

Report of the Directors 董事會報告書

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2002.

Principal Activities

The principal activities of the company are the design, development, manufacturing and sale of plush stuffed toys. The principal activities and other particulars of the subsidiaries are set out in note 15 on the financial statements.

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 11 on the financial statements.

Major Customers and Suppliers

The information in respect of the group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

The largest customer	最大客戶	44.1%	
Five largest customers in aggregate	五大客戶總和	62.1%	
The largest supplier	最大供應商		23.8%
Five largest suppliers in aggregate	五大供應商總和		40.6%

C & H Co., Ltd ("C & H Korea") is the largest customer, largest supplier and the ultimate holding company of the company. Gina World Co., Ltd ("Gina World") is one of the five largest customers and a subsidiary of C & H Korea. Please refer to the paragraph headed "Connected Transactions" and "Directors' Interest in Contracts" for details.

董事會仝人謹將截至二零零二年十二月三十一日止年度的年報及經審核財務報表呈覽。

主要業務

本公司的主要業務是設計、發展、生產及銷售毛絨玩具。各附屬公司的主要業務及其他詳情載列於財務報表附註15。

本財政年度內本公司及其附屬公司按主要業務及經營地區之分析載列於財務報表附註11。

主要客戶及供應商

本集團於本財政年度的主要客戶及供應商分別佔本集團銷售及採購總額的資料如下：

Percentage of the group's total 佔本集團總額百分比	
sales 銷售	purchases 採購

C & H Co., Ltd. (「C&H韓國」) 是最大客戶、最大供應商及本公司之最終控股公司。Gina World Co., Ltd. (「Gina World」) 是五大客戶之一及C & H韓國的附屬公司。有關詳情請參閱下文「關連交易」及「董事在合約的利益」之段落。

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Major Customers and Suppliers (continued)

Save as disclosed above and so far as the directors are aware, neither the directors, their associates nor any shareholder of the company (which to the knowledge of the directors owns more than 5% of the company's share capital) had any interest in these major customers and suppliers.

Financial Statements

The profit of the group for the year ended 31 December 2002 and the state of the company's and the group's affairs as at that date are set out in the financial statements on pages 47 to 106.

An interim dividend of HK2.4 cents per share was paid on 28 October 2002. In respect of the year ended 31 December 2001, an interim dividend of HK\$7,710,000 was paid on 28 March 2001 and a special dividend of HK\$23,220,000 was paid in two instalments on 14 and 28 December 2001 to the then shareholders prior to the group reorganisation in preparation of the listing of the company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). The directors now recommend the payment of a final dividend of HK6.4 cents per share (2001: HK4.8 cents per share) in respect of the year ended 31 December 2002.

Transfer to Reserves

Profit attributable to shareholders, before dividends, of HK\$113,891,000 (2001: HK\$98,854,000) has been transferred to reserves.

Change of Company's Name

By a special resolution passed on 3 January 2002, the name of the company was changed from Dream International Limited to Dream International Limited 德林國際有限公司. Consequently, the company adopted the Chinese name as part of its legal name.

主要客戶及供應商 (續)

除上文所述外及據董事所知，本公司各董事、彼等之聯繫人士或任何股東(據董事所知，擁有本公司股本5%以上者)，均沒有擁有該等主要客戶及供應商的任何權益。

財務報表

本集團截至二零零二年十二月三十一日止年度之溢利以及本公司及本集團於該日的財政狀況載於第47頁至第106頁之財務報表內。

本公司已於二零零二年十月二十八日派發每股港幣2.4仙之中期股息，並於二零零一年三月二十八日已派付截至二零零一年十二月三十一日止年度之中期股息7,710,000港元，並於二零零一年十二月十四日及二十八日分兩期向為籌備本公司股份在香港聯合交易所有限公司(「香港聯交所」)主板上市而進行本集團重組前之股東派付23,220,000港元之特別股息。董事現建議就截至二零零二年十二月三十一日止年度分派末期股息每股港幣6.4仙(二零零一年：每股港幣4.8仙)。

轉撥至儲備

股東應佔溢利(未扣除股息)為113,891,000港元(二零零一年：98,854,000港元)已轉入儲備。

更改本公司名稱

根據於二零零二年一月三日通過之特別決議，本公司之名稱已由Dream International Limited更改為Dream International Limited 德林國際有限公司。本公司自此將其中文名稱納入其法定名稱。

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Fixed Assets

Details of the movements in fixed assets are set out in note 12 on the financial statements.

Share Capital

Details of the movements in share capital of the company during the year, together with the reasons therefor, are set out in note 26 on the financial statements.

Directors

The directors during the financial year were:

Chairman and non-executive director

Kyoo Yoon **Choi**

Executive directors

Chul Hong **Min**

Young M. **Lee**

Sung Sick **Kim**

Independent non-executive directors

David, Kwai Che **Tse**

Valiant, Kin Piu **Cheung**

Mr. Tae Sub **Choi** was appointed as a Director of the company with effect from 8 April 2003 replacing Mr. Sung Sick **Kim** who resigned on the same day.

Mr. Young M. **Lee** retires at the forthcoming annual general meeting in accordance with article 101 of the company's articles of association and, being eligible, offer himself for re-election.

Directors' service contracts

The independent non-executive directors were appointed by the board of directors on 20 October 2001 for a term of 2 years commencing on 22 October 2001. Their remuneration is determined by the board of directors on the anniversary of the date of their appointment.

固定資產

固定資產之變動詳情載於財務報表附註12。

股本

本財政年度內本公司股本變動之詳情以及有關原因載於財務報表附註26。

董事

本財政年度內的董事會成員如下：

主席兼非執行董事

崔奎琬先生

執行董事

閔喆泓先生

李泳模先生

金盛植先生

獨立非執行董事

謝貴枝教授

張建標先生

崔泰燮先生由二零零三年四月八日起獲委任為本公司董事，取代於同日呈辭之金盛植先生。

根據本公司之組織章程細則第101條，李泳模先生將於即將召開的股東週年大會依章告退，惟符合資格並願意膺選連任。

董事服務合約

獨立非執行董事於二零零一年十月二十日獲董事會委任，任期由二零零一年十月二十二日起為期兩年。彼等之薪酬乃董事會於彼等獲委任日期之一週年時釐定。

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Directors' service contracts (continued)

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract, which is not determinable by the company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' and chief executive's interests in shares

The directors and chief executive of the company who held office at 31 December 2002 had the following interests in the issued share capital of the company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' and chief executive's share interests:

董事服務合約 (續)

建議於即將召開的股東週年大會中連任的董事概無訂立本公司或其任何附屬公司於一年內不可在不予賠償(一般法定賠償除外)的情況下終止的尚未屆滿服務合約。

董事及主要行政人員於股份之權益

按照本公司之董事及主要行政人員股份權益登記冊所示，於二零零二年十二月三十一日擔任本公司董事及主要人員職務之人士於本公司、其控股公司、附屬公司及其他相聯法團(具《證券(披露權益)條例》內所賦予之定義)持有下列權益：

		No. of ordinary shares 普通股數目			
		Personal interests 個人權益	Family interests 家族權益	Corporate interests 公司權益	Other interests 其他權益
The company	本公司				
– Kyoo Yoon Choi	– 崔奎琬	–	–	487,500,000 (Note 1) (附註1)	–
C & H Korea	C & H 韓國				
– Kyoo Yoon Choi	– 崔奎琬	197,100 (Note 2) (附註2)	–	–	–
– Sung Sick Kim	– 金盛植	16,225 (Note 3) (附註3)	–	–	–
– Chul Hong Min	– 閔喆泓	14,750 (Note 4) (附註4)	–	–	–
Gina World	Gina World				
– Kyoo Yoon Choi	– 崔奎琬	795,000 (Note 5) (附註5)	–	–	–

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Directors' and chief executive's interests in shares (continued)

Notes:

- (1) Kyoo Yoon Choi, together with his wife, Woul Hee Cha, and his three children, Woo Jin Choi, You Jin Choi and Soo Jin Choi, hold approximately 84.57% of the issued share capital of C & H Korea and Kyoo Yoon Choi beneficially owns 76% of the issued share capital of Uni-Link Technology Limited which is a substantial shareholder of the company.
- (2) Kyoo Yoon Choi holds approximately 35.92% of the issued share capital of C & H Korea.
- (3) Sung Sick Kim holds approximately 2.96% of the issued share capital of C & H Korea.
- (4) Chul Hong Min holds approximately 2.69% of the issued share capital of C & H Korea.
- (5) Kyoo Yoon Choi holds approximately 15.9% of the issued share capital of Gina World. Gina World is owned as to 52.5% by C & H Korea.

Details of directors' and chief executive's interests under the company's share option scheme are set out in the section "Share option scheme" below.

Share option scheme

The company has a share option scheme which was adopted on 22 January 2002 whereby the directors of the company are authorised, at their discretion, to invite employees of the group, including directors of any company in the group, to take up options to subscribe for shares of the company. The exercise price of the options is the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on the SEHK on the date of grant and (iii) the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options may be exercised progressively after one to three years and are exercisable for a period to be notified by the directors to each option-holder upon the grant of option. Such period will not exceed ten years from the date on which the option is granted.

董事及主要行政人員於股份之權益 (續)

附註：

- (1) 崔奎琿連同其妻子車月姬及其三名子女崔宇鎮、崔有鎮及崔守鎮持有C & H 韓國已發行股本約84.57%，而崔奎琿則實益擁有本公司之主要股東Uni-Link Technology Limited已發行股本之76%。
- (2) 崔奎琿持有C & H 韓國已發行股本約35.92%。
- (3) 金盛植持有C & H 韓國已發行股本約2.96%。
- (4) 閔喆泓持有C & H 韓國已發行股本約2.69%。
- (5) 崔奎琿持有Gina World已發行股本約15.9%。Gina World由C & H韓國擁有52.5%。

董事及主要行政人員於本公司認股權計劃之權益載於下文「認股權計劃」一段。

認股權計劃

本公司於二零零二年一月二十二日採納一項認股權計劃。據此，本公司董事獲授權酌情邀請本集團之僱員（包括本集團任何公司之董事）接受認股權以認購本公司股份。認股權之行使價為：(i) 股份之票面值；(ii) 股份於認股權授予當日於香港聯交所錄得的收市價；及(iii) 股份於截至認股權授予日五個營業日在香港聯交所錄得的平均收市價三者之最高者。認股權可於一至三年後逐步行使，行使期在董事會授出認股權時通知各認持有人，惟該等期間不可超出認股權授出日期起計十年。

Share option scheme (continued)

The maximum number of shares which may be issued upon the exercise of all outstanding options and yet to be exercised under the share option scheme shall not exceed 30% of the issued share capital of the company from time to time. Subject always to the above overall limit, the directors may grant options under the share option scheme, generally and without further authority, in respect of such number of shares which may be issued upon exercise of all options to be granted under the share option scheme not exceeding 10% of the issued share capital of the company as at 7 February 2002, being the date on which the company's shares were listed on the SEHK. For the purpose of calculating the above, options lapsed in accordance with the share option scheme shall not be counted.

As at 31 December 2002, the directors of the company had the following interests in options to subscribe for shares of the company granted at nominal consideration under the share option scheme of the company. Each option gives the holder the right to subscribe for one share and the consideration paid by each holder for the options granted is HK\$1.00. In addition to the options listed below, the company has granted 16,250,000 options to the employees of the group.

認股權計劃 (續)

於行使所有根據認股權計劃已授出惟未行使認股權時可能發行之股份總數量最多不得超過本公司不時已發行股本之30%股份數目。在一直遵守以上總限額之情況下，董事會可在一般及不再有進一步授權情況下，授出涉及於行使根據認股權計劃之所有認股權時可能發行之股份數目，不超過本公司於二零零二年二月七日，即本公司股份在聯交所上市日期已發行股本之10%之認股權。就計算上述股份數目而言，根據認股權計劃而失效之認股權將不在計算之列。

於二零零二年十二月三十一日，本公司董事於根據本公司認股權計劃以象徵式代價授出可認購本公司股份之認股權中持有以下權益。每份認股權賦予其持有人權利認購一股股份，而每名持有人已就獲授之認股權支付1.00港元之代價。除下列認股權外，本公司已向本集團僱員授出16,250,000份認股權。

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Share option scheme (continued)

認股權計劃 (續)

Directors 董事	No. of options outstanding as at 7 February 2002 於二零零二年 二月七日尚未行使 認股權數目	No. of options outstanding at the year end 於年終時尚 未行使之 認股權數目	Date granted 授出日期	Period during which options are exercisable 認股權 可行使期間	Exercise price per share 每股認股權 行使價	Market value per share at date of grant of options 於授出 認股權 當日每股 股份市價
Chul Hong Min 閔詰泓	6,500,000	6,500,000	7 February 2002 二零零二年 二月七日	7 February 2003 to 7 February 2012 (Note) 二零零三年 二月七日至 二零一二年 二月七日 (附註)	HK\$1.18 1.18港元	HK\$1.10 1.10港元
Sung Sick Kim 金盛值	3,900,000	3,900,000	7 February 2002 二零零二年 二月七日	7 February 2003 to 7 February 2012 (Note) 二零零三年 二月七日至 二零一二年 二月七日 (附註)	HK\$1.18 1.18港元	HK\$1.10 1.10港元
Young M. Lee 李泳模	3,900,000	3,900,000	7 February 2002 二零零二年 二月七日	7 February 2003 to 7 February 2012 (Note) 二零零三年 二月七日至 二零一二年 二月七日 (附註)	HK\$1.18 1.18港元	HK\$1.10 1.10港元

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Share option scheme (continued)

Note: The maximum percentage of the share options which may be exercised is determined in stages as follows:

On or after 1st year anniversary (or 7 February 2003)	30%
授出一週年(即二零零三年二月七日)或其後	30%
On or after 2nd year anniversary (or 7 February 2004)	another 30%
授出二週年(即二零零四年二月七日)或其後	另外30%
On or after 3rd year anniversary (or 7 February 2005)	another 40%
授出三週年(即二零零五年二月七日)或其後	另外40%

The share options granted are not recognised in the financial statements until they are exercised.

The weighted average value per option granted in 2002 estimated at the date of grant using the Black-Scholes pricing model was HK\$0.391. The weighted average assumptions used are as follows:

Risk-free interest rate per annum	無風險全年息率	5.75%
Expected life	預計年期	10 years (年)
Annualised volatility	全年波幅	61.88%
Expected dividend per share	預計每股股息	HK\$0.072 (港元)

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

認股權計劃 (續)

附註：規定分階段可行使之認股權之最高數額百分比如下：

授出之認股權於行使時方會在財務報表確認。

按Black-Scholes定價模式估計於二零零二年授出之認股權於授出當日之加權平均價為0.391港元。所使用之加權平均假設值如下：

Black-Scholes期權定價模式是用來估計無權益歸屬期限制及可完全轉讓之買賣期權之公允價值。此外，該期權定價模式需要作出極為主觀的假設(包括預計股價波幅)。由於本公司之認股權特性與買賣期權截然不同，且各項主觀假設之變化均會對估計認股權的公允價值構成嚴重的影響，因此Black-Scholes期權定價模式不一定能可靠地計算認股權的公允價值。

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Share option scheme (continued)

Up to the date of this report, none of the options granted has been exercised. Apart from the foregoing, at no time during the year and up to the date of this report was the company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the director or chief executive of the company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Substantial Interests in the Share Capital of the Company

The company has been notified of the following interests in the company's issued shares as at 31 December 2002 amounting to 10% or more of the ordinary shares in issue:

C & H Korea
Uni-Link Technology Limited

Kyoo Yoon Choi, together with his wife, Woul Hee Cha, and his three children, Woo Jin Choi, You Jin Choi and Soo Jin Choi, hold approximately 84.57% of the issued share capital of C & H Korea and Kyoo Yoon Choi beneficially owns 76% of the issued share capital of Uni-Link Technology Limited. Kyoo Yoon Choi is considered to have deemed interests in the 487,500,000 ordinary shares as to approximately 75% of the issued shares of the company.

認股權計劃 (續)

截至本報告刊發日期，並無認股權被行使。除上述者外，本公司、其控股公司、附屬公司或同系附屬公司概無於本年度內任何時間及截至本報告刊發日期訂立任何安排，致使本公司任何董事或主要行政人員或彼等之任何配偶或未滿十八歲之子女可藉購入本公司或任何其他法人團體之股份或債券而取得利益。

於本公司股本中擁有的重大權益

於二零零二年十二月三十一日，本公司已得悉下列人士擁有本公司已發行普通股本10%或以上之權益：

	Ordinary shares held 所持有 之普通股	Percentage of total issued shares 佔全部已發行 股份百分比
C & H Korea	382,850,000	58.9%
Uni-Link Technology Limited	104,650,000	16.1%

崔奎琬連同其妻子車月姬及其三名子女崔宇鎮、崔有鎮及崔守鎮持有C & H韓國已發行股本約84.57%，而崔奎琬則實益擁有Uni-Link Technology Limited已發行股本之76%。崔奎琬被視為持有487,500,000股普通股，佔本公司已發行股份約75%。

Directors' Interests in Contracts

C & H Korea is the largest customer, the largest supplier and the ultimate holding company of the company. Kyoo Yoon Choi and his family, Sung Sick Kim and Chul Hong Min were interested in these arrangements as a shareholder holding a 35.92%, 2.96% and 2.69% interest respectively in the share capital of C & H Korea.

Apart from the foregoing, the related party transactions as disclosed in note 30 on the financial statements, no contract of significance to which the company, any of its holding company, subsidiaries or fellow subsidiaries was a party, in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

C & H Korea and its subsidiaries ("C & H Korea group"), as set out below, are engaged in the business of the design, development, manufacturing and sale of plush stuffed toys and steel and plastic toys, and of the dyeing and manufacturing of plush fabrics, which may compete with the business of the group. Mr. Chul Hong Min, Mr. Sung Sick Kim and Mr. Kyoo Yoon Choi are deemed to be interested in these businesses which may compete with the group's businesses as they are shareholders of C & H Korea and Kyoo Yoon Choi is also a director of C & H Korea.

董事在合約的利益

C & H 韓國為本公司之最大客戶、最大供應商及最終控股公司。崔奎玟及其家族、金盛植及閔喆泓因為分別持有C & H 韓國股本35.92%、2.96%及2.69%權益而於該等安排中佔有權益。

除上文所述根據財務報表附註30所披露之關聯人士交易外，本公司、其任何控股公司、附屬公司或同系附屬公司於本年度結束時或於本年度內任何時間，並無訂立任何重大且本公司董事於當中直接或間接擁有重大權益之合約。

董事於競爭性業務之權益

C & H 韓國及其附屬公司（「C & H 韓國集團」）（如下文所載）從事的業務為設計、發展、製造及銷售毛絨玩具及金屬與塑膠玩具，以及漂染及生產絨布，可能與本集團業務構成競爭。由於閔喆泓先生、金盛植先生及崔奎玟先生為C & H 韓國之股東而崔奎玟先生亦為C & H 韓國之董事，故彼等均被視為於可能與本集團業務構成競爭之業務中佔有權益。

Report of the Directors 董事會報告書

Directors' Interests in Competing Business (continued)

董事於競爭性業務之權益 (續)

Name of company	Nature of competing business	The group is capable of carrying on its business independently of and at arms length from the competing business 本集團有能力獨立於競爭業務，並在彼此公平之原則下經營業務
公司名稱	競爭業務的性質	
C & H Korea	C & H Korea is the ultimate holding company of the group. The directors of C & H Korea are Mr. KyooYoon Choi, Ms. Shin Hee Cha, Mr. Young Hun Pyo and Mr Jong Ho Chung. C & H Korea is engaged in the design, development and marketing of plush stuffed toys and other toys products. C & H Korea has established the production facilities in Korea called "Eumsung factory" which carries out the production of steel and plastic toys.	Pursuant to the Deed of Undertaking*, C & H Korea agreed to first offer all sales orders received by it from customers, other than the Branded Customers, to the group for the production and sale to the ultimate customers directly. C & H Korea agreed to first offer all customers' orders for the production of plush stuffed toys and steel and plastic toys received directly or indirectly by it from Branded Customers to the group on normal commercial terms after arm's length negotiation. Also pursuant to the Deed of Undertaking*, C & H Korea entered into a co-operative arrangement with the group to market jointly with the group and to assist the group in developing its design and product development capabilities in particular for the provision of services to the Branded Customers. In addition, the Eumsung factory will exclusively receive orders from Gina World to be sold in the Korean market and its business scope will be geographically delineated from that of the group.
C & H 韓國	C & H 韓國為本集團之最終控股公司。C & H 韓國之董事為崔奎琬先生、車信熙女士、表英勳先生及鄭鍾昊先生。C & H 韓國從事的業務為設計、發展及促銷毛絨玩具及其他玩具製品。C & H 韓國於韓國設立生產設施、稱為「Eumsung 廠房」，從事生產金屬及塑膠玩具業務。	根據承諾契據*，C & H 韓國同意首先將其從品牌客戶以外之客戶所接獲之銷售訂單給予本集團，以便直接為最終客戶生產並向其銷售。C & H 韓國同意於公平磋商後，首先將其從品牌客戶直接或間接所接獲之生產毛絨玩具及金屬與塑膠玩具之客戶訂單按正常商業條款給予本集團。此外，根據承諾契據*，C & H 韓國已與本集團訂立合作安排，與本集團共同進行市場推廣以協助本集團拓展其設計及商品發展，如向品牌客戶提供服務。此外，Eumsung 廠房將只接受 Gina World 之訂單，有關產品將於韓國市場銷售而其業務範疇在地區上與本集團之業務有所區別。

Report of the Directors 董事會報告書

Directors' Interests in Competing Business (continued)

董事於競爭性業務之權益 (續)

Name of company 公司名稱	Nature of competing business 競爭業務的性質	The group is capable of carrying on its business independently of and at arms length from the competing business 本集團有能力獨立於競爭業務，並在彼此公平之原則下經營業務
C & H Lanka (PVT) Ltd. ("C & H Lanka")	C & H Lanka is a wholly owned subsidiary of C & H Korea. The directors of C & H Lanka are Mr. Kyoo Yoon Choi, Mr. Tae Sub Choi, Ms. Shin Hee Cha, and Mr. Young Dae Noh. C & H Lanka is engaged in the manufacturing of plush stuffed toys in Sri Lanka. By the end of 2002, C & H Lanka was in the process of closure.	Pursuant to the Deed of Undertaking*, C & H Lanka agreed not to engage or otherwise be involved in any business which competes or is likely to compete with the group's business in any of the regions that the group engages business in. Its business will be limited to production of quota related plush stuffed toys and orders that cannot be handled by the group.
C & H Lanka (PVT) Ltd. (「C & H Lanka」)	C & H Lanka為C & H 韓國之全資附屬公司。C & H Lanka之董事為崔奎玠先生、崔泰燮先生、車信熙女士及盧泳大先生。C & H Lanka於斯里蘭卡從事毛絨玩具製造業務。二零零二年底時，C & H Lanka正在結業中。	根據承諾契據*，C & H Lanka同意不會在本集團經營所在之任何一個地區從事或參與任何與本集團業務作出或可能作出競爭之業務。其業務將局限於生產配額相關毛絨玩具以及本集團未能應付之訂單。

Report of the Directors 董事會報告書

Directors' Interests in Competing Business (continued)

董事於競爭性業務之權益 (續)

Name of company	Nature of competing business	The group is capable of carrying on its business independently of and at arms length from the competing business
公司名稱	競爭業務的性質	本集團有能力獨立於競爭業務，並在彼此公平之原則下經營業務
Jung Yoon Textile (Private) Ltd. ("JY Textile")	JY Textile is a wholly owned subsidiary of C & H Korea. The directors of JY Textile are Mr. Kyoo Yoon Choi, Mr. Tae Sub Choi and Mr. Kil Soon Song. Mr. Kil Soon Song was appointed as director on 30 December 2002 and Mr. Tae Sub Choi resigned from the company with effect from 31 December 2002. JY Textile is engaged in the manufacturing and the dyeing of fabrics.	JY Textile is engaged in manufacturing of fabrics and dyeing of fabrics for C & H Lanka and local customers in Sri Lanka. Substantially all the fabrics manufactured by the group are used for the group's own production of plush stuffed toys.
Jung Yoon Textile (Private) Ltd. ("JY Textile")	JY Textile為C & H 韓國之全資附屬公司。JY Textile董事為崔奎琬先生、崔泰燮先生及宋吉淳先生。宋吉淳先生於二零零二年十二月三十日獲委任為董事，而崔泰燮先生由二零零二年十二月三十一日起辭任該公司職務。JY Textile從事製造布料及染製布料之業務。	JY Textile從事為C & H Lanka及斯里蘭卡本土客戶製造布料及染製布料之業務。本集團所製造布料絕大部份用於本集團自行生產的毛絨玩具。

Report of the Directors 董事會報告書

Directors' Interests in Competing Business (continued)

董事於競爭性業務之權益 (續)

Name of company	Nature of competing business	The group is capable of carrying on its business independently of and at arms length from the competing business
公司名稱	競爭業務的性質	本集團有能力獨立於競爭業務，並在彼此公平之原則下經營業務
Gina World	Gina World is listed on the Korea Securities Dealers Automated Quotation market in Korea. Gina World is owned as to 52.5% by C & H Korea, 15.9% by Mr. Kyoo Yoon Choi. The directors of Gina World are Mr. Young Dae Noh, Mr. Il Young Park and Mr. Kil Soon Song. Mr. Kil Soon Song resigned from the company with effect from 30 November 2002. Gina World holds certain rights to marketing and distribution of character licensed toys products in Korea and focuses on the marketing and distribution of character licensed toy products in the Korean market.	Gina World is a customer of the group and its business is delineated geographically with the group as it focuses on marketing and distribution of certain character licensed toy products in Korea. Pursuant to the Deed of Undertaking*, C & H Korea agreed to procure Gina World to first offer all customers' orders for the production of plush stuffed toys directly or indirectly by it to the group on normal commercial terms after arm's length negotiation.
Gina World	Gina World在韓國證券交易所自動報價系統市場上市，其由C & H 韓國擁有52.5%，崔奎琬先生擁有15.9%。Gina World之董事為盧泳大先生，朴一榮先生及宋吉淳先生。宋吉淳先生由二零零二年十一月三十日起辭任該公司職務。Gina World持有若干個於韓國營銷及分銷角色造型特許玩具產品之特許權，並專注於韓國市場推銷及分銷角色造型許可玩具產品之業務。	Gina World為本集團客戶，其與本集團在業務地區範圍而言並無重疊，並專注於在韓國推銷及分銷若干角色造型特許玩具產品。根據承諾契據*，C & H 韓國同意促使Gina World首先將本身間接或直接獲客戶接獲之所有毛絨玩具生產訂單轉介本集團，並按一般商業條款公平磋商進行。

Report of the Directors 董事會報告書

Directors' Interests in Competing Business (continued)

The transactions with the above companies are set out in the paragraph headed "Connected Transactions". There has not been any subsequent change of directors' interests in any competing business which was previously disclosed in the company's prospectus for the new issue and placing of shares dated 29 January 2002.

- * In relation to the listing of the company's shares on the Main Board of the SEHK, C & H Korea has entered into the Deed of Undertaking in favour of the company to effect that for so long as C & H Korea and its associates are beneficially interested, directly or indirectly, whether individually or taken together, in 30% or more of the issued capital of the company, C & H Korea will not, and C & H Korea will procure that none of its subsidiaries, other than the group, will engage or otherwise be involved in any business which competes or likely to compete, either directly or indirectly, with any of the restricted business in any of the regions in which the group engages in and undertakes the restricted business (such regions include the People's Republic of China ("PRC"), Taiwan, Europe, the US and Japan). Such an undertaking shall extend to all subsidiaries of C & H Korea, except for the group.

董事於競爭性業務之權益 (續)

上述公司的交易載於「關連交易」一段。其後，董事於先前就本公司發售新股及配發股份，而於二零零二年一月二十九日刊發的招股章程內，所披露的構成競爭業務內的權益並無任何變動。

- * 因就本公司股份於香港聯交所主板上市，而C & H 韓國為本公司訂立承諾契據，致使C & H 韓國及其聯繫人士如分別或共同直接或間接擁有本公司已發行股本30%或以上權益，則C & H 韓國保證其附屬公司(本集團除外)不會從事或參與任何直接或間接與本集團經營限制業務所在地區(包括中華人民共和國(「中國」)、台灣、歐洲、美國及日本)內的任何限制業務構成或可能構成競爭的業務。除本集團外，該項承諾申延至C & H Korea的所有附屬公司。

Report of the Directors 董事會報告書

Connected Transactions

During the year, the group entered into the following transactions with C & H Korea group, which constituted connected transactions as defined in the Rules Governing the Listing of Securities on the Main Board of the SEHK ("the Listing Rules"):

1. The group sold plush stuffed toys and steel and plastic toys to C & H Korea and Gina World, who in turn sold those products to their respective ultimate customers. In addition, the group also sourced raw materials such as fabrics for C & H Lanka, a subsidiary of C & H Korea. These transactions were entered into on prices and terms comparable to the prevailing market rate or practice.

During the year ended 31 December 2002, the amount of sales to C & H Korea, Gina World and C&H Lanka amounted to a total of HK\$440,239,000 (2001: HK\$403,222,000), out of which, sales of raw materials to C & H Lanka amounted to approximately HK\$1,469,000 (2001: HK\$3,836,000). This represents 48.4% of the group's total turnover for the year ended 31 December 2002.

2. Pursuant to a commission agreement, C & H Korea referred sales orders for plush stuffed toys and steel and plastic toys to the group for production. Upon production of such products, the group sold the products to the customers directly, on a "free on board" basis. The group paid C & H Korea a commission which represents not more than 5% of the amount of sales for plush stuffed toys and not more than 3% of the amount of sales for steel and plastic toys. The commission rates were comparable to the commission rates payable by the group to independent third parties and were on terms comparable to the prevailing market rate or practice.

關連交易

本集團於年度內，與C & H 韓國集團進行下列交易，而該等交易屬於聯交所主板證券上市規則（「上市規則」）所界定之關連交易：

1. 本集團向C&H 韓國及Gina World銷售毛絨玩具及金屬與塑膠玩具，而C&H 韓國及Gina World將該等產品轉售予彼等各自之最終客戶。此外，本集團亦為C&H韓國的附屬公司C&H Lanka採購布料等原材料。該等交易乃以與當時市場價格或慣例相若之價格及條款訂立。

於截至二零零二年十二月三十一日止年度，向C & H 韓國、Gina World及C & H Lanka之銷售額合共約為440,239,000港元（二零零一年：403,222,000港元），其中向C&H Lanka就原材料採購之銷售額約為1,469,000港元（二零零一年：3,836,000港元）。上述銷售額佔本集團截至二零零二年十二月三十一日止年度之總營業額48.4%。

2. 根據一項佣金協議，C & H 韓國將生產毛絨玩具及金屬與塑膠玩具之銷售訂單轉介予本集團。完成生產該等製品後，本集團將按「離岸價」直接向客戶出售貨品。本集團向C & H 韓國支付數額不高於毛絨玩具銷售額5%及金屬與塑膠玩具銷售額3%之佣金。佣金比率乃與本集團應付予獨立第三者之佣金比率相若，條款亦與當時市場價格及慣例相符。

Report of the Directors 董事會報告書

Connected Transactions (continued)

During the year ended 31 December 2002, the amount of commission paid by the group to C & H Korea amounted to approximately HK\$1,822,000 (2001: HK\$6,852,000). This represents 0.2% of the group's total turnover for the year ended 31 December 2002.

3. In its normal course of business, the group referred sales orders to C & H Korea for the production of certain toy products. Upon production of the toy products, C & H Korea sold those products to the ultimate customers directly. The group charged C & H Korea a commission which represents not more than 5% of the amount of sales of such toy products. The commission was comparable to the commission rate payable by the group to independent third parties and was on terms comparable to the prevailing market rate or practice.

During the year ended 31 December 2002, the amount of commission charged by the group to C & H Korea amounted to approximately HK\$4,838,000 (2001: HK\$Nil). This represents 0.9% of the group's net asset value as at 31 December 2002.

4. The group sourced certain raw materials and components necessary for the production of plush stuffed toys and steel and plastic toys from C & H Korea group. The prices and terms upon which the raw materials were supplied by the C & H Korea group to the group were on normal commercial terms and comparable to the prevailing market rate or practice. During the year ended 31 December 2002, the amount of raw material purchases made by the group from C & H Korea group amounted to HK\$110,838,000 (2001: HK\$63,400,000).

The group also sub-contracted orders to C & H Lanka for the production of certain toy products when the orders for toy products received by the group exceeded its production capacity or were unable to be handled by the group. During the year ended 31 December 2002, the amount of purchases from C & H Lanka amounted to approximately HK\$2,525,000 (2001: HK\$3,531,000).

關連交易 (續)

於截至二零零二年十二月三十一日止年度，本集團支付予C & H 韓國之佣金數額約為1,822,000港元(二零零一年：6,852,000港元)，相等於本集團截至二零零二年十二月三十一日止年度之總營業額0.2%。

3. 在日常業務過程中，本集團向C & H 韓國轉介生產若干玩具產品之銷售訂單。完成有關玩具製品的生產後，C & H 韓國直接向最終客戶出售該等產品。本集團向C & H 韓國收取數額不高於該等玩具產品銷售額5%之佣金。該佣金與本集團應付予獨立第三者之佣金比率相若，條款亦與當時市場價格及慣例相符。

於截至二零零二年十二月三十一日止年度，本集團向C & H 韓國收取之佣金數額約為4,838,000港元(二零零一年：無)，相等於本集團於二零零二年十二月三十一日之資產淨值0.9%。

4. 本集團向C & H 韓國集團採購生產毛絨玩具及金屬與塑膠玩具所需之若干原材料及部件。C & H 韓國集團向本集團供應原材料之價格及條款，乃符合正常商業條款，而條款亦相當於當時市場價格或慣例。於截至二零零二年十二月三十一日止年度，本集團向C & H 韓國集團之原材料採購額約為110,838,000港元(二零零一年：63,400,000港元)。

當本集團接獲之玩具訂單超出其生產能力或為本集團所未能應付時，便會將若干玩具製品之生產工序外判予C & H Lanka。於截至二零零二年十二月三十一日止年度，向C & H Lanka之採購額約為2,525,000港元(二零零一年：3,531,000港元)。

Connected Transactions (continued)

During the year ended 31 December 2002, the aggregate value of purchases from C & H Korea group amounted to HK\$113,363,000 (2001: HK\$66,931,000). This represents 16.2% of the group's total cost of sales for the year ended 31 December 2002.

The company has been granted a conditional waiver by the SEHK from strict compliance with the Listing Rules in respect of the above connected transactions for three financial years ending 31 December 2004.

The directors, including the independent non-executive directors, of the company have reviewed the connected transactions and confirmed that:

- I. the connected transactions were:
 - (i) entered into by the group in its ordinary and usual course of business;
 - (ii) entered into by the group on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable to the group than those available to or from (as appropriate) independent third parties; and
 - (iii) on terms that are fair and reasonable and in the interests of the independent shareholders as a whole;

關連交易 (續)

於截至二零零二年十二月三十一日止年度，向C & H 韓國集團之採購總值為113,363,000港元(二零零一年：66,931,000港元)，相等於本集團截至二零零二年十二月三十一日止年度之銷售總成本16.2%。

本公司已獲聯交所有條件豁免於截至二零零四年十二月三十一日止三個財政年度嚴格遵守上市規則有關上述關連交易之規定。

本公司董事(包括獨立非執行董事)已審閱關連交易，並確認：

- I. 關連交易：
 - (i) 在本集團一般及日常業務中訂立；
 - (ii) 由本集團按一般商業條款(如有可比較之交易)或不遜於獨立第三者給予或所獲(視情況而定)之條款(如無足夠可比較之交易判斷是否按一般商業條款)訂立；及
 - (iii) 按公平合理並符合獨立股東整體利益之條款訂立；

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Connected Transactions (continued)

2. apart from the connected transactions in respect of purchases from C & H Korea group, the connected transactions have been conducted such that the aggregate amount for each type of the transactions has not exceeded the respective caps set out below:

The transactions

交易

- (i) Sale of raw materials, plush stuffed toys and steel and plastic toys by the group to the C & H Korea group
本集團向C & H 韓國集團銷售原材料、毛絨玩具及金屬與塑膠玩具
- (ii) Commission paid on referral of sales orders by C & H Korea to the group for production of plush stuffed toys and steel and plastic toys
本集團獲C & H 韓國集團轉介生產毛絨玩具及金屬與塑膠玩具之銷售訂單而支付佣金
- (iii) Commission received on referral of sales orders by the group to C & H Korea for production of products
本集團向C & H 韓國轉介生產產品之銷售訂單而收取佣金
- (iv) Purchases by the group from the C & H Korea group
本集團向C & H 韓國集團採購
- (v) Research and development and product design services to be provided by C & H Korea to the group
C & H韓國將向本集團提供研究與開發及產品設計服務

關連交易 (續)

2. 除有關向C & H 韓國集團採購而進行之關連交易外，以上已進行之各項關連交易之總額，並無超出以下列出之各自之上限：

Annual cap on aggregate value of transactions

每年交易總額之上限

- 50% of the group's total turnover for one financial year
每個財政年度本集團總營業額之50%
- 2.5% of the group's total turnover for one financial year
每個財政年度本集團總營業額之2.5%
- 3% of the group's net asset value at the end of one financial year
每個財政年度完結時本集團資產淨值之3%
- 10% of the group's total cost of sales for one financial year
每個財政年度本集團總銷售成本之10%
- 3% of the group's net asset value at the end of one financial year
每個財政年度完結時本集團資產淨值之3%

Connected Transactions (continued)

In the course of preparation for the annual financial statements for the year ended 31 December 2002, it was brought to the attention of the directors that the group's total purchases from C & H Korea group had exceeded the above mentioned cap item (iv). The company had informed the SEHK immediately and an announcement has been made on 11 April 2003 accordingly. As the original waiver was revoked, subject to independent shareholders' approval, the company will apply to the SEHK for a new waiver, a circular and a notice of the Extraordinary General Meeting will be sent to the shareholders of the company on or before 1 May 2003.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2002, neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the company's shares.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the company and the group as at 31 December 2002 are set out in note 22 on the financial statements.

Five Year Summary

A summary of the results and of the assets and liabilities of the group for the last five financial years is set out on pages 107 to 108.

Retirement Schemes

The group operates a Mandatory Provident Fund Scheme ("MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000.

關連交易 (續)

於編製截至二零零二年十二月三十一日止年度全年財務報表進程中，董事發覺本集團向C & H 韓國集團之總採購額超出上文第(iv)項之上限。本公司已即時知會聯交所並已於二零零三年四月十一日發出有關公佈。由於原有之豁免已被撤銷，本公司將待獨立股東批准後向聯交所申請新豁免。本公司將於二零零三年五月一日或之前向股東寄發通函及股東特別大會通告。

購買、出售或贖回本公司上市證券

於截至二零零二年十二月三十一日止年度內，本公司或其任何附屬公司概無購買、出售或贖回本公司任何股份。

銀行貸款及其他借貸

本公司及本集團於二零零二年十二月三十一日之銀行貸款及其他借貸詳情載於財務報表附註22。

五年概要

本集團於過去五個財政年度之業績及資產與負債概要載於第107至108頁。

退休計劃

本集團按照香港《強制性公積金計劃條例》的規定，為根據香港《僱傭條例》聘用的僱員設立強制性公積金計劃（「強積金計劃」）。強積金計劃是一個設定提存退休計劃，由獨立受託人管理。根據強積金計劃，僱主及僱員均須按照僱員之相關入息的5%向計劃作出供款，而每月相關入息上限為20,000港元。

Report of the Directors 董事會報告書

Retirement Schemes (continued)

As stipulated by the regulations of the PRC, the group also participates in various defined contribution retirement plans organised by the relevant authorities for its PRC employees. The group is required to make contributions to the retirement plans which are calculated based on certain prescribed rates and the salaries, bonuses, and certain allowances of its PRC employees. The group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

Compliance with the Code of Best Practice

The company's shares were listed on the Main Board of the SEHK on 7 February 2002 and with the exception that Mr Kyoo Yoon Choi, a non-executive director, who was not appointed for a specific term, and is not subject to retirement by rotation and re-election at the company's annual general meeting in accordance with the company's articles of association, the company has complied with the Code of Best Practice as set out by the SEHK in Appendix 14 to the Listing Rules since that date.

Audit Committee

The audit committee, which was established on 22 January 2002, comprises two independent non-executive directors. The audit committee meets with the group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the group.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Chul Hong **Min**

President and Chief Executive Officer

Hong Kong, 8 April 2003

退休計劃 (續)

根據中國之法例規定，本集團亦安排中國僱員參與多項由有關當局管理之定額供款退休計劃。本集團須對各項退休計劃作出供款，供款金額根據預定比率及中國僱員之薪金、花紅及若干津貼計算。本集團並無因支付與該等計劃有關而超出上述全年供款額之退休福利款項而有其他重大負擔。

遵守最佳應用守則

本公司股份已於二零零二年二月七日在香港聯交所主板上市，而除了非執行董事崔奎琬先生並無固定任期，且毋須根據本公司之公司組織章程細則輪值告退及於本公司之股東週年大會膺選連任外，本公司自該日期起一直遵守上市規則附錄十四所載的《最佳應用守則》。

審核委員會

審核委員會於二零零二年一月二十二日成立，由兩名獨立非執行董事組成。審核委員會定期與本集團之高級管理層及外部核數師舉行會議，以檢討內部監控系統之有效性及審閱本集團之中期報告與年報。

核數師

畢馬威會計師事務所即將告退，惟符合資格並願膺選連任。重新委聘畢馬威會計師事務所為本公司核數師的決議，將於即將召開的股東週年大會上提出。

承董事會命

閔誌泓

總監及行政總裁

香港，二零零三年四月八日