

RADICA GAMES LTD
Form 6-K
August 24, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of August, 2006

Commission File Number: 0-23696

RADICA GAMES LIMITED
(Translation of registrant's name into English)

Suite V, 6/F., 2-12 Au Pui Wan Street, Fo Tan, Hong Kong
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or 40-F

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Contents:

1. Proxy Statement, dated August 24, 2006, related to the Special General Meeting of Shareholders for the purpose of approving the Agreement and Plan of Amalgamation, dated July 25, 2006, among Mattel Foreign Holdings, Ltd, Mattel Enterprises, Ltd, Radica Games Limited and, solely with respect to Section 6.13, Mattel, Inc.

This Report on Form 6-K shall be deemed to be incorporated by reference into the Registrant's Registration Statements on Form S-8 (No. 33-86960, No. 333-7000, No. 333-59737, 333-61260 and 333-122248) and on Form F-3 (No. 333-7526 and No. 333-79005).

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RADICA GAMES LIMITED

Date: August 24, 2006 /s/ Craig D. Storey
Craig D. Storey
Chief Accounting Officer

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RADICA GAMES LIMITED

SUITE V, 6/F., 2-12 AU PUI WAN STREET
FO TAN, HONG KONG

SPECIAL GENERAL MEETING OF SHAREHOLDERS

August 24, 2006

Dear Shareholders:

You are invited to attend a special general meeting of shareholders of Radica Games Limited ("Radica") at The Westin Pasadena Hotel, 191 North Los Robles Avenue, Pasadena, California 91101, on September 29, 2006, at 11:00 a.m., Pacific Daylight Time. At the special general meeting, you will be asked to consider and adopt a resolution approving the Agreement and Plan of Amalgamation, dated as of July 25, 2006, among Radica Games Limited, Mattel Foreign Holdings, Ltd., Mattel Enterprises, Ltd. and, solely with respect to specified provisions thereof, Mattel, Inc.

The amalgamation agreement contemplates a transaction whereby Mattel Enterprises, Ltd., a wholly owned subsidiary of Mattel Foreign Holdings, Ltd., which in turn is a wholly owned subsidiary of Mattel, Inc., would be amalgamated with Radica. Upon completion of the amalgamation, each share of Radica common stock will be cancelled and converted into the right to receive \$11.55 in cash. Shareholders that comply with necessary procedural requirements to perfect their dissenters' rights may seek court appraisal of the fair value of their shares.

The affirmative vote of the holders of three-fourths of the Radica common stock voting at the special general meeting is necessary to adopt the amalgamation proposal. Pursuant to a Voting Agreement, dated as of July 25, 2006, by and among Mattel Foreign Holdings, Ltd. and the shareholders party thereto, certain Radica shareholders have agreed to vote shares constituting approximately 40% of Radica's outstanding shares in favor of the amalgamation proposal and against any alternative proposal whereby Radica would sell or transfer 25% or more of its equity securities or its consolidated assets or engage in a merger, reorganization, share exchange, consolidation, amalgamation or similar transaction, among other restrictions. The voting agreement will terminate under certain circumstances summarized in the enclosed proxy statement.

In accordance with Radica's bye-laws, the Board of Directors has fixed the close of business on August 18, 2006, as the record date for the purpose of determining shareholders entitled to receive notice of and to vote at the special general meeting or any adjournments or postponements thereof. The share register will not be closed.

On July 25, 2006, the Board of Directors of Radica unanimously (i) determined that the amalgamation and the amalgamation agreement are advisable and that the amalgamation is fair to, and in the best interests of, Radica and its shareholders, (ii) approved the amalgamation, the amalgamation agreement and the transactions contemplated thereby and (iii) recommended that Radica shareholders vote to adopt the amalgamation agreement and to approve the amalgamation.

The enclosed proxy statement provides you with a summary of the amalgamation agreement and the amalgamation, and provides additional information about the parties involved. If the Radica shareholders approve the amalgamation proposal, the closing of the amalgamation will occur as promptly

as practicable after the special general meeting, subject to the satisfaction or waiver of the conditions to the closing of the amalgamation.

YOUR VOTE IS VERY IMPORTANT. Therefore, whether or not you plan to attend the special general meeting in person, please sign and return the enclosed proxy in the envelope provided. If you attend the special general meeting and desire to vote in person, you may do so even though you have previously sent a proxy.

By Order of the Board of Directors,

Patrick S. Feely
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction, passed upon the fairness or merits of this transaction or passed upon the accuracy or adequacy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement, dated August 24, 2006, will first be mailed to shareholders on or about August 28, 2006.

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RADICA GAMES LIMITED

SUITE V, 6/F., 2-12 AU PUI WAN STREET
FO TAN, HONG KONG

NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS

To be held on September 29, 2006

NOTICE IS HEREBY GIVEN that a special general meeting of shareholders of Radica Games Limited, a Bermuda company, will be held at The Westin Pasadena Hotel, 191 North Los Robles Avenue, Pasadena, California 91101, on September 29, 2006, at 11:00 a.m., Pacific Daylight Time. A proxy card and a proxy statement for the special general meeting are enclosed.

The special general meeting is for the purpose of:

1. Considering and voting to (i) approve the amalgamation of Mattel Enterprises, Ltd. and Radica Games Limited, and (ii) adopt the Agreement and Plan of Amalgamation, dated as of July 25, 2006, among Radica Games Limited, Mattel Enterprises, Ltd., Mattel Foreign Holdings, Ltd., and, with respect to specified provisions of the amalgamation agreement, Mattel, Inc. A copy of the amalgamation agreement is attached as Annex A to the accompanying proxy statement.

2. Approving adjournments or postponements of the special general meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the special general meeting to adopt the amalgamation

agreement.

3. Transacting such other business as may properly come before the special general meeting and any adjournments thereof. At present, our Board of Directors is not aware of any other business that will be presented for consideration at the special general meeting.

Approval of the amalgamation proposal requires the affirmative vote of the holders of three-fourths of the Radica common stock voting at the special general meeting. Pursuant to a voting agreement, certain Radica shareholders have agreed with Mattel Foreign Holdings, Ltd. to vote shares constituting approximately 40% of Radica's outstanding shares in favor of the amalgamation proposal and against any alternative proposal whereby Radica would sell or transfer 25% or more of its equity securities or its consolidated assets or engage in a merger, reorganization, share exchange, consolidation, amalgamation or similar transaction, among other restrictions. Subject to certain exceptions, the voting agreement will terminate upon the earlier of (i) the effective time of the amalgamation or (ii) the elapsing of nine months following termination of the amalgamation agreement; provided, however, that if Radica enters into a definitive agreement with respect to an alternative acquisition proposal during such nine month period, the voting agreement will terminate upon the termination or consummation of such definitive agreement.

In accordance with Radica's bye-laws, the Board of Directors has fixed the close of business on August 18, 2006 as the record date for the purpose of determining shareholders entitled to receive notice of, and to vote at, the special general meeting or any adjournments or postponements thereof. The share register will not be closed.

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The Board of Directors of each of Radica and Mattel Enterprises, Ltd. has determined that the price of \$11.55 per share to be paid by Mattel Enterprises, Ltd. upon consummation of the amalgamation constitutes fair value for Radica's common stock. Under Bermuda law, shareholders of Radica are eligible to exercise dissenters' rights in connection with the amalgamation. Shareholders that do not vote in favor of the amalgamation and who are not satisfied that they have been offered fair value for their shares (and comply with necessary procedural requirements) may seek court appraisal of the fair value of their shares. For a description of dissenters' rights and the procedures to be followed to assert them, shareholders should review the provisions of Section 106(6) of the Bermuda Companies Act 1981. A copy of these provisions is included as Annex D to the accompanying proxy statement.

All shareholders are cordially invited to attend the special general meeting in person. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to Radica's bye-laws, vote in his stead. A proxy need not be a shareholder of our company. Whether or not you plan to attend, please carefully read the accompanying proxy statement, and mark, date, sign and return the enclosed proxy card in the accompanying reply envelope. You may revoke your proxy at any time prior to the special general meeting. If you attend the special general meeting and vote by ballot, your proxy vote will be revoked automatically and only your vote at the special general meeting will be counted.

YOUR VOTE IS VERY IMPORTANT. Therefore, whether or not you plan to attend the special general meeting in person, please sign and return the enclosed proxy in the envelope provided. If you attend the special general meeting and desire to vote in person, you may do so even though you have previously sent a proxy.

By Order of the Board of Directors

Patrick S. Feely
Chief Executive Officer

August 24, 2006

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ADDITIONAL INFORMATION

Radica Games Limited and Mattel, Inc. are each subject to the informational requirements of the Securities Exchange Act of 1934. Each company files or furnishes reports, proxy statements and other information with the Securities and Exchange Commission.

You may read and copy these reports, proxy statements and other information at the SEC's Public Reference Section at One Station Place, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website, located at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file electronically with the SEC.

If you have questions about the special general meeting or the amalgamation of Radica Games Limited with Mattel Foreign Holdings, Ltd. after reading this proxy, or if you would like additional copies of this proxy statement or the proxy card, you should contact Radica Enterprises, Ltd., 13628-A Beta Road, Dallas, Texas 75244, Attention: Chief Executive Officer.

We refer in this proxy statement to Radica Games Limited as Radica, to Mattel Foreign Holdings, Ltd. as Mattel Foreign Holdings, to Mattel Enterprises, Ltd. as Mattel Enterprises and to Mattel, Inc. as Mattel.

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FORWARD-LOOKING STATEMENTS

This proxy statement includes statements that are not historical facts. These statements are "forward-looking statements" (as defined in the Private Securities Litigation Reform Act of 1995) based, among other things, on our current plans and expectations relating to analyses of value and expectations of anticipated growth in the future and future success under various circumstances. As such, these forward-looking statements involve uncertainty and risk. Statements in this proxy statement with respect to our plans, objectives, expectations and intentions and other statements that are not historical facts are hereby identified as forward-looking statements. These forward-looking statements include, without limitation, statements identified by words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "projects", "may", "likely" and similar expressions. These forward-looking statements, wherever they occur in this proxy statement, are necessarily estimates reflecting the reasonable judgment of senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements.

Certain factors that could cause our results to differ materially from those described in the forward looking statements include:

- Radica's ability to obtain the shareholder and regulatory approvals required for the amalgamation;
- the occurrence or non-occurrence of the other conditions to the closing of the amalgamation;
- the timing of the closing of the amalgamation;
- legislative or regulatory developments that could have the effect of delaying or preventing the amalgamation;
- the impact of the pending amalgamation on our ongoing operations; and
- additional risks and uncertainties not presently known to us.

Additional factors that could cause our results to differ materially from those described in the forward looking statements can be found in our reports (such as Annual Reports on Form 20-F, and Current Reports on Form 6-K) filed with the SEC, which are available at the SEC's Internet site located at <http://www.sec.gov>.

All subsequent written and oral forward looking statements concerning the proposed transaction or other matters attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements above. We do not undertake any obligation to update any forward looking statement to reflect circumstances or events that occur after the date the forward looking statement is made.

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**QUESTIONS AND ANSWERS ABOUT THE AMALGAMATION AND THE SPECIAL
GENERAL MEETING OF RADICA SHAREHOLDERS**

This summary highlights important and material information from this proxy statement but does not purport to be complete. To fully understand the amalgamation described in this proxy statement, you should read carefully the entire proxy statement. We have included section references to direct you to a more complete description of the topics contained in this summary.

Q: What Am I Being Asked To Vote On?

A: You are being asked to vote to adopt the amalgamation agreement entered into among Radica, Mattel Foreign Holdings, Mattel Enterprises and Mattel, which is a party to the amalgamation agreement solely for the purpose of Section 6.13 of the amalgamation agreement (in which section Mattel guarantees the obligations of Mattel Foreign Holdings and Mattel Enterprises under such agreement). Mattel Foreign Holdings and Mattel Enterprises each are indirect wholly owned subsidiaries of Mattel. Pursuant to the amalgamation agreement, Mattel Enterprises will be amalgamated with Radica and Radica will become a wholly owned subsidiary of Mattel. Upon consummation of the amalgamation your shares of common stock will be exchanged solely for the right to receive the consideration for such shares pursuant to the amalgamation agreement and you will no longer have a continuing equity interest in Radica. See "The Amalgamation Agreement" "The Amalgamation" on page 27.

Q: Why is Mattel a party to the amalgamation agreement?

A: Mattel is a party to the amalgamation agreement as a guarantor of the obligations of Mattel Foreign Holdings and Mattel Enterprises under the amalgamation agreement, including the obligation of Mattel Foreign Holdings to pay the consideration you will receive in exchange for your shares of Radica common stock. Mattel being a party to the amalgamation agreement in this capacity provides assurance that an entity with sufficient assets and funds will be responsible for all the obligations due to be performed in favor of Radica and its shareholders pursuant to the amalgamation agreement.

Q: What Will I Receive In The Amalgamation?

A: Upon completion of the amalgamation, our shareholders will receive \$11.55 in cash for each share of Radica common stock they own. Shareholders that do not vote in favor of the amalgamation and who are not satisfied that they have been offered fair value for their shares (and comply with necessary procedural requirements) may seek court appraisal of the fair value of their shares. See "The Amalgamation Agreement" "The Amalgamation" on page 27 and "Dissenters' Rights" on page 26.

Q: Does The Radica Board of Directors Support The Amalgamation?

A: Yes. On July 25, 2006, the Radica Board of Directors, or the Radica Board, unanimously (i) determined that the amalgamation and the amalgamation agreement are advisable and that the amalgamation is fair to, and in the best interests of, Radica and its shareholders, (ii) approved the amalgamation, the amalgamation agreement and the transactions contemplated thereby and (iii) recommended that Radica shareholders vote to adopt the amalgamation agreement and to approve the amalgamation. See "The Amalgamation" "Reasons of Radica for the Amalgamation" and "Recommendation of Our Board of Directors" on pages 10 to 17.

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Q: Did The Radica Board Receive An Opinion From Its Financial Advisor?

A: Yes. Navigant Capital Advisors, LLC, or Navigant Capital, delivered its written opinion, dated July 25, 2006, to the Radica Board to the effect that, as of such date and based upon and subject to the factors, qualifications, limitations and assumptions set forth therein, the \$11.55 per share in cash to be received by the holders of the outstanding shares of Radica common stock pursuant to the amalgamation agreement, other than the executive officers and directors of Radica, is fair from a financial point of view to such holders. Navigant Capital expects to receive fees for its services in connection with the contemplated transaction, the principal portion of which is contingent upon consummation of the transaction.

The full text of the written opinion of Navigant Capital, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C. Radica shareholders should read the opinion in its entirety. Navigant Capital provided its opinion for the information and assistance of the Radica Board in connection with its consideration of the amalgamation. The Navigant Capital opinion is not a recommendation as to how any holder of Radica common stock should vote with respect to the amalgamation. See "The Amalgamation" Opinion of Radica's Financial Advisor on page 12.

Q: *When And Where Is The Special General Meeting?*

A: The special general meeting of shareholders of Radica will be held at The Westin Pasadena Hotel, 191 North Los Robles Avenue, Pasadena, California 91101, on September 29, 2006, at 11:00 a.m., Pacific Daylight Time. See "The Special General Meeting" on page 5.

Q: *Who Can Vote At The Radica Special General Meeting?*

A: You can vote at the special general meeting if you owned shares of Radica common stock at the close of business on August 18, 2006. As of the close of business on that day, approximately 19,408,951 shares were outstanding. See "The Special General Meeting" on page 5.

Q: *How Many Votes Are Required To Approve The Amalgamation Proposal?*

A: The affirmative vote of the holders of three-fourths of the Radica common stock voting at the special general meeting is required to approve the amalgamation proposal. Pursuant to the voting agreement, certain Radica shareholders have agreed with Mattel Foreign Holdings to vote shares constituting approximately 40% of Radica's outstanding shares in favor of the amalgamation proposal and against any alternative proposal whereby Radica would sell or transfer 25% or more of its equity securities or its consolidated assets or engage in a merger, reorganization, share exchange, consolidation, amalgamation or similar transaction, among other restrictions. Subject to certain exceptions, the voting agreement will terminate upon the earlier of (i) the effective time of the amalgamation or (ii) the elapsing of nine months following termination of the amalgamation agreement; provided, however, that if Radica enters into a definitive agreement with respect to an alternative acquisition proposal during such nine month period, the voting agreement will terminate upon the termination or consummation of such definitive agreement. See "The Special General Meeting" beginning on page 5 and "The Voting Agreement" on page 37.

Q: *What Happens If I Do Not Vote?*

A: If a sufficient number of shareholders approve the amalgamation proposal, whether or not you vote for the amalgamation proposal, you will be paid the amalgamation consideration for your shares of

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Radica common stock upon completion of the amalgamation. However, because approval of the amalgamation proposal requires the affirmative vote of the holders of three-fourths of Radica common stock voting at the special general meeting, if you attend the meeting or return your proxy but abstain from voting, your votes will be counted for quorum purposes but will not be included in the determination of the shares voting on the amalgamation proposal. See "The Special General Meeting" on page 5.

Q: *What Rights Do I Have If I Oppose The Amalgamation?*

A: Shareholders that do not vote in favor of the amalgamation and who are not satisfied that they have been offered fair value for their shares may seek court appraisal of the fair value of their shares, provided that they comply with the procedures of Section 106(6) of the Bermuda Companies Act 1981 included in its entirety as Annex D to this proxy statement. See "Dissenters' Rights" on page 26.

Q: *When Will The Amalgamation Occur?*

A: The amalgamation will be completed after all of the conditions to completion of the amalgamation are satisfied or waived, including approval of the amalgamation proposal by the requisite shareholder vote. We intend to complete the amalgamation as promptly as possible following the special general meeting. See "The

Amalgamation Completion and Effectiveness of the Amalgamation on page 23.

Q: *When Should I Send In My Share Certificates?*

A: After the special general meeting, you will be sent a letter of transmittal to complete and return to Computershare Shareholder Services, Inc., which is the paying agent. In order to receive the amalgamation consideration following the completion of the amalgamation, you must send the paying agent your validly completed letter of transmittal together with your Radica share certificates as instructed in the separate mailing.

Q: *When Can I Expect To Receive The Amalgamation Consideration For My Shares?*

A: Once you have submitted your properly completed letter of transmittal, Radica share certificates and other required documents, which will be sent to you in a separate mailing, to the paying agent, and the amalgamation has been completed, the paying agent will send you the amalgamation consideration. Radica will issue a press release once the amalgamation has been completed. See "The Amalgamation Completion and Effectiveness of the Amalgamation" on page 23.

Q: *If You Complete The Amalgamation, What Will I Receive For My Stock Options?*

A: For each stock option granted pursuant to a Radica incentive plan (whether vested or unvested) you hold, you will receive the excess, if any, of \$11.55 over the applicable per share exercise price of the stock option, less any applicable withholding tax.

Q: *What Do I Need To Do Now?*

A: Indicate your vote on your proxy card, sign and mail your proxy card in the enclosed reply envelope as soon as possible so that your shares may be represented at the special general meeting. You may revoke your proxy at any time prior to the special general meeting. The completion and return of the proxy card will not preclude you from attending and voting at the special general meeting, or any adjourned meeting, should you so wish. The meeting will take place on September 29, 2006. See "The Special General Meeting" on page 5.

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Q: *If My Shares Are Held In "Street" Name By My Broker, Will My Broker Vote My Shares For Me?*

A: Your broker will vote your shares only if you instruct to your broker how to vote. You should instruct your broker to vote your shares by following the directions provided to you by your broker. Without instructions, your broker will not vote any of your shares held in "street" name and the broker non-votes will be counted for quorum purposes but will not be included in the determination of the shares voting on the amalgamation proposal. See "The Special General Meeting" on page 5.

Q: *Can I Change My Vote After I Have Mailed In My Proxy Card?*

A: Yes. You can change your vote at any time before your proxy is voted at the special general meeting. You can do so in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy to the Chief Executive Officer of Radica at the address given below. Second, you can request a new proxy card and complete it and send it to the Chief Executive Officer of Radica at the address given below. Third, you can attend the special general meeting and vote in person. You should send any written notice or request for a new proxy card to the attention of Chief Executive Officer, Radica Enterprises, Ltd., 13628-A Beta Road, Dallas, Texas 75244. See "The Special General Meeting" on page 5.

Q: *What Are The Tax Consequences Of The Amalgamation To Me?*

A: In general, your receipt of the amalgamation consideration will be a taxable transaction for U.S. federal income tax purposes and possibly for state, local and foreign income tax purposes as well. The tax consequences to you of the amalgamation will depend entirely upon your own financial and tax situation. You should consult your tax and legal advisors for a full understanding of the tax consequences to you of the amalgamation. See "The Amalgamation Certain Federal Income Tax Consequences" on page 23.

Q: Where Can I Find More Information About Radica and Mattel?

A: Radica and Mattel file periodic reports and other information with the SEC. The information is available at the SEC's public reference facilities and the Internet site maintained by the SEC at <http://www.sec.gov>. For a more detailed description of the information available, please see the section entitled "Additional Information" immediately following the notice of special general meeting of shareholders at the beginning of this proxy statement.

Q: When Do You Expect The Amalgamation To Be Completed?

A: We are working to complete the amalgamation as quickly as possible. We currently expect to complete the amalgamation in the fourth quarter of 2006. However, we cannot predict the exact timing of the completion of the amalgamation because the amalgamation is subject to various approvals, including clearance by U.S. and German governmental antitrust authorities.

Q: Who Can Answer Further Questions?

A: If you would like additional copies of this proxy statement or a new proxy card or if you have questions about the amalgamation, you should contact Radica Enterprises, Ltd., 13628-A Beta Road, Dallas, Texas 75244, Attention: Chief Executive Officer, +1 (972) 490-4247.

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INTRODUCTION

This proxy statement and the accompanying form of proxy are being furnished to the holders of shares of common stock, \$0.01 par value, of Radica, a Bermuda company, in connection with the solicitation of proxies by the Radica Board for use at the special general meeting of the shareholders of Radica to be held at The Westin Pasadena Hotel, 191 North Los Robles Avenue, Pasadena, California 91101 on September 29, 2006, at 11:00 a.m., Pacific Daylight Time.

We are asking our shareholders to adopt the amalgamation agreement. If we complete the amalgamation, we will become a wholly owned subsidiary of Mattel and our shareholders will have the right to receive \$11.55 in cash for each share of our common stock. Upon consummation of the amalgamation your shares of common stock will be exchanged solely for the right to receive the consideration for such shares pursuant to the amalgamation agreement and you will no longer have a continuing equity interest in Radica.

SUMMARY

The following is a summary that highlights information contained in this proxy statement. This summary may not contain all of the information that is important to you. For a more complete description of the amalgamation agreement and the transactions contemplated by the amalgamation agreement, Radica and Mattel encourage you to carefully read this entire proxy statement, including the attached annexes.

The Parties To The Transaction

Radica Games Limited

Founded in 1983 by Americans living in Hong Kong, Radica was incorporated in Bermuda in 1993 and is headquartered in Hong Kong. In 1994 Radica went public when its shares began trading on the Nasdaq National Market. Radica manufactures and markets a diverse line of electronic entertainment products covering multiple product lines, including electronic games carrying the Radica, Play TV® and 20Q® brand names, Gamester® branded video game controllers and accessories and youth electronics carrying the Girl Tech® brand names and Cupcakes® dolls. Radica manufactures its products in its factory in southern China which also manufactures for other companies in the electronic game industry. Radica markets its products through subsidiaries in the United States, the United Kingdom, Canada, Macau and Hong Kong. Radica's largest market is in the United States where in 2005 it had the second largest market share in the electronic handheld and tabletop electronic games according to industry data source, The NPD Group, Inc. Radica employs about 6,000 people worldwide in its group of companies. Radica's largest retail customers include Wal-Mart, Target, Toys[R]Us, Kmart, Kohl's and Argos. Radica's largest manufacturing customer is Hasbro. Internationally Radica sells products in approximately 40 countries. Radica's principal executive office is located at Suite V, 6/F., 2-12 Au Pui Wan Street Fo Tan, Hong Kong and its phone number is 011 (852) 2693-2238.

Mattel, Inc.

Mattel was incorporated in California in 1948 and reincorporated in Delaware in 1968. Its principal executive offices are located at 333 Continental Blvd., El Segundo, California 90245-5012 and its phone number is (310) 252-2000. Mattel designs, manufactures and markets a broad variety of toy products worldwide through sales to its customers and directly to consumers. Mattel's business is dependent in great part on its ability each year to redesign, restyle and extend existing core products and product lines, to design and develop innovative new products and product lines, and to successfully market those

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products and product lines. Mattel plans to continue to focus on its portfolio of traditional brands that have historically had worldwide appeal, to create new brands utilizing its knowledge of children's play patterns and to target customer and consumer preferences around the world. Mattel's portfolio of brands and products are grouped in the following categories:

Mattel Girls & Boys Brands including Barbi® fashion dolls and accessories, Polly Pocket!®, Pixel Chix®, Winx Club® and Disney Classics, Hot Wheels®, Matchbox® and Tyco® R/C vehicles and playsets and Batman®, CARS, Ice Age®, Justice League®, Superman®, Yu-Gi-Oh!® and games and puzzles.

Fisher-Price Brands including Fisher-Price®, Little People®, Rescue Heroes®, BabyGear® and View-Master®, Sesame Street®, Barney®, Dora the Explorer®, Winnie the Pooh, InteracTV and See [N] Say® and Power Wheels®. *American Girl Brands* including Just Like You® the historical collection and Bitty Baby®.

American Girl Brands products are sold directly to consumers and its children's publications are also sold to certain retailers.

Mattel Foreign Holdings, Ltd. and Mattel Enterprises, Ltd.

Mattel Foreign Holdings is a holding company with its registered office located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. Mattel Foreign Holdings holds the capital stock of Mattel Enterprises and other subsidiaries of Mattel. Mattel Enterprises is a Bermuda company organized in connection with the amalgamation and to date has engaged in no activities other than those incident to its formation and the consummation of the amalgamation. Its registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Mattel Enterprises and Mattel Foreign Holdings are each an indirect wholly owned subsidiary of Mattel.

The Amalgamation

The amalgamation agreement is attached to this proxy statement as Annex A. Radica and Mattel encourage you to read the amalgamation agreement because it is the legal document that governs the amalgamation. See [The Amalgamation Agreement] on page 27 for a summary of the amalgamation agreement.

The Amalgamation; Amalgamation Agreement

Subject to the terms and conditions of the amalgamation agreement, Radica and Mattel have agreed that Radica will amalgamate with Mattel Enterprises, a wholly owned subsidiary of Mattel Foreign Holdings, and following consummation of the amalgamation the amalgamated company will be an indirect, wholly owned subsidiary of Mattel.

The amalgamation agreement precludes Radica from taking certain actions, including specified actions related to the conduct of Radica's business and soliciting alternative proposals from third-parties for the acquisition of Radica. See "The Amalgamation Agreement" Conduct of Business Pending the Amalgamation and Certain Covenants on page 28.

The Amalgamation Consideration; Dissenters' Rights

Upon completion of the amalgamation, each share of Radica common stock will be cancelled and converted into the right to receive \$11.55 in cash.

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Dissenting shareholders that comply with the procedures of Section 106(6) of the Bermuda Companies Act 1981, included in its entirety as Annex D to this proxy statement, may seek court appraisal of the fair value of their shares. See "Dissenters' Rights" on page 26.

After the special general meeting, the paying agent will send you a letter of transmittal to complete and return. You must send the paying agent your validly completed letter of transmittal together with your Radica share certificates as instructed by the paying agent.

Closing Conditions

As more fully described in this proxy statement, the consummation of the amalgamation is subject to a number of conditions being satisfied or waived, including among other things, receipt of the approval of Radica shareholders and regulatory approvals, the accuracy of the parties' representations and performance of their obligations under the amalgamation agreement, and the absence of laws or orders by a governmental entity seeking to restrain, enjoin or otherwise prohibit consummation of the amalgamation.

Termination of the Merger Agreement

Notwithstanding any approval of the amalgamation agreement by the shareholders of Radica, the amalgamation agreement may be terminated and the amalgamation may be abandoned at any time prior to the effective time of the amalgamation by mutual written consent and unilaterally by either party if certain conditions in the amalgamation agreement have not been met, such as obtaining approval of Radica shareholders, the other party's material breach of its representations or warranties, or Radica taking certain actions in connection with alternative acquisition proposals.

Termination Fees and Expenses

Radica is required to pay a termination fee to Mattel Foreign Holdings equal to \$6,940,764 and up to an aggregate of \$1,500,000 for all out-of-pocket expenses incurred by Mattel Foreign Holdings and its affiliates in connection with the amalgamation, in certain specified circumstances, which are described in this proxy statement.

Recommendation of the Radica Board of Directors

The Board of Directors of Radica unanimously (i) determined that the amalgamation and the amalgamation agreement are advisable and that the amalgamation is fair to, and in the best interests of, Radica and its

shareholders, (ii) approved the amalgamation, the amalgamation agreement and the transactions contemplated thereby and (iii) recommended that Radica shareholders vote to adopt the amalgamation agreement and to approve the amalgamation. See "The Amalgamation" "Reasons of Radica for the Amalgamation" and "Recommendation of Our Board of Directors" on pages 10 to 17.

Opinion of Radica's Financial Advisor

On July 25, 2006, Navigant Capital delivered its written opinion to the Radica Board to the effect that, as of such date and based upon and subject to the factors, qualifications, limitations and assumptions set forth therein, the \$11.55 per share in cash to be received by the holders of the outstanding shares of Radica common stock pursuant to the amalgamation agreement, other than the executive officers and directors of Radica, is fair from a financial point of view to such holders. The full text of the written opinion of Navigant Capital is attached as Annex C to this proxy statement. Radica shareholders should

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read the opinion in its entirety. See "The Amalgamation" "Opinion of Radica's Financial Advisor" on page 12.

No Solicitation of Acquisition Proposals

Radica agreed that neither it nor any of its subsidiaries nor any of their respective officers or directors shall, and that it shall not authorize or permit any of its or its subsidiaries' employees, agents and representatives to, directly or indirectly, initiate, solicit, encourage or otherwise facilitate any inquiries with respect to, or the making of, any competing acquisition proposal, engage in any negotiations concerning, provide any confidential or nonpublic information to, or hold any discussions with any person relating to, a competing acquisition proposal. See "The Amalgamation Agreement" "No Solicitation of Acquisition Proposals" on page 30.

Shareholders Entitled to Vote; Vote Required; Voting Agreement

You can vote at the special general meeting if you owned shares of Radica common stock at the close of business on August 18, 2006. See "The Special General Meeting" on page 5.

The affirmative vote of the holders of three-fourths of the Radica common stock voting at the special general meeting is required to approve the amalgamation proposal. Pursuant to a voting agreement, certain Radica shareholders have agreed with Mattel Foreign Holdings to vote shares constituting approximately 40% of Radica's outstanding shares in favor of the amalgamation proposal and against any alternative proposal whereby Radica would sell or transfer 25% or more of its equity securities or its consolidated assets or engage in a merger, reorganization, share exchange, consolidation, amalgamation or similar transaction, among other restrictions. The voting agreement will terminate in the circumstances summarized below in this proxy statement. See "The Special General Meeting" on page 5 and "The Voting Agreement" on page 37.

If you attend the meeting or return your proxy but abstain from voting, your votes will be counted for quorum purposes but will not be included in the determination of the shares voting on the amalgamation proposal. See "The Special General Meeting" on page 5.

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THE SPECIAL GENERAL MEETING

Date, Time and Place

The special general meeting is scheduled to be held at The Westin Pasadena Hotel, 191 North Los Robles Avenue, Pasadena, California 91101, on September 29, 2006, at 11:00 a.m., Pacific Daylight Time.

Matters to be Considered

At the special general meeting, Radica shareholders will be asked to consider and vote upon the adoption of the amalgamation agreement among Radica Games Limited, Mattel Foreign Holdings, Mattel Enterprises and, solely for the purpose of Section 6.13 of the amalgamation agreement, Mattel. Obtaining the requisite shareholder vote of Radica is a condition to the completion of the amalgamation. The resolution which the shareholders will be asked to approve will be substantially as follows:

RESOLVED, that each of (i) the amalgamation of Mattel Enterprises, Ltd. and Radica Games Limited, and (ii) the Amalgamation Agreement (the Agreement) be and is hereby approved, and Radica Games Limited be and is hereby authorized to execute and deliver the Agreement and perform all obligations, acts and things in connection with the Agreement.

On July 25, 2006, the Radica Board unanimously (i) determined that the amalgamation and the amalgamation agreement are advisable and that the amalgamation is fair to, and in the best interests of, Radica and its shareholders, (ii) approved the amalgamation, the amalgamation agreement and the transactions contemplated thereby and (iii) recommended that Radica shareholders vote to adopt the amalgamation agreement and to approve the amalgamation.

The Radica Board knows of no other matters that will be presented for consideration at the special general meeting. If any other matters properly come before the special general meeting, the persons named in the enclosed form of proxy or their substitutes will vote in accordance with their best judgment on such matters.

Record Date; Shares Outstanding and Entitled to Vote

The Radica Board has fixed the close of business on August 18, 2006 as the record date for the determination of the holders of Radica's common stock entitled to notice of, and to vote at, the special general meeting.

Only holders of record of Radica's common stock as of the close of business on the record date will be entitled to notice of and to vote at the special general meeting. As of the record date, there were approximately 19,408,951 shares of Radica common stock outstanding and entitled to vote at the special general meeting, held by approximately 116 shareholders of record, with each share entitled to one vote.

Quorum; Vote Required

Two persons holding or representing by proxy more than one-third of the issued and outstanding shares shall form a quorum for the purposes of approving the amalgamation proposal at the special general meeting. Approval of the amalgamation proposal requires the affirmative vote of the holders of three-fourths of the Radica common stock voting at the special general meeting. Pursuant to the voting

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agreement, certain Radica shareholders have agreed with Mattel Foreign Holdings to vote shares constituting approximately 40% of Radica's outstanding shares in favor of the amalgamation proposal and against any alternative proposal whereby Radica would sell or transfer 25% or more of its equity securities or its consolidated assets or engage in a merger, reorganization, share exchange, consolidation, amalgamation or similar transaction, among other restrictions. Subject to certain exceptions, the voting agreement will terminate upon the earlier of (i) the effective time of the amalgamation or (ii) the elapsing of nine months following termination of the amalgamation agreement; provided, however, that if Radica enters into a definitive agreement with respect to an alternative acquisition proposal during such nine month period, the voting agreement will terminate upon the termination or consummation of such definitive agreement. See The Voting Agreement on page 37.

Voting and Revocation of Proxies

Shareholders are requested to complete, date, sign and promptly return the accompanying form of proxy in the enclosed envelope. Shares of Radica common stock represented by properly executed proxies received by Radica and not revoked will be voted at the special general meeting in accordance with the instructions contained in the form of proxy. If instructions are not given, proxies will be voted FOR adoption of the amalgamation agreement. However, pursuant to Bermuda law, (i) shares represented at the special general meeting whose votes are withheld on any matter, (ii) shares which are represented by broker non-votes (i.e.,

shares held by brokers or nominees which are represented at the special general meeting but with respect to which the broker or nominee is not empowered to vote on a particular proposal) and (iii) shares which abstain from voting on any matter, are not included in the determination of the shares voting on such matter but are counted for quorum purposes. In accordance with applicable rules, brokers and nominees may not, without your specific instruction, exercise their voting discretion with respect to the approval of the amalgamation agreement. Therefore, if you do not instruct your broker how to vote, your shares will not be voted with respect to the amalgamation agreement.

If any other matters are properly presented at the special general meeting for consideration, the persons named in the enclosed form of proxy and acting under the proxy will have discretion to vote on such matters in accordance with their best judgment. The Radica Board does not expect any other matters to be presented at the special general meeting, and the persons named in the enclosed form of proxy will not use their discretionary authority to present any material matters not discussed in this proxy statement. In addition, we do not expect any changes to the terms of the amalgamation proposal described in this proxy statement, and the persons named in the enclosed form of proxy will not use their discretionary authority to approve any changes to the amalgamation proposal that are materially different than the terms of the amalgamation proposal described in this proxy statement without giving shareholders an opportunity to change their vote.

Any proxy card signed and returned by a shareholder may be revoked at any time before it is voted either by delivering written notice of such revocation or a duly executed proxy bearing a later date to the Chief Executive Officer of Radica, at Radica Enterprises Ltd., 13628-A Beta Road, Dallas, Texas 75244, or by attending the special general meeting and voting in person. Attendance at the special general meeting will not, in the absence of your deciding to vote in person, constitute revocation of a proxy.

Proxy Solicitation

Radica will bear the cost of printing, filing and mailing this proxy statement in connection with the special general meeting. In addition to solicitation by mail, Radica's directors, officers and regular employees may solicit proxies from shareholders in person, by telephone, or otherwise. Directors, officers and employees will not receive additional compensation in connection with their solicitation of proxies.

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Brokers, nominees, fiduciaries and other custodians have been requested to forward soliciting material to the beneficial owners of shares of Radica common stock held of record by them, and such custodians will be reimbursed by us for their reasonable expenses.

Householding

Householding is a program, approved by the SEC, which allows the delivery of only one package of shareholder proxy materials if there are multiple Radica shareholders who live at the same address. This means that, if your household participates in the householding program, you will receive an envelope containing one set of proxy materials and a separate proxy card for each shareholder account in the household. Please vote all proxy cards enclosed in the package. If you would like additional copies of this proxy statement because your household participates in the householding program or otherwise, you should contact Radica Enterprises, Ltd., 13628-A Beta Road, Dallas, Texas 75244, +1 (972) 490-4247.

You should not send any share certificates representing shares of Radica common stock with your proxy. Instead, once the amalgamation has been completed, you will receive a separate mailing with instructions to mail your share certificates with your letter of transmittal to Computershare Shareholder Services, Inc., the paying agent.

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THE AMALGAMATION

Background of the Transaction

For the past few years the Radica Board has been engaged in the process of evaluating different strategic alternatives to enhance Radica shareholder value. At a December 16, 2005 meeting, the Radica Board voted to select Navigant Capital to advise the Radica Board on strategic alternatives. The Radica Board authorized a special committee, or the committee of outside directors, which had been previously created, composed of two outside directors, Floyd W. Glisson and Richard E. Wenz, to negotiate an agreement to engage Navigant Capital. On January 5, 2006, Radica engaged Navigant Capital as a financial and strategic advisor in connection with, among other things, a possible sale of Radica.

In the first quarter of 2006, members of management and the committee of outside directors held a number of meetings with senior representatives of Navigant Capital in connection with its engagement. During this period, Navigant Capital and members of management prepared a Confidential Information Memorandum and identified parties to approach with regard to exploring a possible acquisition of Radica.

At a meeting on March 27, 2006, a representative of Navigant Capital discussed the process of Radica's potential sale to date with the Radica Board. The Radica Board authorized Navigant Capital to contact potentially interested parties to solicit indications of interest regarding an acquisition of Radica. This process was begun and publicly announced on April 3, 2006. Throughout April 2006, Navigant Capital was actively involved in contacting approximately 150 parties identified and determined by Radica with Navigant Capital's assistance, to be a party with whom an acquisition of Radica would be consistent with such party's business or strategy. These parties included operating companies in similar or complementary businesses and private equity funds. Out of the 150 parties approached, a total of 42 executed confidentiality agreements, and the Confidential Information Memorandum was mailed to the 42 parties.

In connection with this process, Navigant Capital requested that interested parties submit an indication of interest regarding a transaction by May 10, 2006. On April 28, 2006, Navigant Capital had a telephonic meeting with the Radica Board to discuss the status of the process. Navigant Capital advised the Radica Board that the process was proceeding with many parties conducting due diligence and that two lenders were prepared to consider providing financing to qualified bidders interested in such a transaction.

On May 5, 2006, Navigant Capital updated the Radica Board on the status of the process and Navigant Capital's communications with potential interested parties.

On May 10, 2006, Navigant Capital received two proposals from interested parties. On May 12, 2006, Navigant Capital received two additional proposals. Each of the four proposals contemplated an acquisition of all of the outstanding shares of Radica's common stock by such party. The four proposals each contained an initial indication of the per share range of values at which such bidder had arrived as a result of its due diligence. The per share values ranged from \$9.61 to \$15.36. Mattel's initial valuation resulted in a per share value range of \$9.61 to \$11.53. Each proposal described the various matters that such bidder would need to address in advance of proceeding with a transaction.

On May 17, 2006, the Radica Board had a telephonic meeting with Navigant Capital to review these four proposals. The Radica Board authorized the formation of a new special committee of outside directors, composed of Mr. Wenz and Frank J. O'Connell, or the special committee, to direct the continued effort related to the potential sale of Radica. The Radica Board determined to form a new special committee including Mr. O'Connell because the Radica Board believed that Mr. O'Connell's

business experience would be beneficial to the process of evaluating and pursuing Radica's strategic alternatives. Following this meeting, the Radica Board authorized Navigant Capital to continue the process and to assist the bidders and their advisors in performing their analysis and due diligence investigation of Radica.

During May and early June 2006, Radica management made separate presentations to each of the four interested parties, and a virtual due diligence room of contracts and other materials was made available to the four interested parties as part of their due diligence investigation of Radica.

On June 6, 2006, Navigant Capital sent a letter to each of the four bidders requesting that each provide a written proposal related to the acquisition of Radica by June 21, 2006.

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On June 12, 2006, Navigant Capital was informed that one of the four bidders was dropping out of the bidding process.

On June 15, 2006, Navigant Capital was informed that the bidder that had submitted the highest initial per share range was also dropping out of the bidding process.

On June 21, 2006, Navigant Capital received proposals related to the acquisition of Radica from Mattel and one additional bidder that had previously sent a proposal. Mattel's proposal stated that its valuation analysis supported a per share price of \$11.55, while the other bidder indicated that its valuation analysis supported a per share price of \$11.00. On June 26, 2006, Navigant Capital and the special committee held a telephonic meeting with Sullivan & Cromwell LLP, or Sullivan & Cromwell, Radica's counsel, to discuss the two bids and the plan for continuing the process. Navigant Capital confirmed with the other two interested parties from the earlier round of due diligence that they were no longer interested in pursuing an acquisition of Radica.

On June 26, 2006, Navigant Capital sent a letter to each of the two remaining bidders along with a draft amalgamation agreement and requested that they submit a final bid on July 14, 2006, along with a draft of the amalgamation agreement reflecting their desired changes to the proposed terms.

On July 11, 2006, members of the Radica and Mattel management teams met in Radica's Dallas, Texas office to allow Mattel to conduct additional due diligence related to Radica's business and prospects.

On July 14, 2006, Navigant Capital received a final bid from Mattel at \$11.55 per share and a revised draft of the amalgamation agreement. The other remaining bidder indicated that it would not be submitting its bid until early the following week.

On July 17, 2006, Navigant Capital, Sullivan & Cromwell, Mattel and Latham & Watkins LLP, or Latham & Watkins, Mattel's counsel, discussed on a conference call the issues raised by Mattel's desired changes to the draft amalgamation agreement.

On July 18, 2006, the special committee held a telephonic meeting with Navigant Capital and Sullivan & Cromwell to discuss Mattel's bid and the issues raised by Mattel's proposed draft of the amalgamation agreement, including the requirement to receive an agreement from Radica's largest shareholder, Richard H. Pickup and certain entities he controls, also referred to as the Pickup Group, to vote all shares Mr. Pickup beneficially owned in favor of the amalgamation and against certain alternative proposals from third parties, among other restrictions, which agreement would continue in effect for a specified period of time following termination of the amalgamation agreement. The special committee authorized Navigant Capital and Sullivan & Cromwell to proceed with negotiating an agreement

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involving the acquisition of Radica by Mattel. Navigant Capital confirmed with the other prospective bidder who had not made a final bid that it was no longer interested in pursuing an acquisition of Radica. Mr. Pickup was contacted by representatives of Radica to discuss his prospective willingness to obligate the Pickup Group to vote in favor of the amalgamation. Latham & Watkins circulated a draft voting agreement pursuant to which the Pickup Group would be obligated to vote for the transaction and against certain alternative proposals from third parties, among other restrictions, which agreement would continue in effect for a specified period of time following termination of the amalgamation agreement.

Between July 18 and July 23, 2006, Radica's advisors negotiated the amalgamation agreement with Mattel and its advisors, and such parties and counsel to Mr. Pickup negotiated the voting agreement. During such period, Mattel was given access to additional Radica documents and members of Radica's senior management for purposes of completing its due diligence investigation of Radica.

On July 23, 2006, the special committee held a telephonic meeting with Navigant Capital and Sullivan & Cromwell to discuss the status of negotiations with Mattel. During this call, Navigant Capital and Sullivan & Cromwell summarized the current draft of the amalgamation agreement and discussed outstanding issues related to the proposed transaction. Navigant Capital also provided an update regarding the status of its analyses

underlying its opinion. The special committee authorized Navigant Capital and Sullivan & Cromwell to finalize negotiations with Mattel in anticipation of a special general meeting of the Radica Board to be held on July 25, 2006. Additionally, the special committee determined to recommend the amalgamation to the Radica Board.

On July 25, 2006, at a special general meeting of the Radica Board, Mr. Wenz, along with Radica's financial and legal advisors, reviewed for the Radica Board the process of soliciting parties interested in an acquisition of Radica, the status of negotiations related to the amalgamation and voting agreement and the recommendation of the special committee. Representatives of Sullivan & Cromwell reviewed the proposed terms of the draft amalgamation agreement with the Radica Board. Navigant Capital presented certain financial analyses with respect to the proposed amalgamation. Navigant Capital rendered its oral opinion, which was subsequently confirmed in writing, to the Radica Board to the effect that, as of such date and based upon and subject to the factors, qualifications, limitations and assumptions in its opinion, the \$11.55 per share in cash to be received by the holders (other than the executive officers and directors of Radica) of the outstanding shares of Radica common stock at completion of the amalgamation, was fair, from a financial point of view, to such holders. After consideration of the presentations by its outside counsel and financial advisors and its prior deliberations, the Radica Board unanimously approved the amalgamation and the amalgamation agreement and authorized management to complete and execute the amalgamation agreement and the transactions contemplated therein.

On the afternoon of July 25, 2006, Radica and Mattel executed the amalgamation agreement and, on July 26, 2006, publicly announced the transaction prior to the opening of trading on Nasdaq.

Reasons of Radica Board for the Amalgamation

In making the determination and recommendation described below, the Radica Board considered a number of factors, including the following:

- the risks inherent in the electronic games industry, including the risks inherent in (i) the ability to consistently offer new products that appeal to Radica's target customers, (ii) maintaining relationships with large retailers that are Radica's key customers, and (iii) the uncertainty of meeting pressures posed by competitors with greater scale and scope;

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- the opportunity that the amalgamation would secure a premium for shareholders over recent market prices of Radica common stock;
- Radica's business, financial condition, results of operations, assets, liabilities, business strategy and prospects, as well as various uncertainties associated with those prospects;
- current financial market conditions and historical market prices, volatility and trading information with respect to Radica common stock;
- the price to be received by the holders of Radica common stock in the amalgamation and a comparison of comparable business combination transactions;
- the belief that the terms of the amalgamation agreement, including the parties' representations, warranties and covenants and the conditions to their respective obligations, are reasonable;
- the alternatives to the amalgamation available to Radica;
- the fact that Mattel will pay cash consideration for the shares of Radica common stock, which eliminates any uncertainties in valuing the consideration to be received by Radica shareholders but also eliminates any potential upside in equity value;
- the fact that the Pickup Group was prepared to enter into a voting agreement supporting the amalgamation with respect to approximately 40% of Radica's outstanding shares;
- the amount of the fee payable and expenses reimbursable in the circumstances in which the amalgamation agreement may be terminated and the circumstances in which such fee may be paid and such expenses must be reimbursed;
- the provisions in the amalgamation agreement which limit Radica's ability to consider alternative proposals from third-parties to acquire Radica;
- the possibility that the amalgamation once announced might not be completed and the fact that in such event Radica's business and stock price may be negatively affected; and

- the opinion of Navigant Capital. The written opinion of Navigant Capital is attached as Annex C to this proxy statement and should be read carefully and in its entirety.

The Radica Board concluded that the potential benefits of the amalgamation outweighed the potential negative factors considered.

Although the discussion above is not meant to be exhaustive, we believe it sets forth the material information and factors considered by the Radica Board in consideration of the amalgamation and the amalgamation agreement. In view of the wide variety of factors considered, the Radica Board did not find it practicable to, and did not make specific assessments of, quantify or otherwise attempt to, assign relative weights to the specific factors considered in reaching its determination. The determination to unanimously recommend that Radica shareholders adopt the amalgamation agreement and the transactions contemplated thereby was made after consideration of all of the factors as a whole. In addition, individual members of the Radica Board may have given different weights to different factors.

Recommendation of Our Board of Directors

On July 25, 2006, the Radica Board unanimously (i) determined that the amalgamation and the amalgamation agreement are advisable and that the amalgamation is fair to, and in the best interests of, Radica and its shareholders, (ii) approved the amalgamation, the amalgamation agreement and the transactions contemplated thereby and (iii) recommended that Radica shareholders vote to adopt the amalgamation agreement and to approve the amalgamation.

Opinion of Radica's Financial Advisor

Navigant Capital acted as Radica's exclusive financial advisor in connection with the proposed amalgamation. Radica selected Navigant Capital as its financial advisor in connection with the amalgamation based on Navigant Capital's knowledge of Radica and its industry and Navigant Capital's qualifications, expertise, reputation and professional experience in amalgamations, mergers and acquisitions generally. Navigant Capital is an internationally recognized investment banking firm that regularly engages in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, private placements and valuations for corporate and other purposes.

The full text of Navigant Capital's written opinion to the Radica Board, dated July 25, 2006, which sets forth, among other things, the procedures followed, assumptions made and matters considered by Navigant Capital in connection with its opinion, is attached as Annex C to this proxy statement. **You should read Navigant Capital's opinion carefully and in its entirety. Navigant Capital's opinion does not constitute a recommendation to you on how to vote with respect to the amalgamation or how to act on any matter related to the amalgamation.** The following summary, which is qualified in its entirety by reference to the full text of Navigant Capital's opinion, discusses certain material terms of Navigant Capital's opinion.

In arriving at its opinion, Navigant Capital:

- Reviewed certain publicly available business and financial information relating to Radica and the industry in which it operates;
- Reviewed drafts of the amalgamation agreement and voting agreement;
- Reviewed the operations, financial condition, future prospects and financial forecasts relating to the business, earnings, cash flow, assets, liabilities and prospects of Radica prepared by management of Radica;
- Conducted discussions with members of management of Radica concerning the matters described in the first three bullets above;

- Visited certain facilities and business offices of Radica;
- Reviewed the historical market prices, trading activity and valuation multiples for the publicly traded securities of Radica and compared them with those of certain publicly traded companies;
- Evaluated a discounted cash flow approach for Radica as a stand-alone entity;
- Reviewed the results of operations of Radica and compared them with those of certain publicly traded companies;

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- Compared the proposed financial terms of the amalgamation with the publicly available financial terms of certain other transactions;
 - Participated in certain discussions and negotiations among representatives of Radica and Mattel and their financial and legal advisors;
 - Reviewed the books, records and minutes of the Radica Board as well as reports of internal auditors and summaries of any pending litigation; and
 - Conducted such other studies, analyses and inquiries as Navigant Capital deemed appropriate.

In preparing its opinion, Navigant Capital assumed and relied upon, and did not independently verify, the accuracy and completeness of the information reviewed by it with respect to Radica and did not assume any responsibility or liability with respect thereto, and further relied upon the assurance of management of Radica that it was not aware of any facts that would make such information inaccurate or misleading in any respect material to its analysis. Navigant Capital did not assume any responsibility or liability for, nor did it make, any physical inspection or independent appraisal of any of the properties or assets of Radica, nor was Navigant Capital furnished with any such valuation or appraisal. In addition, Navigant Capital was not asked to, nor did it, evaluate the solvency or fair value of Radica under any state or federal laws related to bankruptcy, insolvency or similar matters. Navigant Capital's opinion was necessarily based on business, economic, market and other conditions existing as of the date of its opinion. With respect to the financial forecast information furnished to or discussed with Navigant Capital, Navigant Capital assumed, with Radica's consent, that such information was reasonably prepared in good faith and that it reflected the best currently available estimates and judgment of Radica's management as to the expected future financial performance of Radica. For purposes of its opinion, Navigant Capital assumed, with Radica's consent, that Radica was not involved in any material transaction other than the amalgamation and those activities undertaken in the ordinary course of business.

Navigant Capital's opinion only addressed the matters specifically addressed thereby. Without limiting the foregoing, Navigant Capital's opinion did not address: (i) matters that require legal, regulatory, accounting, insurance, tax or other professional advice; (ii) the underlying business decision of Radica, its security holders or any other party to proceed with or effect the amalgamation; (iii) the fairness of any portion or aspect of the amalgamation not expressly addressed in Navigant Capital's opinion; (iv) the fairness of any portion or aspect of the amalgamation to the holders of any class of securities, creditors or other constituencies of Radica, or any other party other than those set forth in Navigant Capital's opinion; (v) the relative merits of the amalgamation as compared to any alternative business strategies that might exist for Radica or the effect of any other transaction in which Radica might engage; (vi) the tax or legal consequences of the amalgamation to Radica, its security holders or any other party; (vii) the degree to which the amount and nature of the compensation from the amalgamation benefits any individual officers, directors, employees or class of such persons, relative to the benefits to the shareholders of Radica; (viii) whether any security holder should vote in favor of the amalgamation; or (ix) the likely price at which the common stock of Radica would trade following an announcement of the contemplated amalgamation. Navigant Capital was not asked to, and did not, offer any opinion as to the terms of the amalgamation agreement or the form of the amalgamation.

Navigant Capital assumed, with Radica's consent, that the amalgamation would be consummated on the terms and conditions described in the amalgamation agreement reviewed by Navigant Capital, without material delay, waiver, amendment or modification of any material term, condition or agreement

therein, and that the definitive amalgamation agreement and voting agreement would not differ in any material respect from the drafts reviewed by Navigant Capital.

Navigant Capital employed generally accepted valuation practices and methods in preparing its opinion. The following summarizes Navigant Capital's material financial analyses used in developing its opinion. The discussion herein does not constitute a complete description of Navigant Capital's analyses and the factors considered by Navigant Capital in connection with preparing its opinion, including the assumptions and methodologies that underlie the analyses that comprise Navigant Capital's opinion. The preparation of an opinion regarding fairness, from a financial point of view, is a complex process involving the application of subjective business judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to summary description.

No company, transaction or business used in Navigant Capital's analyses as a comparison is identical or directly comparable to Radica, Mattel or the proposed amalgamation, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the amalgamation or the other values of the companies, business segments or transactions being analyzed.

In performing its analyses, Navigant Capital made numerous assumptions with respect to financial conditions and other matters, many of which are beyond the control of Navigant Capital or Radica. Any estimates contained in the analyses performed by Navigant Capital are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. The analyses do not purport to be appraisals or to reflect the prices at which businesses actually may be sold.

Navigant Capital's opinion was one of many factors taken into consideration by the Radica Board in making its determination to approve the amalgamation agreement and should not be viewed as determinative of the views of the Radica Board with respect to the amalgamation or the amalgamation consideration. Navigant Capital's opinion does not address the relative merits of the amalgamation or any alternatives to the amalgamation, the underlying decision of the Radica Board to proceed with or effect the amalgamation or any other aspect of the amalgamation. In furnishing its opinion, Navigant Capital did not admit that it is an expert within the meaning of the term "expert" as used in the Securities Act, nor did it admit that its opinion constitutes a report or valuation within the meaning of the Securities Act.

In arriving at its opinion, Navigant Capital considered all of the financial analyses it performed and did not attribute any particular weight to any specific analysis nor did it reach a conclusion based on any single analysis. Consequently, no single analysis should be considered independently as it may lead to a misleading conclusion about the amalgamation. Navigant Capital developed its conclusion on the fairness, from a financial point of view, of the amalgamation consideration based on its experience and professional judgment after considering the results of all its analyses. Certain of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Navigant Capital, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Accordingly, the analyses listed in the tables and described below must be considered as a whole. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Navigant Capital's opinion.

Selected Company Analysis. Navigant Capital compared the financial and market performance of Radica to a group of 5 selected companies. The group consisted of the following companies:

- Mattel;
- Hasbro Inc.;
- JAKKS Pacific, Inc.;

- Leapfrog Enterprises, Inc.; and
- RC2 Corporation.

To perform this analysis, Navigant Capital used financial information for the selected companies as of and for the 12 months ended March 31, 2006, except for Hasbro Inc. for which the relevant financial information was as of and for the 12 months ended April 2, 2006. Market price information was as of July 24, 2006 and taken from a nationally recognized financial services data provider. In examining these selected companies, Navigant Capital calculated the enterprise value, commonly referred to as EV, of each company as a multiple of its respective: (i) trailing twelve-month period for which financial data for the company at issue has been reported, commonly referred to as TTM revenue, (ii) TTM earnings before interest expense, taxes, depreciation and amortization, commonly referred to as EBITDA, and (iii) TTM earnings before interest expense and taxes, commonly referred to as EBIT. The EV of a company is equal to the value of its fully-diluted common equity plus debt and the liquidation value of outstanding preferred stock, if any, minus cash and the value of certain other assets, including minority interests in other entities. All historical data was derived from publicly available sources and all projected data was obtained from Bloomberg I/B/E/S Analyst's Earnings Estimates. Navigant Capital's analysis of the selected companies yielded the following multiple ranges:

Enterprise Value/	Average	Median	High	Low
TTM Revenue	1.0x	1.0x	1.5x	0.7x
TTM EBITDA	7.3x	7.0x	10.1x	4.5x
TTM EBIT	11.2x	10.0x	21.0x	5.8x

Based on an analysis of this data and Radica's TTM operating results, Navigant Capital estimated a value per share of Radica common stock ranging from \$8.30 to \$9.77, compared to the proposed price of \$11.55 per share of Radica common stock to be received in the amalgamation.

Selected Transactions Analysis. Navigant Capital reviewed 10 merger and acquisition transactions that were consummated since January 1, 2003 involving United States acquisitions of companies in the toy and leisure products industries, for which data on such transaction was readily available. The selected group of business combinations consisted of the following:

Date	Acquiror	Target
2/10/06	JAKKS Pacific, Inc.	Creative Designs International Ltd.
2/1/06	Shuffle Master, Inc.	Stargames Limited
12/9/05	International Speedway	Action Performance Companies Inc.

Date	Acquiror	Target
9/16/05	Corporation. The Stride Rite Corporation	Saucony, Inc.
3/22/05	Quiksilver, Inc.	Rossignol Group SA
11/10/04	Tracker Marine, LLC	Travis Boats & Motors, Inc.