



## Message from the Chairman

Turnover for the year ended 31 December 2001 was HK\$514,617,000, a 47% decrease compared to HK\$971,243,000 for the year ended 31 December 2000. Loss attributable to the shareholders was HK\$86,799,000, compared to a profit of HK\$114,046,000 in 2000.

The year 2001 began as major markets around the world slipped into recession and ended with fallout from the terrorist attacks in New York and Washington DC still weighing heavily over the global economy. In such uncertain times, consumer confidence was badly shaken. In response, merchants were generally cautious and conservative in making inventory commitments, but expeditious in canceling orders. A major US retailer and one of our key customers had filed for bankruptcy protection shortly after the end of the year.

Recognising the difficult operating environment from the beginning of the year, we had adopted a prudent course of managing our businesses to minimise downside risks. We had further rationalised our operations and organisation structure with resulting cost reductions. Thanks to careful supply planning and management, our toys were substantially sold through at retail with no significant carry-forward inventory. Consequently, all of our established brands continue to enjoy strong supports from the trade and they form the core of a solid product lineup for 2002.

Our 2002 product offerings received positive receptions from the trade during international toy fairs earlier in the year. With a solid portfolio of established core brands and exciting new concepts banking on evolving trends, we are well positioned to take advantage of economic recoveries in the major markets. We will be working prudently and proactively with our customers, distributors and suppliers to manage the business back on the path of healthy growth.

The 2001 results also reflected positive contributions from properties and other investments. Acquisition of the commercial building that houses our global headquarters at 100 Canton Road, Kowloon, Hong Kong, named *The Toy House* during the year, was completed in January 2001. Rental yield of investment properties during the year was approximately 5.2%. It is expected that contributions from property and other investments will continue to augment our core toy business.

Develop closer working relationships with strategic supply partners is a key to our continuing endeavor to rationalise our operations. My sincere appreciation goes to our suppliers who have been able to provide increasing level of sophistication and complexity in their services. I am also grateful to our customers, licensors and other business partners for their continued loyal support, and to my colleagues for their dedication, commitment and diligence.

**Chan Chun Hoo, Thomas**  
*Chairman*

Hong Kong, 21 March 2002