

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take you are advised to consult with an appropriate independent adviser (for example your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000) immediately.

If you have sold or otherwise transferred all your Shares, please send this document and the accompanying form of proxy at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Character Group plc

(incorporated and registered in England with registered no. 3033333)

Proposals for:

- the cancellation of the listing of the Company's issued shares
 - an application for admission to AIM of the Company's issued shares
 - the adoption of a new share option plan
- and

Notice of an Extraordinary General Meeting

A letter from the Chairman of The Character Group plc, is set out on pages 3 to 6 of this document.

Notice of an Extraordinary General Meeting of the Company convened for 11.15 a.m. on 29 November 2005 (or so soon thereafter as the Extraordinary General Meeting convened and to be held at 11 a.m. on such day shall have concluded or been adjourned) and to be held at 26 Finsbury Square, London EC2A 1DS is set out at the end of this document. A form of proxy for use at the meeting is enclosed.

To be valid, forms of proxy should be completed and returned so as to reach the Company's registrars, Neville Registrars Limited, by hand or by post, at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by no later than 10 a.m. on 28 November 2005.

Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

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Part I

Letter from the Chairman of The Character Group plc

The Character Group plc

(incorporated and registered in England with registered no. 3033333)

Directors:

Richard King (*Chairman and Joint Managing Director*)
Kirankumar Premchand Shah
(*Group Finance Director and Joint Managing Director*)
Joseph John Patrick Kissane
(*Managing Director – Character Options Limited*)
Jonathan James Diver (*Group Marketing Director*)
Ian Stanley Fenn (*Senior Non-Executive Director*)
Lord Birdwood (*Non-Executive Director*)
Aldo Horvat (*Non-Executive Director*)
David Harris (*Non-Executive Director*)

Registered Office:

4 Chiswell Street
London
EC1Y 4UP

4 November 2005

To Shareholders, and, for information only, to Optionholders

Dear Shareholder

Proposed move to AIM and adoption of a new share option plan

Introduction

The purpose of this letter is to give you details of the business to be conducted at the Extraordinary General Meeting of the Company to be held at 26 Finsbury Square, London EC2A 1DS at 11.15 a.m. on 29 November 2005, or as soon after that time as the extraordinary general meeting (convened for 11 a.m. on that day) has concluded or been adjourned. At the EGM, Shareholders will be asked to approve the cancellation of the listing of the Company's Shares on the Official List, in light of the proposed transfer of trading of the Shares to AIM, and the adoption by the Company of the rules to constitute the New Share Option Plan. The notice of meeting at the end of this document sets out the resolutions to be proposed in these regards.

Background to and proposals for the Cancellation and move to AIM

As I stated in my letter of 20 April 2005 at the time of the publication of the Group's interim report for the six month period ended 28 February 2005, as a result of a strategic review and consultations with its advisers, the Board has concluded that it would be in the best interests of the Company and Shareholders as a whole for the issued Shares to be admitted to trading on AIM.

The Board has felt for some time that the Official List is not an appropriate environment for a company with a small capitalisation and that there has been little institutional support for the Company. In addition, the cost of administering the ever increasing burden of the requirements of the Listing Rules and certain associated rules and code provisions that apply to listed companies is considerable and disproportionate for smaller companies.

By contrast, since its inception in 1995, AIM has proved to be an extremely supportive environment for companies with smaller capitalisations and has proved to be a robust market, even in challenging times. Further, the Directors believe that AIM provides a more flexible environment in which the Company will better be able:

- to achieve its business and strategic objectives;
- to reduce costs and formalities associated with maintaining a listing on a regulated market, whilst continuing to provide a platform for trading in its issued Shares;

- to reduce costs and formalities associated with future potential transactions and other actions by the Company;
- to attract institutional shareholders;
- subject to satisfying all relevant conditions, potentially to secure for Shareholders the tax advantages usually associated with an investment in the shares of an AIM company (i.e. inheritance tax business property relief and income tax relief on certain capital losses).

A pre-admission announcement, which is a preliminary step taken by the Company in connection with the proposed application for admission of the issued Shares to trading on AIM, was released by the Company on 3 November 2005 and the full text of that announcement is reproduced in Part III of this document. This announcement was prepared and released in order to meet the preliminary requirements of the AIM rules that apply where a listed company seeks admission to AIM. Application will be made to the London Stock Exchange for the issued Shares to be admitted to trading on AIM prior to the holding of the EGM and it is anticipated that, subject to Resolution 1 being passed at the EGM, trading in the issued Shares on AIM will commence on 2 December 2005.

In parallel with the application for admission to AIM, it is intended that the Company will formally apply to the UK Listing Authority for the Cancellation. It is a requirement of the Listing Rules, amongst other things, that the prior approval to the Cancellation is obtained by the Company, at a duly convened general meeting of the Company, from the holders of not less than 75 per cent. of the issued Shares whose votes are cast at such meeting. Resolution 1 is framed in terms that will, subject to the same being duly passed, satisfy this requirement of the Listing Rules. Subject to and conditional upon Resolution 1 being duly passed at the EGM, it is anticipated that the Cancellation will take effect immediately upon the commencement of dealings on 2 December 2005.

Shareholders should be aware that, following admission to AIM and the Cancellation becoming effective, the issued Shares will not be appropriate for use in relation to investments made in a personal equity plan (PEP) or in an individual savings account (ISA). If you are in any doubt as to the implications for you of these proposals, you should consult an appropriate independent adviser (for example your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000) immediately.

Background to the proposal to adopt the New Share Option Plan

The Company currently operates three share option schemes, namely:

- the Approved Scheme, adopted in 1995 at the time that the Company's share capital was originally admitted to trading on the London Stock Exchange's market for listed securities;
- the Unapproved Scheme, adopted in 1997; and
- the EMI Scheme, adopted in 2003.

A significant number of employees or former employees of the Group have benefited through the exercise of options granted to them by the Company since 1995. At the present time 89 Group employees hold options over a total of 1,443,200 unissued Shares, representing approximately 2.73 per cent. of the current issued share capital of the Company, with an average exercise price of approximately 47.5 pence per Share.

In accordance with its rules, the Approved Scheme terminated on 3 May 2005. Termination of the Approved Scheme does not affect the status of options granted prior to its termination but no further options may be granted under the Approved Scheme.

The EMI Scheme was adopted by the Board, following approval of the rules of that scheme by Shareholders, on 22 January 2003. The company no longer satisfies all of the criteria necessary to allow the tax effective grant of options under the EMI Scheme to employees of the Group. This is because the gross assets of the Company now exceed £30 million. As a consequence of this, and unless (due to unforeseen circumstances) the gross assets of the Company are reduced again below £30 million, the EMI Scheme may no longer be operated by the Board in a tax effective manner and it is not currently proposed that any further options will be granted under this scheme.

As a consequence of the termination of the Approved Scheme and the fact that the EMI Scheme cannot currently be used in a tax effective manner for the grant of options, the only means by which options may currently be granted to Group employees is by means of the Unapproved Scheme. Because of its unapproved status, the Unapproved Scheme is not a tax effective means of granting options, either from the point of view of the Company or of recipient employees, and it is only used in relation to the grant of options to overseas employees and (in cases to the extent that the market value of the options to be granted will bring the total market value of options held to over £30,000) senior executives of the Group.

In the Directors' opinion, it remains critical to the development of the Group's businesses that it is able to attract, retain and motivate personnel with suitable skills and calibre. In order to achieve this, the Directors remain committed to adopting cost and tax effective and innovative means of incentivising employees, whilst not unduly diluting shareholders' interests. It is with a view to achieving this end that the Directors believe that the adoption of the proposed New Share Option Plan to replace the Approved Scheme is a necessary step for the Company to take at this time.

As the Unapproved Scheme is due to expire in less than two years' time, it is proposed that the New Share Option Plan will, in addition to facilitating the grant of approved options, also allow the Company to grant unapproved options, in the circumstances referred to above. Accordingly, the terms upon which approved and unapproved options will be granted in the future will be largely uniform. This will bring the duration of the approved and unapproved share option arrangements into line and ease the burden of administration. If Shareholders approve the adoption of the New Share Option Plan, no further options will be granted under the Unapproved Scheme.

Proposals for the New Share Option Plan

The New Share Option Plan will be administered by the Remuneration Committee which comprises the three independent non-executive Directors, Lord Birdwood (Chairman), Ian Fenn and David Harris. **The New Share Option Plan will run in parallel with the Existing Schemes so that the total number of unissued Shares that may be made subject to the grant of options under all four schemes will be limited to 15 per cent. of the issued Shares at the date of grant of any option.**

As with the Existing Schemes, it is not proposed that any payment will be made by the relevant employee at the time of the grant of an option under the New Share Option Plan or that the option will, save in limited circumstances, be exercisable prior to the third anniversary of the date of grant.

The Remuneration Committee proposes that options granted under the New Share Option Plan will be subject to performance conditions which will be designed to ensure that the vesting of the relevant options occurs only following a significant improvement in the performance of the Group. This may be achieved through a number of means but the Remuneration Committee is of the view that the best measurement of performance at this time is one which requires either achievement of:

- targets for profit before tax and interest for the relevant employee's employing company within the Group (adjusted to eliminate certain intra-group charges); and/or
- targets for the consolidated profit before tax and interest for the Group as a whole; and/or
- targeted increases in the fully diluted earnings per share of the Company.

In most other respects, the New Share Option Plan will be substantially similar in its terms, operation and administration to the Approved Scheme.

If the New Share Option Plan is approved by Shareholders, the Remuneration Committee proposes to make an initial grant of options to employees within the Group within 42 days of formal approval by HMRC. Whilst no final determination has been made in this regard to date, it is anticipated that the executive Directors of the Company will be granted options granted under the New Share Option Plan.

A summary of the main provisions of the rules of the New Share Option Plan is set out in Part II on page 7 of this document.

Extraordinary General Meeting

Shareholders will find set out on page 15 of this document a notice convening an Extraordinary General Meeting of the Company to be held at 11.15 a.m. on Tuesday 29 November 2005 (or so soon thereafter as the extraordinary general meeting convened and to be held at 11 a.m. on such day shall have concluded or been adjourned) at 26 Finsbury Square, London EC2A 1DS. At that meeting, the Resolutions will be proposed to approve the Cancellation and the adoption by the Directors of the rules constituting the New Share Option Plan.

Resolution 1 is to be proposed as a special resolution, requiring approval by at least 75 per cent. of the votes cast at the meeting (whether in person or by proxy). Resolution 2 is to be proposed as an ordinary resolution, requiring approval by more than 50 per cent. of the votes so cast.

Action to be taken

Shareholders will find enclosed with this document a form of proxy for use in relation to the Extraordinary General Meeting. Forms of proxy should be completed and returned in accordance with the instructions printed thereon so that they arrive at the Company's registrars, Neville Registrars Limited, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible and in any event not later than 10.00 a.m. on 28 November 2005. Completion and return of a form of proxy will not prevent Shareholders from attending and voting at the Extraordinary General Meeting should they wish to do so.

Further Information

Your attention is drawn to the further information regarding the New Share Option Plan set out in Part II of this document. Copies of the draft rules of the New Share Option Plan will be available for inspection during normal business hours on any week day (Saturdays and public holidays excepted) from the date of despatch of this letter at the offices of Duane Morris, 4 Chiswell Street, London EC1Y 4UP until the close of the EGM and will also be available at the venue for the meeting for at least 15 minutes prior to and until the conclusion of the meeting.

Recommendation

Your Directors believe that the Cancellation, the proposed admission to trading on AIM of the issued Shares and the adoption of the rules to constitute the New Share Option Plan are in the best interests of the Company and its Shareholders as a whole. Accordingly, your Directors unanimously recommend that Shareholders vote in favour of the Resolutions as they intend to do (or, as appropriate, intend to procure, so far as they are able to do so, that the holders of shares in which they are interested do) in relation to holdings amounting in aggregate to of 16,110,215 Shares (representing approximately 30.5 per cent. of the existing issued share capital of the Company).

Yours sincerely

Richard King
Chairman

Part II

Summary of the principal terms of the proposed New Share Option Plan

The following is a summary of the proposed rules of the New Share Option Plan:

1. Introduction

The New Share Option Plan will be in two parts:

- 1.1 an approved part, under which options may be granted which qualify for favourable tax treatment under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003; and
- 1.2 an unapproved part, under which options may be granted that do not qualify for such tax treatment.

The New Share Option Plan will be substantially similar in structure, operation and administration to the Approved Scheme and will be administered under the direction of the Remuneration Committee.

2. Eligible employees

For the purposes of the grant of approved options, all employees and full time directors of the Company or any of its subsidiaries (i.e. whose committed time to the business of the Group constitutes substantially the whole of his working time and at least 25 hours per week) will be eligible to participate in the New Share Option Plan. For the purposes of the grant of unapproved options, part time and non-executive directors of the Company or any of its subsidiaries will also be will be eligible to participate in the New Share Option Plan.

3. Grant of options

Options will be granted free of charge.

Options may only be granted during the 42 day period following:

- 3.1 the date of formal approval of the New Share Option Plan by HMRC; and subsequently
- 3.2 the expiry of three dealing days after the preliminary announcement of the Company's final or the announcement of the Company's interim results for any financial period and at other times under exceptional circumstances.

The foregoing is subject to the proviso that no option shall be granted to an individual to whom the model code on directors' dealings in securities prescribed by the Listing Rules (the "Model Code") applies if the Directors are aware that such grant would be in breach of the Model Code.

Options will not be transferable or assignable but may, at the discretion of the Directors, be exercised by the personal representatives of a deceased optionholder within 12 months of the date of death of the optionholder. The number of Shares subject to an option may be adjusted as specified in paragraph 10 below.

4. Option price

The price per Share at which an option may be exercised under the New Share Option Plan will be determined by the Directors but will be not less than the higher of:

- 4.1 its nominal value; and
- 4.2 its market value on the day of grant.

The price is subject to adjustment as specified in paragraph 10 below.

5. Limits on the grant of options

The total number of unissued Shares over which options may be granted under the New Share Option Plan when aggregated with the total number of Shares issued or issuable following an

exercise of any such options under the Existing Schemes in the ten years immediately preceding the date upon which an option is granted, shall not exceed 15 per cent. of the issued Shares at such time.

6. Limits on participation by employees

Participation by employees of the Group will be limited under the rules of the New Share Option Plan as follows:

- 6.1 the maximum value of Shares (as at the relevant dates of grant) over which an individual may at any time hold approved options under the New Share Option Plan and any other HMRC approved scheme operated by the Company shall not exceed £30,000 (or such other limit as is prescribed from time to time by the relevant legislation);
- 6.2 the maximum value of Shares (as at the relevant dates of grant) over which an individual may be granted options under the New Share Option Plan in any financial year shall not exceed one and a half times his basic annual rate of pay.

7. Exercise of options

An option may usually only be exercised between three and ten years after the date of grant. Earlier exercise is permitted in the following circumstances:

- 7.1 in the event of a takeover, reconstruction or winding-up of the Company; or
- 7.2 if a participant ceases to be employed within the Group by reason of injury, disability, redundancy, retirement, death or as a result of the sale of his employing company or the transfer of the business in which he is employed. In such circumstances he may exercise his option before the later of six months from the date of such termination of employment or 42 months from the date of grant of the option or, in the case of death, by his personal representatives within 12 months of his death.

Where an option becomes exercisable before the third anniversary of the date of grant, the Remuneration Committee will take into account the length of time since the option was granted and the extent to which the performance conditions have been met before deciding on the extent to which the option may be exercised.

An option will lapse to the extent that it is not exercised within the time prescribed by the rules of the New Share Option Plan.

Notwithstanding the foregoing provisions regarding exercise, no exercise of an option shall be effective if the Directors are aware that such exercise and/or the subsequent allotment and issue or transfer to the relevant individual would be in breach of the Model Code, or any other provisions of the AIM Rules.

8. Performance condition

The Remuneration Committee may impose objective conditions on the exercise of options and it is proposed, by the Remuneration Committee, that such conditions will be imposed as reflect the guidelines of the Investor Protection Committees, including the Association of British Insurers, from time to time. The Remuneration Committee intends to impose targets of sustained improvement in the underlying performance of the Company as a pre-condition of the exercise of options granted under the New Share Option Plan. It is proposed, at the present time, that options granted under the New Share Option Plan will be subject to the condition that they may not in normal circumstances be exercised unless:

- 8.1 pre-determined targets for profit before tax and interest (adjusted to eliminate certain intra-group charges); or
- 8.2 pre-determined targeted increases in the fully diluted earnings per share of the Company are met or exceeded.

9. Issue of Shares

Shares will be allotted or transferred to a participant within 30 days of due exercise of an option. New Shares allotted upon the exercise of an option will, upon the holder's name being entered on the Company's register of members, rank *pari passu* with the then issued Shares (save for any entitlements accruing to Shares by reference to a record date preceding the date of such entry on the register of members). The Company will apply for admission to trading on AIM for new Shares allotted on exercise of an option.

10. Capital re-organisation and demerger

If the issued Share capital of the Company is varied on a capitalisation issue, rights issue or sub-division, consolidation or reduction of capital, the Directors may, on the advice of the Company's auditors, adjust the number of Shares comprised in each option and/or the relative option price. If the option price, as adjusted, would be such that the same shall be less than the nominal value thereof then unless the Shareholders shall authorise the capitalisation from reserves of the Company of a sum equal to the amount by which the option price of each Share subject to the grant of options shall fall short of the nominal value thereof, the option price therefore shall be adjusted to no less than the nominal value of an Share.

In the event of a demerger of part of the Group, the Directors may determine that the options may be exercised or they may adjust the number of Shares comprised in each option and/or the relevant option price.

11. Termination

The New Share Option Plan will automatically terminate ten years following its adoption or earlier if determined by the Board. The termination of the New Share Option Plan will not affect options previously granted.

12. Amendments

The Directors may amend the rules of the New Share Option Plan provided *inter alia* that no such amendment shall:

- 12.1 have effect in relation to options granted under the New Share Option Plan prior to such amendment taking effect;
- 12.2 [have the effect of giving an advantage to any existing optionholder, or shall] be made to the following matters, without the prior approval of the Company in general meeting:
 - 12.2.1 eligibility to participate in the New Share Option Plan;
 - 12.2.2 the limit on the number of Shares available to the New Share Option Plan;
 - 12.2.3 the maximum entitlement for any one participant; and
 - 12.2.4 the basis for determining a participant's entitlement to Shares and the terms relating to the adjustment thereof if there is a variation of capital.

Subject to the above, the Directors may make such minor amendments to the Scheme as are necessary or desirable to benefit the administration of the Scheme or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for potential participants, optionholders or the Company or any member of the Group and/or to obtain or maintain the approval of HMRC.

13. Pensionable benefit status

Benefits derived from the New Share Option Plan are not pensionable.

Part III

Text of an announcement issued by the Company on 3 November 2005

AIM SCHEDULE 1 – PRE-ADMISSION ANNOUNCEMENT

ANNOUNCEMENT TO BE MADE BY THE AIM APPLICANT PRIOR TO ADMISSION IN ACCORDANCE WITH AIM RULE 2

ALL APPLICANTS MUST COMPLETE THE FOLLOWING:

COMPANY NAME:

The Character Group plc

COMPANY ADDRESS:

Registered Office:
4 Chiswell Street
London

COMPANY POSTCODE:

EC1Y 4UP

COUNTRY OF INCORPORATION:

England

COMPANY BUSINESS OR, IN THE CASE OF AN INVESTING COMPANY, DETAILS OF ITS INVESTMENT STRATEGY TO BE DISCLOSED IN ACCORDANCE WITH SCHEDULE 2, PARAGRAPH (J) OF THE AIM RULES:

The Character Group plc is engaged in the design, development and international distribution of toys, games, gifts and digital cameras.

DETAILS OF SECURITIES TO BE ADMITTED (i.e. where known, number of shares, nominal value and issue price to which it seeks admission and the number and type to be held as treasury shares):

52,827,909 ordinary shares of 5 pence each

CAPITAL TO BE RAISED ON ADMISSION:

Nil

FULL NAMES AND FUNCTIONS OF DIRECTORS AND PROPOSED DIRECTORS:

Richard King (*Chairman and Joint Managing Director*)
Kirankumar Premchand Shah (*Group Finance Director and Joint Managing Director*)
Joseph John Patrick Kissane (*Managing Director – Character Options Limited*)
Jonathan James Diver (*Group Marketing Director*)
Ian Stanley Fenn (*Senior Non-Executive Director*)
Lord Birdwood (*Non-Executive Director*)
Aldo Horvat (*Non-Executive Director*)
David Harris (*Non-Executive Director*)

PERSON(S) INTERESTED IN 3% OR MORE OF THE ISSUER'S CAPITAL, EXPRESSED AS A PERCENTAGE OF THE ISSUED SHARE CAPITAL BEFORE AND AFTER ADMISSION:

Giochi Preziosi S.p.A 22.50%
Sarissa Holdings Limited** 10.64%
Mittel Generale Investments S.p.A 10.05%
R King 5.94%
Cedarberg Investments Limited* 3.57%
TOPS Pension Scheme*** 3.27%
J J Diver 3.20%
Sweet Briar Investments Limited 3.17%

*R King has a beneficial interest

**K P Shah has a beneficial interest

***Each of R.King, K P Shah and J J Diver is a trustee and a beneficiary under such pension scheme arrangements.

NAMES AND ADDRESSES OF ALL PERSONS TO BE DISCLOSED IN ACCORDANCE WITH SCHEDULE 2, PARAGRAPH (H) OF THE AIM RULES:

N/A

ANTICIPATED ACCOUNTING REFERENCE DATE:

31 August

EXPECTED ADMISSION DATE:

2 December 2005

NAME AND ADDRESS OF NOMINATED ADVISER:

Collins Stewart Limited
9th Floor
88 Wood Street
London EC2V 7QR

NAME AND ADDRESS OF BROKER:

Collins Stewart Limited
9th Floor
88 Wood Street
London EC2V 7QR

DETAILS OF WHERE (POSTAL OR INTERNET ADDRESS) THE ADMISSION DOCUMENT WILL BE AVAILABLE FROM, WITH A STATEMENT THAT THIS WILL CONTAIN FULL DETAILS ABOUT THE APPLICANT AND THE ADMISSION OF ITS SECURITIES:

Full details about the applicant and the admission of its securities is available from:
www.thecharacter.com

DATE OF NOTIFICATION:

3 November 2005

NEW/ UPDATE (see note):

NEW

QUOTED APPLICANTS MUST ALSO COMPLETE THE FOLLOWING:

THE NAME OF THE AIM DESIGNATED MARKET UPON WHICH THE APPLICANT'S SECURITIES HAVE BEEN TRADED:

Official List

THE DATE FROM WHICH THE APPLICANT'S SECURITIES HAVE BEEN SO TRADED:

22 June 1995

CONFIRMATION THAT, FOLLOWING DUE AND CAREFUL ENQUIRY, THE APPLICANT HAS ADHERED TO ANY LEGAL AND REGULATORY REQUIREMENTS INVOLVED IN HAVING ITS SECURITIES TRADED UPON SUCH A MARKET:

The Directors of The Character Group plc confirm that, following due and careful enquiry, the Company has adhered to the legal and regulatory requirements involved in having its securities traded on the Official List

AN ADDRESS OR WEB-SITE ADDRESS WHERE ANY DOCUMENTS OR ANNOUNCEMENTS WHICH THE APPLICANT HAS MADE PUBLIC OVER THE LAST TWO YEARS (IN CONSEQUENCE OF HAVING ITS SECURITIES SO TRADED) ARE AVAILABLE:

www.thecharacter.com

DETAILS OF THE APPLICANT'S STRATEGY FOLLOWING ADMISSION INCLUDING, IN THE CASE OF AN INVESTING COMPANY, DETAILS OF ITS INVESTMENT STRATEGY:

The Group will continue to build its Toys, Games and Gifts division organically in the UK as well as in overseas territories.

The Digital division shall concentrate on designing, developing and supplying digital cameras to customers worldwide.

The Group will consider acquisitions where these complement the existing business and strengthen international sales.

The Board is considering the possible de-merger of its Digital business, carried on by World Wide Licenses Limited ("WWL"), and simultaneously seeking an Admission to trading on AIM for WWL's shares, or of any entity formed for the purpose, in their own right.

A DESCRIPTION OF ANY SIGNIFICANT CHANGE IN FINANCIAL OR TRADING POSITION OF THE APPLICANT, WHICH HAS OCCURRED SINCE THE END OF THE LAST FINANCIAL PERIOD FOR WHICH AUDITED STATEMENTS HAVE BEEN PUBLISHED:

There has been no significant change in financial or trading position of the Company, which has occurred since 31 August 2005, being the end of the financial period in respect of which a preliminary announcement of results has been issued by the Company today. The audited statements for the period to 31 August 2005 will be published on 4 November 2005 and posted to shareholders within the next 7 days.

A STATEMENT THAT THE DIRECTORS OF THE APPLICANT HAVE NO REASON TO BELIEVE THAT THE WORKING CAPITAL AVAILABLE TO IT OR ITS GROUP WILL BE INSUFFICIENT FOR AT LEAST TWELVE MONTHS FROM THE DATE OF ITS ADMISSION:

The Directors of The Character Group plc have no reason to believe that the working capital available to it or its group will be insufficient for at least twelve months from the date of its Admission.

DETAILS OF ANY LOCK-IN ARRANGEMENTS PURSUANT TO RULE 7 OF THE AIM RULES:

None

A BRIEF DESCRIPTION OF THE ARRANGEMENTS FOR SETTLING THE APPLICANT'S SECURITIES:

SEAQ/CREST

A WEBSITE ADDRESS DETAILING THE RIGHTS ATTACHING TO THE APPLICANT'S SECURITIES:

www.thecharacter.com

INFORMATION EQUIVALENT TO THAT REQUIRED FOR AN ADMISSION DOCUMENT WHICH IS NOT CURRENTLY PUBLIC:

Additional information may be found at www.thecharacter.com

A WEBSITE ADDRESS OF A PAGE CONTAINING THE APPLICANT'S LATEST ANNUAL REPORT AND ACCOUNTS WHICH MUST HAVE A FINANCIAL YEAR END NOT MORE THEN NINE MONTHS PRIOR TO ADMISSION AND FULLY AUDITED INTERIM RESULTS WHERE APPLICABLE. THE ACCOUNTS MUST BE PREPARED ACCORDING TO UK OR US GAAP OR INTERNATIONAL ACCOUNTING STANDARDS:

www.thecharacter.com

The Report and accounts of the Group for the year ended 31 August 2005 will be published on, and available for viewing on the Company's website from, 4 November 2005.

THE NUMBER OF EACH CLASS OF SECURITIES HELD IN TREASURY:

None

Note: THIS FIELD SHOULD INDICATE THAT THE ANNOUNCEMENT IS 'NEW' AND ALL RELEVANT FIELDS SHOULD BE COMPLETED. OTHERWISE WHERE THE FORM IS REQUIRED TO BE COMPLETED IN RESPECT OF AN 'UPDATE' ANNOUNCEMENT, THIS SHOULD BE INDICATED. IN SUCH CASES, ALL THE ORIGINAL INFORMATION SHOULD BE INCLUDED WITH ANY AMENDED FIELDS **EMBOLDENED**.

Part IV

Definitions

The following definitions apply throughout this document and in the accompanying form of proxy unless the context otherwise requires:

“AIM”	AIM, the market of that name operated by the London Stock Exchange;
“Approved Scheme”	the Company’s Inland Revenue approved 1995 Executive Share Option Scheme;
“Board” or “Directors”	the board of directors of the Company from time to time;
“Cancellation”	a cancellation of the admission of the issued Shares to the Official List by the UK Listing Authority [and to trading on the London Stock Exchange’s market for listed securities by the London Stock Exchange];
“Company” or “Character Group”	The Character Group plc;
“EGM”	the extraordinary general meeting of the Company convened for 29 November 2005, notice of which is set out at the end of this document;
“Existing Schemes”	together, the Approved Scheme, Unapproved Scheme and the EMI Scheme;
“EMI Scheme”	the Company’s Enterprise Management Incentive Share Option Scheme;
“Group”	the Company and its subsidiaries or any of them, as the context requires;
“HMRC”	the Commissioners of Her Majesty’s Revenue and Customs;
“Listing Rules”	the listing rules of the UK Listing Authority made pursuant to section 73A(2) of the Financial Services and Markets Act 2000 (as amended);
“London Stock Exchange”	London Stock Exchange plc;
“New Share Option Plan”	the proposed new share option plan of the Company to be approved by HMRC pursuant to the provisions of Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003;
“Official List”	the Official List of the UK Listing Authority;
“Optionholders”	holders of subsisting options to subscribe for Shares granted by the Company under the Existing Schemes;
“Shares”	ordinary shares of 5p each in the capital of the Company;
“Remuneration Committee”	the Remuneration Committee of the Board;
“Resolutions”	the resolutions to be put to Shareholders at the EGM;
“Shareholders”	holders of Shares;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended);
“Unapproved Scheme”	the Company’s Unapproved 1997 Executive Share Option Scheme.

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Character Group plc

(incorporated and registered in England with registered no. 3033333)

Notice is hereby given that an Extraordinary General Meeting of The Character Group plc (the “Company”) will be held at 11.15 a.m. on Tuesday 29 November 2005 (or so soon thereafter as the extraordinary general meeting convened and to be held at 11 a.m. on such day shall have concluded or been adjourned) at the offices of Citigate Dewe Rogerson, 26 Finsbury Square, London EC2A 1DS for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed, in the case of Resolution numbered 1, as a special resolution of the Company and, in the case of resolution numbered 2, as an ordinary resolution of the Company.

1. Special Resolution

That the cancellation of the admission of the issued ordinary shares of 5p each in the capital of the Company to the Official List of the Financial Services Authority (acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services & Markets Act 2000 (as amended)) (the “UKLA”) be and is hereby approved and that the directors be and are hereby authorised and directed to make application to the UKLA and to do all acts and things which they consider necessary or expedient to effect such cancellation.

2. Ordinary Resolution

That The Character Group plc 2005 Share Option Plan (the “Plan”) (the principal provisions of which are summarised in Part II of the circular letter to the holders of ordinary shares in the Company dated 4 November 2005), to be constituted by the rules produced in draft to this meeting and for the purposes of identification initialled by the Chairman of the meeting, be and are hereby approved and that the directors be and hereby authorised and directed to cause such rules to be adopted in the form of such draft and to do all acts and things which they consider necessary or expedient to carry the Plan into effect.

Registered Office:
4 Chiswell Street,
London EC1Y 4UP

By order of the Board,
K.P. Shah
Secretary

4 November 2005

Notes:

- (1) A member entitled to attend and vote at the Meeting convened by the Notice above is entitled to appoint a proxy to attend and, on a poll, vote in his place. A proxy need not be a member of the Company.
- (2) To be valid, forms of proxy must be lodged with Neville Registrars Limited, 18 Laurel Lane, Halesowen, West Midlands B63 3DA not less than 48 hours before the time appointed for holding the Meeting. A form of proxy is enclosed.
- (3) Completion of a form of proxy does not prevent a holder of Shares from attending and voting at the Meeting should he so wish.
- (4) In order to have the right to attend and/or vote at the meeting, a person must be entered on the register of members not later than 10 a.m. on 28 November 2005 or, in the case of an adjournment of the Meeting, at the time which is 48 hours before the time appointed for the adjourned meeting.

