

Report of the Directors

The directors of the Company (the “Directors”) submit herewith their annual report together with the audited financial statements for the year ended 31st December, 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are the manufacture and sale of plastic, electronic and stuffed toys and model trains, 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 10 on the financial statements.

SUBSIDIARIES

Particulars of the Company’s major subsidiaries at 31st December, 2002 are set out on pages 66 and 67 of the annual report.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2002.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31st December, 2002 and the state of the Company’s and the Group’s affairs at that date are set out in the financial statements on pages 18 to 67 of the annual report.

Movements in reserves during the year are set out in Note 26 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 69 and 70 of the annual report.

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:

	2002	2001
	%	%
Purchases		
– the largest supplier	6	11
– five largest suppliers combined	23	32
Sales		
– the largest customer	6	19
– five largest customers combined	21	32

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\$4,000 (2001: HK\$146,000).

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 11 on the financial statements .

PROPERTIES

Particulars of the major properties of the Group are shown on page 68 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, 2002 are set out in Notes 22 and 23 on the financial statements.

SHARE CAPITAL

There is no change in the authorised and issued share capital during the year.

Report of the Directors *(Continued)*

DIRECTORS

The Board of Directors during the financial year were:

Executive Directors:

Kenneth Ting Woo-shou
William Li Kai-wan

Non-Executive Directors:

Dennis Ting Hok-shou
Liu Chee-ming
Moses Cheng Mo-chi

In accordance with clause 189(ix) of the Company's Bye-laws, Mr. Moses Cheng Mo-chi 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 69, 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, 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.

Executive Directors

Mr. Kenneth Ting Woo-shou, JP, aged 60, 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 representing 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 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.

Report of the Directors *(Continued)*

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Executive Directors *(continued)*

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. William Li Kai-wan, aged 40, 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.

Non-Executive Directors

Mr. Liu Chee-ming, aged 52, 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 and 1996.

Mr. Liu was also a Governor of the Singapore International School between 1991 and 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, JP, aged 53, 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 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, 2002, the directors had the following beneficial interests in the share capital of the Company:

	Number of Ordinary Shares		
	Personal Interests	Family Interests	Corporate Interests
Kenneth Ting Woo-shou	92,945,385	586,629	244,175,800 (i)
Dennis Ting Hok-shou	9,692,817	275,000	236,969,800 (i)
William Li Kai-wan	–	–	–
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) 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, 2002, nor any rights or warrants to subscribe therefore.
- (iii) 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, 2002, save for certain directors' interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as having an interest of 10% or more of the issued share capital of the Company.

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.

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\$5,944,000 which accounted for approximately 6% of the Group's total purchases.

Report of the Directors *(Continued)*

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 competes or is 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 arm's length from, the business of such company.

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, 2002.

PRE-EMPTIVE RIGHTS

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

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, 11th April, 2003