu Wing | Playmates Holdings Limited | Personal | 18,400,000 ordinary shares | 0.98% |
| | Nippon Toys Limited | Personal (Note (b)) | 1 share | 50% |
| Allen LEE Peng Fei | Playmates Holdings Limited | Personal | 500,000 ordinary shares | 0.03% |
| Anthony LO Kai Yiu | Playmates Holdings Limited | Personal | 2,390,000 ordinary shares | 0.13% |
| TSIM Tak Lung | Playmates Holdings Limited | Personal | 1,364,000 ordinary shares | 0.07% |
| David YU Hon To | Playmates Holdings Limited | Personal & Corporate (Note (c)) | 5,300,000 ordinary shares | 0.28% |

Long position in underlying shares of the Company

| Name of Director | Nature of interest | Number of equity derivatives held | Number of underlying shares (ordinary shares) | Percentage interests held |
|-------------------------|---------------------------------------|-----------------------------------|--------------------------------------------------|---------------------------|
| Thomas CHAN Chun Hoo | Corporate (Note (a)) | 146,400,000 warrants | 146,400,000 shares | 7.83% |
| Sidney TO Shu Sing | Personal | 1,752,000 warrants | 1,752,000 shares | 0.09% |
| | Personal | 8,393,000 share options | 8,393,000 shares | 0.45% |
| Charles IP Shu Wing | Personal | 3,680,000 warrants | 3,680,000 shares | 0.20% |
| | Personal | 1,000,000 share options | 1,000,000 shares | 0.05% |
| Allen LEE Peng Fei | Personal | 50,000 warrants | 50,000 shares | 0.003% |
| | Personal | 1,000,000 share options | 1,000,000 shares | 0.05% |
| Anthony LO Kai Yiu | Personal | 478,000 warrants | 478,000 shares | 0.03% |
| | Personal | 1,250,000 share options | 1,250,000 shares | 0.07% |
| TSIM Tak Lung | Personal | 222,800 warrants | 222,800 shares | 0.01% |
| | Personal | 1,000,000 share options | 1,000,000 shares | 0.05% |
| David YU Hon To | Personal & Corporate (Note (c)) | 1,010,000 warrants | 1,010,000 shares | 0.05% |
| | Personal | 1,000,000 share options | 1,000,000 shares | 0.05% |

Notes:

- (a) 730,600,000 ordinary shares and 146,400,000 warrants of the Company were beneficially owned by Angers Investments Limited (“AIL”). All the issued share capital of AIL is beneficially owned by a private company which is in turn wholly-owned by Mr. Thomas Chan Chun Hoo.
- (b) Mr. Charles Ip Shu Wing has a personal interest of one share in Nippon Toys Limited, an associated company of the Group.
- (c) 4,200,000 ordinary shares and 840,000 warrants of the Company were held by a private company which is 50% owned by Mr. David Yu Hon To 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.

The warrants are exercisable at any time from 24th May 2005 to 23rd May 2006, both dates inclusive, at an initial subscription price of HK\$2.03 per share (subject to adjustment to be made according to the provisions of the Warrant Instrument dated 20th May 2005, the principal provisions of which can be found from pages 16 to 21 of the circular of the Company issued to its shareholders dated 16th March 2005) and subject to the terms and conditions under the aforesaid Warrant Instrument.

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

| Name of Director | Date of grant | Exercise price per share of the Company <i>HK\$</i> | Number of share options |
|-------------------------|----------------------|---------------------------------------------------------------|--------------------------------|
| Sidney TO Shu Sing | 26th August 1998 | 0.532 | 529,000 |
| | 27th May 1999 | 0.506 | 529,000 |
| | 20th October 1999 | 0.434 | 660,000 |
| | 22nd July 2000 | 0.626 | 551,000 |
| | 21st May 2001 | 0.297 | 1,024,000 |
| | 9th August 2002 | 0.199 | 1,200,000 |
| | 10th March 2003 | 0.550 | 1,200,000 |
| | 7th January 2004 | 1.360 | 1,200,000 |
| | 22nd September 2005 | 1.206 | 1,500,000 |
| Charles IP Shu Wing | 22nd September 2005 | 1.206 | 1,000,000 |
| Allen LEE Peng Fei | 22nd September 2005 | 1.206 | 1,000,000 |
| Anthony LO Kai Yiu | 9th August 2002 | 0.199 | 250,000 |
| | 22nd September 2005 | 1.206 | 1,000,000 |
| TSIM Tak Lung | 22nd September 2005 | 1.206 | 1,000,000 |
| David YU Hon To | 22nd September 2005 | 1.206 | 1,000,000 |

The above share options are exercisable in stages in accordance with the terms of the share option plan and the share option scheme 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

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of three years commencing 1st July 2005. However, such term is subject to their re-appointment by the Company at general meeting upon retirement by rotation pursuant to the bye-laws of the Company. Pursuant to the terms of the service contracts and subject to approval by the Company at general meeting, each non-executive director will be entitled to a fixed sum of HK\$100,000 for each financial year as ordinary remuneration in respect of his capacity as a member of the board. In case the non-executive director was appointed as a member of the Audit Committee or Compensation Committee, he will be entitled to a fixed fee of HK\$50,000 and HK\$25,000 respectively for each financial year (or such other fixed fee as the Compensation Committee may recommend from time to time). In addition, the Company shall reimburse the non-executive directors an attendance expense of HK\$2,000 per meeting (or such other fixed fee as the Compensation Committee may recommend from time to time) for attending meetings of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has 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, no Directors 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. 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.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, 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) Fong Yuk Yu, Tracy is the company secretary who is a fellow of The Institute of Chartered Secretaries and Administrators and a fellow of The Hong Kong Institute of Chartered Secretaries.
- (d) Yim Shuk Yee, Kitty is the qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules, who is a member of the American Institute of Certified Public Accountants.
- (e) The Company's branch share registrar and transfer office in Hong Kong is Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.