

## 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, 2003.

### 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, 2003 are set out on pages 76 and 77 of the annual report.

### DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2003.

### FINANCIAL STATEMENTS

The loss of the Group for the year ended 31st December, 2003 and the state of the Company’s and the Group’s affairs at that date are set out in the financial statements on pages 24 to 77 of the annual report.

Movements in reserves during the year are set out in Note 27 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 79 and 80 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:

	<b>2003</b>	2002
	%	%
Purchases		
– the largest supplier	<b>5</b>	6
– five largest suppliers combined	<b>20</b>	23
Sales		
– the largest customer	<b>16</b>	6
– five largest customers combined	<b>35</b>	21

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\$46,000 (2002: HK\$4,000).

### 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 78 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, 2003 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

\* *(Independent Non-Executive Director)*

In accordance with clause 189(ix) of the Company's Bye-laws, Dr. Dennis Ting Hok-shou 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 70, has been the Non-Executive 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 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 61, 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, the Honorary President of the Chinese Manufacturers' Association of Hong Kong 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 ICAC - Operation Review Committee, Information Infrastructure Advisory Committee 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 Hong Kong Exporters' Association 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 41, 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.

#### **Independent Non-Executive Directors**

**Mr. Liu Chee-ming**, aged 53, has been an Independent Non-Executive Director of the Company 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 54, was appointed an Independent Non-Executive Director of the Company in March 1999. Mr. Cheng is a Senior Partner of 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 the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. He also serves on the boards of various listed companies as an 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)*

### DISCLOSURE OF INTERESTS

#### Directors' and Chief Executives' Interests and Short Positions in the Share Capital of the Company and the Associated Corporations

As at 31st December, 2003, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### Interests in the Company

Name of Directors	Number of Ordinary Shares of HK\$0.10 each				% of total issued shares
	Personal Interests	Family Interests	Corporate Interests	Total number of shares held	
Kenneth Ting Woo-shou	93,865,385	586,629 (i)	244,175,800 (ii)	338,627,814	50.89%
Dennis Ting Hok-shou	9,692,817	275,000 (iii)	236,969,800 (iv)	246,937,617	37.11%
William Li Kai-wan	–	–	–	–	–
Liu Chee-ming	–	–	1,000,000	1,000,000	0.15%
Moses Cheng Mo-chi	11,000	–	–	11,000	0.002%

#### Notes:

- (i) The spouse of Mr. Kenneth Ting Woo-Shou is the beneficial shareholder.
- (ii) 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; and 34,504,800 shares of the Company held by its substantial shareholder, Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest.
- (iii) The spouse of Dr. Dennis Ting Hok-Shou is the beneficial shareholder.
- (iv) 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.

## Report of the Directors *(Continued)*

### DISCLOSURE OF INTERESTS *(continued)*

#### Interests in associated corporations

Name of associated corporation	Beneficial interests	Class of shares	No. of shares held			% of interests in associated corporation
			Personal Interests	Family Interests	Corporate Interests	
Allman Holdings Limited	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	–	–	920 (i)	63.89%
Pacific Squaw Creek, Inc.	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	–	–	1,000 (ii)	100%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	72% (iv)
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	8% (v)

#### Notes:

- (i) These interests are held by Tyrol Investments Limited which is wholly owned by Mr. Kenneth Ting Woo-shou.
- (ii) These interests are held by Allman Holdings Limited. Mr. Kenneth Ting Woo-shou's beneficial interests in Allman Holdings Limited was disclosed in Note (i) above.
- (iii) Squaw Creek Associates, LLC does not have issued share capital, percentage of interest in SCA represents interest in capital account balance.
- (iv) These interests are held by Pacific Squaw Creek, Inc., Mr. Kenneth Ting Woo-shou's beneficial interests in Pacific Squaw Creek, Inc. was disclosed above.
- (v) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 31st December, 2003, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 31st December, 2003, none of the directors or chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

#### Directors' Rights to Acquire Shares or Debentures

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.

## Report of the Directors *(Continued)*

### **Substantial Shareholder's Interests**

As at 31st December, 2003, 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 336 of the SFO, as having an interest of 5% or more of the issued share capital of the Company.

### DIRECTORS' INTERESTS IN CONTRACTS

The Group has interests in associates, Allman Holdings Limited, Pacific Squaw Creek, Inc. and Squaw Creek Associates, LLC, 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\$5,972,000 which accounted for approximately 3.5% 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 Company Limited, 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 board of the above mentioned 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.

### DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31st December, 2003, the Group had certain financial assistance to affiliated companies which is disclosed below in accordance with Chapter 13 of the Listing Rules.

## Report of the Directors *(Continued)*

### Advances to Affiliated Companies

As at 31st December, 2003, the Company advanced a total sum of HK\$79,707,000 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 31/12/2003</b> <i>HK\$'000</i>
Allman Holdings Limited and its subsidiaries	Interest-free	63,324
Mango Designs, LLC	Interest-free	1,976
Hip Wah Industrial (Development) Limited	Interest-free	7,462
The Melville Street Trust	Interest-free	6,945
		<hr/>
		79,707
		<hr/> <hr/>

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 31st December, 2003 (being the latest practicable date for determining the relevant figures) required to be disclosed under Chapter 13 of the Listing Rules:-

### Proforma Combined Balance Sheet as at 31st December, 2003

	<i>HK\$'000</i>
Fixed assets	824,994
Other non-current assets	3,621
Net current liabilities	(67,997)
Bank loans and shareholders' loans – long term	<hr/> (518,965)
Surplus in shareholders' funds	<hr/> <hr/> 241,653

The aggregate of the Group's advances to affiliated companies as at 31st December, 2003 amounted to HK\$79,707,000 which represents approximately 8.4% of the Group's total assets as at 31st December, 2003.



## Report of the Directors *(Continued)*

### 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, 2003.

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

Hong Kong, 16th April, 2004