

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 2004.

PRINCIPAL ACTIVITIES

The principal activities of the company are the design, development, manufacturing and sale of plush stuffed toys and investment holding. 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
Five largest customers in aggregate	五大客戶總和
The largest supplier	最大供應商
Five largest suppliers in aggregate	五大供應商總和

At no time during the year have the directors, their associates or 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 2004 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 40 to 121.

董事會全人謹將截至二零零四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及投資控股。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。

本公司及各附屬公司於本財政年度的主要業務及經營地區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
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32.8%	
62.1%	
	9.2%
	24.9%

於本年度內任何時間，本公司各董事、與董事有聯繫人士或任何股東（據董事所知，持有本公司股本5%以上者）均沒有擁有這些主要客戶及供應商的任何權益。

財務報表

本集團截至二零零四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40頁至第121頁之財務報表內。

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FINANCIAL STATEMENTS (Continued)

An interim dividend of 3.0 HK cents (2003: 3.0 HK cents) per share was paid on 29 October 2004. The directors now recommend the payment of a final dividend of 6.0 HK cents (2003: 6.0 HK cents) per share in respect of the year ended 31 December 2004.

TRANSFER TO RESERVES

Profit attributable to shareholders, before dividends, of HK\$52,927,000 (2003: HK\$120,952,000) has been transferred to reserves.

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 28 on the financial statements.

DIRECTORS

The directors during the financial year were:

Chairman and executive director
Kyoo Yoon **Choi**

Executive directors
Chul Hong **Min**
Young M. **Lee**
Tae Sub **Choi**

Independent non-executive directors
Valiant, Kin Piu **Cheung**
Cheong Heon **Yi**
Chan **Yoo** (appointed on 30 September 2004)

財務報表 (續)

本公司已於二零零四年十月二十九日派發中期股息每股3.0港仙(二零零三年: 3.0港仙)。董事現建議派發截至二零零四年十二月三十一日止年度末期股息每股6.0港仙(二零零三年: 6.0港仙)。

轉撥至儲備

股東應佔溢利(未扣除股息)為52,927,000港元(二零零三年: 120,952,000港元)已轉入儲備。

固定資產

固定資產之變動詳情載於財務報表附註12。

股本

本公司於年內股本變動之詳情以及有關原因載於財務報表附註28。

董事

本財政年度內的董事會成員如下:

主席兼執行董事
崔奎玠

執行董事
閔詰泓
李泳模
崔泰燮

獨立非執行董事
張建標
李政憲
柳贊(於二零零四年九月三十日獲委任)

DIRECTORS (Continued)

Mr. James, Chuan Yung Wang was appointed as an executive director after the end of the financial year on 1 April 2005.

Mr. Tae Sub Choi, Dr. Chan Yoo and Mr. James, Chuan Yung Wang will retire at the forthcoming annual general meeting in accordance with articles 92 and 101 of the company's articles of association and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Valiant, Kin Piu Cheung, the independent non-executive director, was re-appointed by the board of directors on 22 October 2003 for a term of 2 years commencing on 22 October 2003.

Professor Cheong Heon Yi, the independent non-executive director, was appointed by the board of directors on 22 November 2003 for a term of 2 years commencing on 22 November 2003.

Mr. Chan Yoo, the independent non-executive director, was appointed by the board of directors on 20 September 2004 for a term of 2 years commencing on 30 September 2004.

Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

Mr. James Wang was appointed as an executive director of the company on 1 April 2005 with no specific term of service and is terminable by the company giving not less than three months notice or payment in lieu thereof, subject to the retirement and re-election provisions under the articles of association of the company.

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.

董事 (續)

於財政年度結算日後，王傳泳先生於二零零五年四月一日獲委任為執行董事。

根據本公司之公司章程細則第92及101條，崔泰燮先生、柳贊博士及王傳泳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

獨立非執行董事張建標先生於二零零三年十月二十二日再獲董事會委任，任期由二零零三年十月二十二日起為期兩年。

獨立非執行董事李政憲教授於二零零三年十一月二十二日獲董事會委任，任期由二零零三年十一月二十二日起為期兩年。

獨立非執行董事柳贊博士於二零零四年九月二十日獲董事會委任，任期由二零零四年九月三十日起為期兩年。

他們之薪酬乃董事會於在他們獲委任滿一週年時釐定。

王先生於二零零五年四月一日獲委任為本公司執行董事，並無指定任期及可由本公司發出不少於三個月之通知或就此支付代通知金而終止任期，惟須遵照本公司之公司章程細則有關退任及重選之條文。

擬於即將召開的股東週年大會中候選連任的董事概無與本公司或其任何附屬公司訂立於一年內不可在不予賠償（一般法定義務除外）的情況下終止的尚未屆滿服務合約。

Report of the Directors

董事會報告書

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The directors and chief executive of the company who held office at 31 December 2004 had the following interests in the shares of the company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) at that date as recorded in the register of directors' and chief executive's interests to be kept by the company under section 352 of the SFO or notified to the company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

(i) Interests in issued shares

Beneficial interests 實益權益

The company 本公司

		Personal interests (Note 1) 個人權益 (附註1)	Family interests 家族權益	Corporate interests 公司權益	Trustee interests 受託人權益	Total number of shares held 持有股份總數	Percentage of total issued shares 佔已發行股份總數的百分比
- Kyoo Yoon Choi	- 崔奎琬	-	-	455,000,000 (Note 2) (附註2)	-	455,000,000	68.16%
- Chul Hong Min	- 閔喆泓	3,900,000	-	-	-	3,900,000	0.58%
- Young M. Lee	- 李泳模	1,540,000	-	-	-	1,540,000	0.23%
- Tae Sub Choi	- 崔泰燮	585,000	-	-	-	585,000	0.09%

C & H Co., Ltd

C & H Co., Ltd

- Kyoo Yoon Choi	- 崔奎琬	189,917	124,073 (Notes 3 and 6) (附註3&6)	-	-	313,990	59.39%
- Chul Hong Min	- 閔喆泓	14,212	-	-	-	14,212	2.69%
- Tae Sub Choi	- 崔泰燮	5,685	-	-	-	5,685	1.08%

Gina World Co., Ltd

Gina World Co., Ltd

- Kyoo Yoon Choi	- 崔奎琬	1,546,809 (Notes 4 and 6) (附註4&6)	- (Note 6) (附註6)	3,905,439 (Notes 5 and 6) (附註5&6)	-	5,452,248	69.90%
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董事及最高行政人員擁有股份、相關股份及債權證之權益及淡倉

遵照《證券及期貨條例》第352條備存之董事及最高行政人員權益及淡倉登記冊顯示，或本公司及香港聯合交易所有限公司（「香港聯交所」）根據《上市發行人董事進行證券交易之標準守則》獲得之通知，於二零零四年十二月三十一日擔任本公司董事及最高行政人員職務之人士於該日擁有本公司、其控股公司、附屬公司及其他相聯法團（須符合《證券及期貨條例》所載的定義）有關股份的權益如下：

(i) 於已發行股份之權益

Number of ordinary shares 普通股數目

		Personal interests (Note 1) 個人權益 (附註1)	Family interests 家族權益	Corporate interests 公司權益	Trustee interests 受託人權益	Total number of shares held 持有股份總數	Percentage of total issued shares 佔已發行股份總數的百分比
- Kyoo Yoon Choi	- 崔奎琬	-	-	455,000,000 (Note 2) (附註2)	-	455,000,000	68.16%
- Chul Hong Min	- 閔喆泓	3,900,000	-	-	-	3,900,000	0.58%
- Young M. Lee	- 李泳模	1,540,000	-	-	-	1,540,000	0.23%
- Tae Sub Choi	- 崔泰燮	585,000	-	-	-	585,000	0.09%
- Kyoo Yoon Choi	- 崔奎琬	189,917	124,073 (Notes 3 and 6) (附註3&6)	-	-	313,990	59.39%
- Chul Hong Min	- 閔喆泓	14,212	-	-	-	14,212	2.69%
- Tae Sub Choi	- 崔泰燮	5,685	-	-	-	5,685	1.08%
- Kyoo Yoon Choi	- 崔奎琬	1,546,809 (Notes 4 and 6) (附註4&6)	- (Note 6) (附註6)	3,905,439 (Notes 5 and 6) (附註5&6)	-	5,452,248	69.90%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(i) Interests in issued shares (Continued)

Notes:

- (1) The shares are registered under the names of the directors and chief executive who are the beneficial owners.
- (2) Kyoo Yoon Choi in his own name holds approximately 35.92% of the issued share capital of C & H Co., Ltd ("C & H Korea"), together with his wife, Woul Hee Cha, hold approximately 59.39% of the issued share capital of C & H Korea which owned 382,850,000 shares in the company. In addition, Kyoo Yoon Choi beneficially owns 100% of interest of Uni-Link Technology Limited which owned 72,150,000 shares of the company.
- (3) The wife of Kyoo Yoon Choi, Woul Hee Cha, holds approximately 23.47% of the issued share capital of C & H Korea.
- (4) Kyoo Yoon Choi holds approximately 19.83% of the issued share capital of Gina World Co., Ltd ("Gina World"), which is a subsidiary of C & H Korea and is listed on the Korea Securities Dealers Automated Quotation market in Korea.
- (5) Kyoo Yoon Choi in his own name holds approximately 35.92% of the issued share capital of C & H Korea, together with his wife, Woul Hee Cha, hold approximately 59.39% of the issued share capital of C & H Korea which owned 3,905,439 shares representing 50.07% of the issued share capital of Gina World.
- (6) The updated interests in issued shares have been reported to the SEHK and the register of directors' and chief executive's interests have been updated subsequent to 31 December 2004.

(ii) Interests in underlying shares

The directors and chief executive of the company have been granted options under the company's share option scheme, details of which are set out in the section "Share option scheme" below.

董事及最高行政人員擁有股份、相關股份及債權證之權益及淡倉 (續)

(i) 於已發行股份之權益 (續)

附註：

- (1) 股份乃以作為實益擁有人之董事及最高行政人員之名義登記。
- (2) 崔奎玠以其個人名義持有C & H Co., Ltd (「C&H韓國」) (擁有本公司382,850,000股股份)之已發行股本約35.92%，並連同其妻子車月姬持有C & H韓國之已發行股本約59.39%。另外，崔奎玠實益擁有Uni-Link Technology Limited之100%權益，而該公司則擁有本公司72,150,000股股份。
- (3) 崔奎玠之妻子車月姬持有C & H韓國之已發行股本約23.47%。
- (4) 崔奎玠持有Gina World Co., Ltd (「Gina World」)之已發行股本約19.83%。Gina World為C & H韓國之附屬公司及於韓國證券交易所自動報價系統市場上市。
- (5) 崔奎玠以其個人名義持有C & H韓國(擁有Gina World 3,905,439股股份，佔Gina World已發行股本50.07%)之已發行股本約35.92%，並連同其妻子車月姬持有C & H韓國之已發行股本約59.39%。
- (6) 於二零零四年十二月三十一日後，已更新之權益已向香港聯交所匯報及載於董事及最高行政人員股份權益登記冊內。

(ii) 相關股份之權益

本公司董事及最高行政人員已根據本公司之購股權計劃獲授購股權，有關詳情載於下文「購股權計劃」一節。

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Apart from the foregoing, none of the directors and chief executive of the company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the company, and of its holding company, subsidiaries or fellow subsidiaries, 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 Issuers.

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 from the date of grant and are exercisable for a period to be notified by the directors to each option holder upon the grant of the option. Such period will not exceed ten years from the date on which the option is granted.

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.

董事及最高行政人員擁有股份、相關股份及債權證之權益及淡倉 (續)

除上文所述者外，遵照《證券及期貨條例》第352條備存之登記冊顯示，或按照《上市發行人董事進行證券交易之標準守則》以其他方式向本公司具報，本公司董事及最高行政人員或任何他們的配偶或未滿十八歲之子女均沒有擁有本公司、其控股公司、附屬公司或同系附屬公司之股份、相關股份或債權證權益或持有股份的淡倉。

購股權計劃

本公司於二零零二年一月二十二日採納一項購股權計劃。據此，本公司董事獲授權酌情邀請本集團之僱員（包括本集團任何成員公司之董事）接受購股權以認購本公司股份。購股權之行使價為：(i)股份之票面值；(ii)股份於購股權授予當日於香港聯交所錄得的收市價；及(iii)股份於緊接購股權授予日期前五個營業日在香港聯交所錄得的平均收市價三者之最高數額。購股權可於授予日期後起計之一至三年後逐步行使，行使期在董事會授出購股權時通知各購股權持有人，惟該等期間不可超出購股權授出日期起計十年。

於行使所有根據購股權計劃已授出惟未行使購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%。在一直遵守以上總限額之情況下，董事可在一般及不再有進一步授權情況下根據購股權計劃授出購股權，惟於行使根據購股權計劃將予授出之所有購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（即本公司股份在香港聯交所上市日期）已發行股本之10%。就計算上述股份數目而言，根據購股權計劃而失效之購股權將不在計算之列。

SHARE OPTION SCHEME (Continued)

The total number of securities available for issue under the share option scheme as at 31 December 2004 was 23,611,000 shares (including options for 23,610,000 shares that have been granted but not yet lapsed or became exercisable) which represented 3.5% of the issued share capital of the company at 31 December 2004. In respect of the maximum entitlement of each participant under the scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the company's ordinary shares in issue.

As at 31 December 2004, the directors individually and other employees in aggregate 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. The options are unlisted. Each option gives the holder the right to subscribe for one share and the consideration paid by each holder for each grant is HK\$1.00.

購股權計劃 (續)

於二零零四年十二月三十一日，根據購股權計劃可予發行之證券總數為23,611,000股股份（包括涉及23,610,000股股份已授出但尚未失效或成為可予行使之購股權），佔本公司於二零零四年十二月三十一日已發行股本之3.5%。根據各名參與者於該計劃下可獲分配之最高配額，於任何十二個月期間，因購股權獲行使而已發行及將發行予各名參與者之證券數目已被限制為本公司已發行普通股之1%。

於二零零四年十二月三十一日，本公司董事個別以及其他僱員共同於根據本公司購股權計劃以象徵式代價授出可認購本公司股份之購股權中持有以下權益。購股權並未上市。每份購股權賦予其持有人權利認購一股股份，而每名持有人已就每宗授出支付1.00港元之代價。

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SHARE OPTION SCHEME (Continued)

購股權計劃 (續)

	No. of options outstanding as at 1 January 2004	No. of options outstanding as at 31 December 2004	Date granted	Period during which options exercisable (Note 1)	Exercise price per share	No. of shares acquired on exercise of options during the year	Weighted average closing price immediately before the date on which the options were exercised	No. of options lapsed during the year (Note 2)
	於二零零四年 一月一日 未行使之 購股權數目	於二零零四年 十二月 三十一日 未行使之 購股權數目	授予日期	可行使 購股權期間 (附註1)	每股行使價	年內因行使 購股權而認購 之股份數目	緊接購股權獲 行使日期前 之加權 平均收市價	年內失效之 購股權數目 (附註2)
Directors								
董事								
Chul Hong Min 閔誌泓	4,550,000	2,600,000	7 February 2002 二零零二年二月七日	7 February 2003 to 7 February 2012 二零零三年二月七日至 二零一二年二月七日	HK\$1.18 1.18港元	1,950,000	HK\$2.38 2.38港元	-
Young M. Lee 李泳模	3,400,000	1,560,000	7 February 2002 二零零二年二月七日	7 February 2003 to 7 February 2012 二零零三年二月七日至 二零一二年二月七日	HK\$1.18 1.18港元	1,840,000	HK\$2.41 2.41港元	-
Tae Sub Choi 崔泰燮	1,950,000	1,365,000	15 April 2003 二零零三年四月十五日	15 April 2004 to 15 April 2013 二零零四年四月十五日至 二零一三年四月十五日	HK\$1.43 1.43港元	585,000	HK\$2.15 2.15港元	-
Employees in aggregate	10,480,000	5,981,000	7 February 2002 二零零二年二月七日	7 February 2003 to 7 February 2012 二零零三年二月七日至 二零一二年二月七日	HK\$1.18 1.18港元	4,499,000	HK\$2.39 2.39港元	-
僱員								
	650,000	455,000	15 April 2003 二零零三年四月十五日	15 April 2004 to 15 April 2013 二零零四年四月十五日至 二零一三年四月十五日	HK\$1.43 1.43港元	195,000	HK\$2.15 2.15港元	-
	-	11,650,000	2 January 2004 二零零四年一月二日	2 January 2005 to 2 January 2014 二零零五年一月二日至 二零一四年一月二日	HK\$1.87 1.87港元	-	-	-
		23,611,000						

SHARE OPTION SCHEME (Continued)

Notes:

- (1) The maximum percentage of the share options which may be exercised is determined in stages as follows:

On or after 1st year anniversary of the date of grant 授出日期起計一週年或其後	30% 30%
On or after 2nd year anniversary of the date of grant 授出日期起計二週年或其後	another 30% 另外30%
On or after 3rd year anniversary of the date of grant 授出日期起計三週年或其後	another 40% 另外40%

- (2) Pursuant to the condition of the share option scheme, any unexercised number of options granted to any employees will lapse three months after the employees ceases employment relationship with the company.

The vesting period of the above granted share options are ten years commencing on the date on which an option is granted in accordance with that scheme.

The closing price of the shares of the company immediately before the date on which the share options were granted on 2 January 2004 was HK\$1.85. The share options granted are not recognised in the financial statements until they are exercised. The weighted average value per option granted during the year ended 31 December 2004 estimated at the date of grant using the Black-Scholes pricing model was HK\$0.561. The weighted average assumptions used are as follows:

Risk-free interest rate per annum	無風險全年息率	4.37%
Expected life	預計年期	10 years (年)
Annualised volatility	全年波幅	44.90%
Expected dividend per share	預計每股股息	HK\$0.094 (港元)

購股權計劃 (續)

附註：

- (1) 規定分階段可行使之購股權之最高數額百分比如下：

Percentage of share options granted 授出購股權百分比

- (2) 根據購股權計劃之條件，授予任何僱員而尚未行使之任何購股權將於該等僱員不再為本公司僱員三個月後失效。

上述授出之購股權之歸屬期由根據該計劃授出購股權日期起為期十年。

緊接於二零零四年一月二日授出購股權之日期前，本公司股份之收市價為1.85港元。授予之購股權只會在行使後才入賬。按Black-Scholes期權定價模式估計於截至二零零四年十二月三十一日止年度授予之每項購股權於授出當日之加權平均價為0.561港元。計算加權平均值所用的假設如下：

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SHARE OPTION SCHEME (Continued)

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 required 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.

Apart from the foregoing, at no time during the year was the company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the director 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 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2004, the following substantial shareholders' interests were recorded in the register required to be kept by the company under section 336 of the SFO as holding 5% or more of the issued share capital of the company:

購股權計劃 (續)

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)。由於本公司之購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購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購股權的公允價值。

除上文所述者外，本公司、任何其控股公司、附屬公司或同系附屬公司概無於本年度內任何時間訂立任何安排，致使本公司任何董事可藉購入本公司或任何其他法團之股份或債權證而獲益。

大股東及其他人士擁有本公司股份及相關股份之權益及淡倉

於二零零四年十二月三十一日，下列主要股東權益已記錄於本公司根據《證券及期貨條例》第336條備存之登記冊，列為於本公司已發行股本中持有5%或以上權益：

Name	名稱	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	C & H 韓國	382,850,000	57.35%
Kyoo Yoon Choi (Note 1)	崔奎琬 (附註1)	455,000,000	68.16%
Arisaig Greater China Fund	Arisaig Greater China Fund	45,318,000	6.79%
Arisaig Partners (Mauritius) Limited (Note 2)	Arisaig Partners (Mauritius) Limited (附註2)	45,318,000	6.79%
Lindsay William Ernest Cooper (Note 3)	Lindsay William Ernest Cooper (附註3)	45,318,000	6.79%
Uni-Link Technology Limited	Uni-Link Technology Limited	72,150,000	10.81%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Notes:

- (1) Kyoo Yoon Choi, together with his wife, Woul Hee Cha, hold approximately 59.39% of the issued share capital of C & H Korea and Kyoo Yoon Choi beneficially owns 100% of the issued share capital of Uni-Link Technology Limited. Kyoo Yoon Choi is considered to have deemed interests in the 455,000,000 ordinary shares as to approximately 68.16% of the issued shares of the company.
- (2) Arisaig Partners (Mauritius) Limited is the fund manager of Arisaig Greater China Fund.
- (3) Lindsay William Ernest Cooper is deemed interested through his indirect 33.33% beneficial interest in Arisaig Partners (Mauritius) Limited.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 33 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

During the year ended 31 December 2004, C & H Korea and its subsidiaries excluding the group ("C & H Korea group"), as set out below, are principally engaged in the business of ownership of a building in Seoul, a leather goods and accessories agency, fabric and textile manufacturing in Sri Lanka through its wholly owned subsidiary Jung Yoon Textiles (Private) Limited, running of a fitness centre and investment holding. Mr. C. H. Min, Mr. T. S. Choi and Mr. K. Y. Choi are deemed to be interested in these businesses some of which may compete with the group's businesses as they are shareholders of C & H Korea and Mr. K. Y. Choi is also a director of C & H Korea.

大股東及其他人士擁有本公司股份及相關股份之權益及淡倉 (續)

附註：

- (1) 崔奎玠連同其妻子車月姬持有C & H 韓國之已發行股本約59.39%，而崔奎玠實益擁有Uni-Link Technology Limited已發行股本之100%權益。崔奎玠被視為持有455,000,000股普通股，佔本公司已發行股份約68.16%。
- (2) Arisaig Partners (Mauritius) Limited 為 Arisaig Greater China Fund 之基金經理。
- (3) Lindsay William Ernest Cooper 被視為透過其於 Arisaig Partners (Mauritius) Limited 之33.33%間接實益權益而擁有權益。

除上文所述者外，本公司概無接獲通知，有關須記錄於按照本公司根據《證券及期貨條例》第336條備存之登記冊之其他權益。

董事在合約的利益

除根據財務報表附註33所披露之關聯人士交易外，本公司、任何其控股公司、附屬公司或同系附屬公司於年結時或於本年度內任何時間，並無訂立任何本公司董事於當中直接或間接擁有關鍵性利益關係之重要合約。

董事於競爭性業務之權益

於截至二零零四年十二月三十一日止年度，C & H 韓國及其附屬公司（不包括本集團）（「C & H 韓國集團」）（如下文所載）從事的業務為擁有首爾（前稱漢城）一座樓宇、一家皮具及配飾代理商，透過其全資附屬公司 Jung Yoon Textiles (Private) Limited 在斯里蘭卡製造布料及紡織品、經營一間健身中心及投資控股。由於閔詰泓先生、崔泰燮先生及崔奎玠先生為C & H 韓國之股東而崔奎玠先生亦為C & H 韓國之董事，故彼等均被視為於此等業務（其中部分可能與本集團業務構成競爭）佔有權益。

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DIRECTORS' INTERESTS IN COMPETING BUSINESS

(Continued)

Name of company	Nature of competing business
公司名稱	競爭業務的性質
C & H Lanka (PVT) Ltd. ("C & H Lanka")	<p>C & H Lanka is wholly owned subsidiary of C & H Korea. The directors of C & H Lanka are Mr. K. Y. Choi, Ms. S. H. Cha, and Mr. Y. D. Noh. C & H Lanka is engaged in the manufacturing of plush stuffed toys in Sri Lanka. C & H Lanka is undergoing winding-up procedure and the local court has appointed liquidators Mr. J. David & M.S. Jayawickrama of MS SMJS Associates as directors of the company.</p> <p>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、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。C & H Lanka正進行清盤程序，當地政府已委派清盤人MS SMJS Associates之J. David先生及M.S. Jayawickrama為該公司之董事。</p>
Jung Yoon Textiles (Private) Ltd. ("JY Textile")	<p>JY Textile is wholly owned subsidiary of C & H Korea. The directors of JY Textile are Mr. K. Y. Choi and Mr. K. S. Song. JY Textile is engaged in the manufacturing and dyeing of fabrics.</p> <p>JY Textile為C & H韓國之全資附屬公司。JY Textile董事為崔奎玠先生及宋吉淳先生。JY Textile從事製造布料及染製布料之業務。</p>

董事於競爭性業務之權益 (續)

The group is capable of carrying on its business independently of and at arm's 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

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.

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構成或可能構成競爭之業務。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。

JY Textile is engaged in manufacturing of fabrics and dyeing of fabrics for C & H Lanka and local customers in Sri Lanka.

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。

DIRECTORS' INTERESTS IN COMPETING BUSINESS

(Continued)

Name of
company

Nature of competing business

公司名稱

競爭業務的性質

Gina World

Gina World is listed on the Korea Securities Dealers Automated Quotation market in Korea. Gina World is owned as to 50.07% by C & H Korea, 19.83% by Mr. K. Y. Choi and 30.10% by the public. The directors of Gina World are Mr. K.Y. Choi, Mr. I. Y. Park and Mr. H. S. Park. 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在韓國證券交易商自動報價系統市場上市，其由C & H 韓國擁有50.07%，崔奎琬先生擁有19.83%及公眾人士擁有30.10%。Gina World之董事為崔奎琬先生、朴一榮先生及朴興洙先生。Gina World持有若干項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。

董事於競爭性業務之權益 (續)

The group is capable of carrying on its business independently of and at arm's 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

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首先將本身所有毛絨玩具直接或間接生產之客戶訂單轉介本集團，並按一般商業條款公平磋商進行。

Report of the Directors

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DIRECTORS' INTERESTS IN COMPETING BUSINESS

(Continued)

The transactions with the above companies are set out in the paragraph headed "Connected transactions".

- * 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.

APPLICATION OF PROCEEDS FROM CAPITAL RAISING

The group raised approximately HK\$175 million, net of related expenses, from the new issue and placing of 162,500,000 new shares of the company at HK\$1.2 per share in February 2002. The company's shares were successfully listed on the SEHK on 7 February 2002. The directors have been carefully looking for suitable opportunities and timing to apply the net proceeds in line with the proposed application as set out in the company's prospectus dated 29 January 2002 and have no intention so far as to change the ways of its usages.

The remaining net proceeds from the new issue and the placing are currently placed as deposits with financial institutions and/or licensed banks in Hong Kong.

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。

- * 就本公司股份於香港聯交所主板上市，C & H韓國為本公司訂立承諾契據，在C & H韓國及其聯繫人士仍分別或共同直接或間接實益擁有本公司已發行股本30%或以上權益之情況下，C & H韓國不會，並將促使其附屬公司(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韓國的所有附屬公司。

集資所得款項之運用

本公司於二零零二年二月以發售新股及配售方式按每股股份1.2港元之價格發行162,500,000股本公司新股份，扣除相關費用後集資淨額約175,000,000港元。本公司股份於二零零二年二月七日於香港聯交所成功上市。董事一直審慎物色適當機會及時機，以按照本公司於二零零二年一月二十九日刊發之招股章程所載之建議用途運用所得款項淨額，迄今為止董事無意改變該等款項之運用方式。

發售新股及配售之其餘所得款項淨額現作為存款存放於香港之金融機構及／或持牌銀行。

CONNECTED TRANSACTIONS

During the year, the group entered into the following connected transactions with C & H Korea group 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 Gina World, who in turn sold those products to their ultimate customers. In addition, the group also sourced raw materials such as fabrics for JY Textile. These transactions were entered into on prices and terms comparable to the prevailing market rate or practice.

During the year ended 31 December 2004, the amount of sales to Gina World and JY Textile amounted to a total of HK\$11,833,000 (2003: sales to Gina World, JY Textile, Dream INKO Co., Ltd (“Dream INKO”) and C & H Korea amounted to HK\$323,905,000), out of which, sales of raw materials to JY Textile amounted to approximately HK\$935,000 (2003: HK\$176,000). This represents 1.0% (2003: 34.8%) of the group’s total turnover for the year ended 31 December 2004.

- (2) 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 raw materials were supplied by the C & H Korea group to the group on normal commercial terms and the prices were comparable to the prevailing market rate or practice. During the year ended 31 December 2004, the group did not purchase any raw materials from C & H Korea group (2003: HK\$56,360,000).

The purchases in 2003 represent 8.2% of the group’s total cost of sales for that year.

關連交易

本集團於年度內，與C & H韓國集團進行下列關連交易(定義見《香港聯交所主板證券上市規則》(「上市規則」))：

- (1) 本集團向Gina World銷售毛絨玩具及金屬與塑膠玩具，而Gina World將該等產品轉售予其最終客戶。此外，本集團亦為JY Textile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。

於截至二零零四年十二月三十一日止年度，向Gina World及JY Textile之銷售額合共約為11,833,000港元(二零零三年：向Gina World、JY Textile、Dream INKO Co., Ltd(「Dream INKO」)及C & H韓國之銷售額達323,905,000港元)，其中向JY Textile就原材料採購之銷售額約為935,000港元(二零零三年：176,000港元)。上述銷售額佔本集團截至二零零四年十二月三十一日止年度之總營業額1.0%(二零零三年：34.8%)。

- (2) 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韓國集團乃按正常商業條款及相當於當時市場價格或慣例之價格向本集團供應原材料。於截至二零零四年十二月三十一日止年度，本集團並無向C & H韓國集團採購原材料(二零零三年：56,360,000港元)。

二零零三年度之採購額佔本集團該年度之銷售成本總額8.2%。

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CONNECTED TRANSACTIONS (Continued)

(3) The group entered into a property lease agreement with C & H Korea for Dream INKO's principal place of business in Seoul, Korea. The property lease agreement is renewable upon its expiry in July 2005. The property lease agreement is on commercial terms, which were determined after arm's length negotiation with reference to current rental values applicable to the buildings in that area.

During the year ended 31 December 2004, the amount paid under the property lease agreement amounted to HK\$5,438,000 (2003: HK\$1,164,000). This represents 1.1% (2003: 0.2%) of the audited consolidated net tangible asset value of the group as at 31 December 2004.

In respect of the connected transactions included in (1) and (2) above, the company has been granted conditional waivers by the SEHK from strict compliance with the Listing Rules.

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

- (1) the terms of the connected transactions were:
 - (i) entered into by the group in its ordinary and usual course of business;
 - (ii) conducted either (A) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities); or (B) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms that are fair and reasonable so far as the shareholders of the company are concerned; and

關連交易 (續)

(3) 本集團與C & H韓國就Dream INKO於韓國首爾(前稱漢城)之主要營業地點訂立物業租賃協議。該物業租賃協議可於二零零五年七月期滿時重續。該物業租賃協議乃按商業條款訂立，而該等商業條款乃參照適用於該地區樓宇之現行租金按公平原則磋商後釐定。

於截至二零零四年十二月三十一日止年度，根據該物業租賃協議所繳付之金額達5,438,000港元(二零零三年：1,164,000港元)。該金額佔本集團於二零零四年十二月三十一日之經審核綜合有形資產淨值之1.1%(二零零三年：0.2%)。

就上述第(1)及(2)項之關連交易，本公司已獲香港聯交所有條件豁免嚴格遵守《上市規則》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：

- (1) 關連交易之條款：
 - (i) 在本集團一般及日常業務中訂立；
 - (ii) (A)按一般商業條款(其文義將參照類似實體將作出之類似交易)進行；或(B)如無足夠可比較之交易判斷是否按一般商業條款訂立，按就本公司股東而言屬公平合理之條款進行；及

CONNECTED TRANSACTIONS (Continued)

- (iii) entered into either (A) in accordance with the terms of the relevant agreements governing such connected transactions; or (B) where there are no such agreements, on terms no more favourable than those available to or from independent third parties;
- (2) the aggregate amount for each type of connected transactions for the year ended 31 December 2004 has not exceeded the higher of HK\$10 million or 3% of the audited consolidated net tangible asset value of the group as at 31 December 2004.

The company has issued press announcements in respect of the connected transaction included in (3) above on 9 September 2003 and 26 November 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2004, 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 2004 are set out in note 24 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 122 to 124.

關連交易 (續)

- (iii) 根據(A)規管該關連交易之有關協議之條款；或(B)倘無該等協議，按不遜於獨立第三者給予或所獲之條款訂立；
- (2) 於截至二零零四年十二月三十一日止年度，各類關連交易之總額並無超過10,000,000港元或本集團於二零零四年十二月三十一日之經審核綜合有形資產淨值之3% (以較高者為準)。

本公司已就第(3)項關連交易於二零零三年九月九日及二零零四年十一月二十六日發表報章公佈。

購買、出售或贖回本公司上市證券

於截至二零零四年十二月三十一日止年度，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。

銀行貸款及其他借款

本公司及本集團於二零零四年十二月三十一日之銀行貸款及其他借款詳情載於財務報表附註24。

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122至124頁。

Report of the Directors

董事會報告書

RETIREMENT SCHEMES

The group participates in a defined benefit retirement plan which covers the group's Korean employees.

The group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

Particulars of these retirement schemes are set out in note 25 on the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year ended 31 December 2004, none of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in old Appendix 14 of the Listing Rules except that Mr Kyoo Yoon Choi, the Chairman and 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 adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 of the Listing Rules. The Company have made specific enquiries on all Directors and all Directors have complied with the required standard of dealings set out therein during the year.

AUDIT COMMITTEE

The audit committee has reviewed with the management and the Company's auditor, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Interim and Annual Reports.

退休計劃

本集團參與一項涵蓋本集團之韓國僱員之界定利益退休計劃。

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，並安排中國僱員參與多項由有關當局管理之界定供款退休計劃。

該等退休計劃之詳情載於財務報表附註25。

遵守最佳應用守則

於截至二零零四年十二月三十一日止年度內，除主席兼執行董事崔奎琬先生之委任並無固定任期，且無須根據本公司組織章程於本公司股東週年大會上輪席告退及膺選連任外，本公司董事並不知悉任何資料顯示本公司未有或曾經未有遵守《上市規則》舊有附錄14所載之《最佳應用守則》。

本公司已就董事進行證券交易採納《上市規則》附錄10所載之標準守則。本公司已向全體董事作出特定查詢，而全體董事已確認彼等於年內均有遵守當中所要求之買賣標準。

審核委員會

審核委員會已與管理高層及本公司核數師畢馬威會計師事務所檢討本集團所採納之會計政策及慣例，以及討論內部控制及財務申報事宜，當中包括審閱中期及年度報告。

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, 6 April 2005

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案，將於即將召開的股東週年大會上提出。

承董事會命

閔詰泓

總裁及行政總監

香港，二零零五年四月六日