

## Report of the Directors

The directors of the Company (the “Directors”) hereby submit their annual report together with the audited statement of accounts for the year ended 31st December, 2000.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are the manufacture and sale of plastic and stuffed toys, electronic toys, property investment, investment holding and trading.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 3 on the accounts.

### SUBSIDIARIES

Particulars of the Company’s major subsidiaries at 31st December, 2000 are set out on pages 62 and 63.

### DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2000.

### ACCOUNTS

The profit of the Group for the year ended 31st December, 2000 and the state of affairs of the Group and of the Company at that date are set out in the accounts on pages 23 to 63.

Movements in reserves during the year are set out in note 25 on the accounts.

### FIVE YEAR SUMMARY

A summary of the results of the Group for the last five financial years is set out on pages 65 and 66.

## Report of the Directors *(Continued)*

### MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

	<b>2000</b>	1999
	%	%
Purchases		
— the largest supplier	<b>9</b>	9
— five largest suppliers combined	<b>22</b>	26
Sales		
— the largest customer	<b>9</b>	12
— five largest customers combined	<b>24</b>	26

Except as disclosed under "Directors' Interests in Contracts" below, none of the directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) were interested at any time in the year in the above suppliers or customers.

### DONATIONS

Donations made by the Group during the year amounted to HK\$88,000 (1999: HK\$236,000).

### FIXED ASSETS

Movements in fixed assets during the year are set out in note 10 on the accounts.

### PROPERTIES

Particulars of the major properties of the Group are shown on page 64 of the annual report.

### BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS

Particulars of bank loans and overdrafts and other borrowings of the Group at 31st December, 2000 are set out in note 22 on the accounts.

## Report of the Directors *(Continued)*

### SHARE CAPITAL AND SHARE OPTIONS

Movements in share capital during the year and share options outstanding are set out in note 24 on the accounts.

Shares were issued during the year as a result of the exercise of share options.

### DIRECTORS

The Board of Directors during the financial year were:

#### Executive Directors:

Kenneth Ting Woo-shou

William Li Kai-wan

Benjamin Chung Yuk-ming *(Resigned on 1st February, 2001)*

Patrick Leung Shing-cheung *(Resigned on 25th October, 2000)*

#### Non-Executive Directors:

Dennis Ting Hok-shou

Liu Chee-ming

Moses Cheng Mo-Chi

Raymond Ch'ien Kuo-fung

*(Resigned on 1st April 2000)*

In accordance with clause 189(ix) of the Company's Bye-laws, Mr. William Li Kai-wan shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

### PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

#### Non-Executive Chairman

**Dr. Dennis Ting Hok-shou, OBE, JP**, aged 67, has been the Chairman of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited since 1961.

Dr. Ting has served a number of trade organisations and public committees. At present, he is the President of the Hong Kong Plastics Manufacturers' Association, Chairman of Hong Kong Plastics Technology Centre, the Honorary President of the Federation of Hong Kong Industries and the Chairman of the Board of Trustees of Hong Kong Shue Yan College. Dr. Ting is also a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference.

Dr. Ting is a director of H.C. Ting's Holdings Limited which is a substantial shareholder of the Company. He is a brother of Mr. Kenneth Ting Woo-shou.

## Report of the Directors *(Continued)*

### DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

#### Executive Directors

**Mr. Kenneth Ting Woo-shou, JP**, aged 58, has been the Managing Director and Chief Executive Officer of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited since 1971 and was appointed the Chairman in 1993. He is responsible for the overall policy and development of the Group.

Mr. Ting currently serves as the Legislative Councilor represents the Federation of Hong Kong Industries of the HKSAR, the Deputy Chairman of the Federation of Hong Kong Industries, the President of the Hong Kong Plastics Manufacturers' Association, the Chairman of the Vocational Training Council - Plastics Industry Training Board and the Honorary President of the Toys Manufacturers' Association of Hong Kong Limited. He is also a Director and Executive Committee Member of the Hong Kong Plastics Technology Centre and a member of the Hong Kong Trade Development Council and the Council of the Hong Kong Polytechnic University.

He also serves as a member of a number of other trade organisations and public committees such as the Chinese Manufacturers' Association of Hong Kong and the Hong Kong General Chamber of Commerce. He was also a member of the Selection Committee of the Hong Kong Special Administrative Region and an Advisor of Hong Kong District Affairs to the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region.

Mr. Ting is a director of H.C. Ting's Holdings Limited which is a substantial shareholder of the Company. He is a brother of Dr. Dennis Ting Hok-shou.

**Mr. Benjamin Chung Yuk-ming (*Resigned on 1st February, 2001*)**, aged 53, holds a Master's Degree in Business Administration. Mr. Chung joined the Group in 1988 and was appointed to the Board in 1994. Mr. Chung is responsible for the general management of the Group.

**Mr. William Li Kai-wan**, aged 38, is a Fellow Member of the Chartered Association of Certified Accountants and a member of the Hong Kong Society of Accountants. Mr. Li was appointed to the Board in 1994 and is responsible for strategic planning and investments of the Group.

**Mr. Patrick Leung Shing-cheung (*Resigned on 25th October, 2000*)**, aged 45, holds a Master's Degree in Business Administration and is an Associate Member of the Chartered Institute of Management Accountants, the Hong Kong Society of Accountants, the Chartered Institute of Bankers and the Institute of Chartered Secretaries and Administrators. Mr. Leung joined the Group in 1992 and was appointed to the Board in 1995. Mr. Leung is responsible for the investment portfolio of the Group.

## Report of the Directors *(Continued)*

### DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

#### Non-Executive Directors

**Dr. Raymond Ch'ien Kuo-fung (Resigned on 1st April, 2000), CBE, JP**, aged 49, has been a non-executive director since 1994. Dr. Ch'ien is the Chairman of Inchcape Greater China and a director of Inchcape plc. He is also the Chairman of HSBC Private Equity (Asia) Ltd., chinadotcom corporation and its subsidiary, hongkong.com corporation. Dr. Ch'ien is on the boards of The Hongkong and Shanghai Banking Corporation Ltd. and HSBC Holdings plc. Prior to assuming his current positions, Dr. Ch'ien was the Group Managing Director of Lam Soon Hong Kong Group. In addition to his business responsibilities, Dr. Ch'ien is a member of the Executive Council of the Hong Kong SAR Government and the chairman of the Hong Kong Industrial Technology Centre Corporation, and the Hong Kong/Japan Business Co-operation Committee. Dr. Ch'ien received a doctoral degree in economics from the University of Pennsylvania in 1978 and was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994 and awarded the Gold Bauhinia Star Medal in 1999.

**Mr. Liu Chee-ming**, aged 50, has been a non-executive director since June 1998. Mr. Liu is the Managing Director of Platinum Securities Company Limited. Prior to setting up Platinum, Mr. Liu was a member of the Executive Committee of Jardine Fleming Holdings Limited where he had worked for 19 years. He was the head of Corporate Finance Division between 1992 to 1996.

Mr. Liu was also a Governor of the Singapore International School between 1991 to 1994 and has been a member of the Takeovers Appeal Committee and Takeovers Panel of the Securities and Futures Commission since May 1995.

**Mr. Moses Cheng Mo-chi**, aged 51, has been a non-executive director since March 1999. Mr. Cheng is a senior partner of Messrs. P.C. Woo & Co., a firm of solicitors and notaries in Hong Kong. Mr. Cheng was a member of the Legislative Council of Hong Kong between 1991 and 1995. He is currently the Chairman of the Hong Kong Institute of Directors, the Board of Education and the Committee on the Promotion of Civic Education. He also serves on the boards of many other listed companies as independent non-executive director.

#### DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for election at the forthcoming Annual General Meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than normal statutory obligations.

## Report of the Directors *(Continued)*

### DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31st December, 2000, the directors had the following beneficial interests in the share capital of the Company:

	Number of Ordinary Shares			
	<u>Personal Interests</u>	<u>Family Interests</u>	<u>Corporate Interests</u>	<u>Share Options (ii)</u>
Kenneth Ting Woo-shou	90,644,515	586,629	244,175,800 (i)	66,870 (iii)
Dennis Ting Hok-shou	9,692,817	275,000	235,969,800 (i)	37,972
Benjamin Chung Yuk-ming	253,874	—	—	—
William Li Kai-wan	—	—	—	150,558
Patrick Leung Shing-cheung	338	—	—	—
Raymond Ch'ien Kuo-fung	55,000	—	—	—
Liu Chee Ming	—	—	1,000,000	—
Moses Cheng Mo-chi	11,000	—	—	—

#### Notes:

- (i) Included in the corporate interests above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting's Holdings Limited, in which Messrs. Dennis Ting Hok-shou and Kenneth Ting Woo-shou together have a controlling interest.
- (ii) The number of shares shown under the category of "Share Options" refers to personal interests in options to subscribe for shares in the Company pursuant to the Company's Employee Share Option Scheme ("Share Options") outstanding as at 31st December, 2000 which have not been included under the category of "Personal Interests".
- (iii) Mr. Kenneth Ting Woo-shou's wife did not hold any share option of the Company as at 31st December, 2000.
- (iv) Apart from the above, no interests were held or deemed or taken (under the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) to be held by any directors or chief executive of the Company or any of their spouses or children under eighteen years of age in any equity or debt securities of the Company or any of its associated companies (within the meaning of the SDI Ordinance) at 31st December, 2000, nor any rights or warrants to subscribe therefore.

## Report of the Directors *(Continued)*

### DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES *(Continued)*

Details of share options granted at nominal consideration to and exercised by the following directors, Messrs. Kenneth Ting Woo-shou, Dennis Ting Hok-shou, Benjamin Chung Yuk-ming, William Li Kai-wan and Patrick Leung Shing-cheung, pursuant to the Company's Employee Share Option Scheme during the year ended 31st December, 2000 were as follows:

Date of Grant	Exercise Price (HK\$)	Exercisable Period	Balance at 01/01/2000	Number of Share Options			
				Granted during the year	Exercised during the year	Lapsed during the year	Balance outstanding at 31/12/2000
01/07/1999	0.30	01/01/2000-31/12/2000	941,416	—	(717,848)	(223,568)	—
01/01/2000	0.17	01/07/2000-30/06/2001	—	468,494	(211,869)	(1,225)	255,400

#### Notes:

- (i) The above included Share Options granted to Mr. Kenneth Ting Woo-shou's wife which were all lapsed during the year.
- (ii) Apart from the foregoing, there were no rights or warrants held as at 31st December, 2000, nor had there been any exercise of rights or warrants during the year under review, by any directors or chief executive of the Company or any of their spouses or children under eighteen years of age to subscribe for equity or debt securities of the Company.
- (iii) Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDER'S INTEREST

As at 31st December, 2000, the register kept by the Company under Section 16(1) of the SDI Ordinance showed that H.C. Ting's Holdings Limited had an interest in 209,671,000 shares of the Company, being 10% or more of the Company's issued share capital.

### DIRECTORS' INTERESTS IN CONTRACTS

The Group has an interest in an associate, Allman Holdings Limited, and an investment, Squaw Creek Associates, in which Mr. Kenneth Ting Woo-shou has beneficial interests.

## Report of the Directors (Continued)

### DIRECTORS' INTERESTS IN CONTRACTS (Continued)

During the year, the Group had dealings in packaging printing with New Island Printing Company Limited ("New Island") which are carried out at arm's length and in the ordinary course of business of the Group. Mr. Kenneth Ting Woo-shou was interested in these transactions as a non-executive director and shareholder of New Island. Purchases from New Island during the year amounted to HK\$3,074,000 which accounted for approximately 3% of the Group's total purchases.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS(ES)

During the year and up to the date of this report, Messrs Kenneth Ting Woo-shou and Dennis Ting Hok-shou, Shareholders and Directors of the Company, are considered to have interests in Qualidux Industrial Co. Ltd., a company engaging in toys manufacturing long before the listing of the Company on The Stock Exchange of Hong Kong Limited, which compete or are likely to compete with the business of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As the Board of Directors of the Company is independent from the boards of the abovementioned company and none of the above Directors can control the Board of the Company, the Group is capable of carrying on its business independently of, and at arms length from, the business of such company.

### DISCLOSURE UNDER PRACTICE NOTE 19

As at 31st December, 2000, the Group had provided certain financial assistance to affiliated companies which is disclosed below in accordance with Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

#### Advances to Affiliated Companies

As at 31st December, 2000, the Company advanced a total sum of HK\$149,310,000 to its affiliated companies, the details of which are as follows:—

<b>Affiliated Companies</b>	<b>Interest Rate of Advances</b>	<b>Amount of Advances as at 31/12/2000 (HK\$'000)</b>
Allman Holdings Limited and its subsidiary	Prime rate plus 1%	89,705
	Interest-free	45,977
Hip Wah Industrial (Development) Limited	Interest-free	7,458
Melville Street Trust Company Limited	Interest-free	6,170
		<u>149,310</u>



## Report of the Directors *(Continued)*

### DISCLOSURE UNDER PRACTICE NOTE 19 *(Continued)*

All the said advances were unsecured, repayable on demand and were funded by internal resources and/or bank borrowings and were made for the purpose of providing investment funds and/or working capital.

Set out below is a proforma combined balance sheet of the above affiliated companies as at 28th February, 2001 (being the latest practicable date for determining the relevant figures) required to be disclosed under Practice Note 19 of the Listing Rules:—

Proforma Combined Balance Sheet as at 28th February, 2001:—

	HK\$'000
Other investment	102,467
Investment property	19,151
Net current liabilities	(4,368)
Shareholders' loans - long term	(126,010)
Deficiency in shareholders' funds	<u>(8,760)</u>

The aggregate of the Group's advances to affiliated companies as at 31st December, 2000 amounted to HK\$149,310,000 which represents approximately 29% of the Group's net assets as at 31st December, 2000.

### PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31st December, 2000.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda.

## Report of the Directors *(Continued)*

### CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meetings in accordance with clause 189(ix) of the Company's Bye-laws.

### AUDITORS

A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board  
**Kenneth Ting Woo-shou**  
*Managing Director*

Hong Kong, 17th April, 2001