

Report of the Directors

The directors of the Company (the “Directors”) have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December, 2004.

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 9 on the financial statements.

SUBSIDIARIES

Particulars of the Company’s major subsidiaries at 31st December, 2004 are set out on pages 72 and 73 of the annual report.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2004.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31st 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 of pages 24 to 73 of the annual report.

Movements in reserves during the year are set out in Note 25 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 75 and 76 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:

	2004	2003
	%	%
Purchases		
– the largest supplier	4	5
– five largest suppliers combined	16	20
Sales		
– the largest customer	10	16
– five largest customers combined	29	35

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\$236,000 (2003: HK\$46,000).

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 10 on the financial statements.

PROPERTIES

Particulars of the major properties of the Group are shown on page 74 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, 2004 are set out in Notes 20 and 21 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

Patrick Leung Shing-cheung

(Appointed on 30th November, 2004)

William Li Kai-wan

(Resigned on 30th November, 2004)

Non-executive Directors:

Dennis Ting Hok-shou

Moses Cheng Mo-chi

Independent Non-executive Directors:

Liu Chee-ming

Floyd Chan Tsoi-yin *(Appointed on 30th September, 2004)*

Andrew Yao Cho-fai *(Appointed on 30th September, 2004)*

The Company has received from each of its Independent Non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers its Independent Non-executive Directors to be independent. Members of the Board clearly understand their responsibilities and obligations. Two meetings of the Board were convened during the financial year to review the Group's management accounts, accounting procedures and internal control system, with the attendance of Independent Non-executive Directors.

In accordance with clause 189(ix) of the Company's Bye-laws, Mr. Patrick Leung Shing-cheung, Mr. Moses Cheng Mo-chi, Mr. Liu Chee-ming, Mr. Floyd Chan Tsoi-yin and Mr. Andrew Yao Cho-fai shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Chairman

Dr. Dennis Ting Hok-shou, OBE, JP, aged 71, 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.

Report of the Directors *(Continued)*

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Executive Directors

Mr. Kenneth Ting Woo-shou, JP, aged 62, 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 Chairman of the Federation of Hong Kong Industries, the Non-Executive Director of the Mandatory Provident Fund Schemes Authority, the Chairman of the Vocational Training Council - Plastics Training Board, the President of the Hong Kong Plastics Manufacturers' Association Limited, 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 also serves as a member of a number of other trade organisations and public committees such as the Hong Kong General Chamber of Commerce, the Hong Kong Trade Development Council, the Manpower Development Council, the Economic and Employment Council, and the Hong Kong Polytechnic University Court. He also serves as member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (Dong Shan District).

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. Patrick Leung Shing-cheung (Appointed on 30th November, 2004), aged 49, holds a Master's Degree in Business Administration and is an associate member of the Chartered Institute of Management Accountants, the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Bankers and the Institute of Chartered Secretaries and Administrators. Mr. Leung was previously an executive director of the Company but had resigned in 2000 and left for Canada. Mr. Leung then returned to Hong Kong and re-joined the Board in November, 2004. Mr. Leung was also appointed as the company secretary of the Company in November, 2004.

Mr. William Li Kai-wan (Resigned on 30th November, 2004), aged 42, is a Fellow Member of the Chartered Association of Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li was appointed to the Board in 1994 and was responsible for strategic planning and investments of the Group.

Non-executive Director

Mr. Moses Cheng Mo-chi, GBS, OBE, JP, aged 55, was appointed as an independent non-executive director of the Company in March 1999, and was re-designated as non-executive director of the Company in September 2004. He is the senior partner of P.C. Woo & Co., a firm of solicitors and notaries in Hong Kong, the Chairman of the Council and Court of the Hong Kong Baptist University and the Football Betting and Lotteries Commission. He is also the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Mr. Cheng was appointed a member of the Legislative Council of Hong Kong from 1991 to 1995.

Mr. Cheng serves on the boards of various listed companies both as independent non-executive director and non-executive director.

Report of the Directors *(Continued)*

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent Non-executive Directors

Mr. Liu Chee-ming, aged 54, 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, a member of the Takeovers Appeal Committee and Takeovers Panel of the Securities and Futures Commission since May 1995. In 2004, he was appointed as an Independent Non-executive Director of StarHub Limited and China Yuchai International Limited, listed on the Singapore Exchange Limited and the New York Stock Exchange respectively.

Mr. Floyd Chan Tsoi-yin, aged 61, is a member of the American Institute of Certified Public Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. He has been a partner of BDO Seidman in the United States for many years. He is the Asia Pacific Regional Coordinator of BDO International and a member of BDO McCabe Lo & Co's executive committee in Hong Kong. He has significant experience in assisting clients in exploring business opportunities in the Asia Pacific region, particularly the Southeast Asian developing countries and the People's Republic of China. He is also closely involved with assisting clients in developing business in North America and Europe and avoiding some of the pitfalls associated with international business. Save as disclosed above, Mr. Chan has not held any other directorship in other listed companies during the past three years or had other major appointments. Mr. Chan joined the Board as independent non-executive director on 30th September, 2004.

Mr. Andrew Yao Cho-fai, aged 39, is a member of Hong Kong Housing Society and the chairman of the Group Two for Federation of Hong Kong Industries. Mr. Yao graduated from the University of California, Berkeley and Harvard Graduate School of Business. He also sits on the Shanghai People's Political Consultative Committee and is the deputy chairman of Shanghai Youths Federation, the deputy chairman of the Hong Kong United Youth Association Limited and a director of the Shanghai Fudan University. Mr. Yao is the chairman and chief executive officer of Van Shung Chong Holdings Limited, the chairman of iSteelAsia Holdings Limited and the independent non-executive director of Grand Investment International Ltd. Save as disclosed above, Mr. Yao did not hold any other directorship in other listed companies during the past three years or had other major appointments. Mr. Yao joined the Board as independent non-executive director on 30th September, 2004.

Report of the Directors *(Continued)*

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.

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, 2004, 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 Part XV 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 @ HK\$0.10 each				% of total issued shares
	Personal Interests	Family Interests	Corporate Interests	Total number of shares held	
Kenneth Ting Woo-shou	94,065,385	586,629 (i)	244,175,800 (ii)	338,827,814	50.92%
Dennis Ting Hok-shou	9,692,817	275,000 (iii)	236,969,800 (iv)	246,937,617	37.11%
Patrick Leung Shing-cheung	40,338	-	-	40,338	0.006%
William Li Kai-wan	-	-	-	-	-
Moses Cheng Mo-chi	11,000	-	-	11,000	0.002%
Liu Chee-ming	-	-	1,000,000	1,000,000	0.15%
Floyd Chan Tsoi-yin	-	-	-	-	-
Andrew Yao Cho-fai	-	-	-	-	-

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>(i)</i>	63.89%
Pacific Squaw Creek, Inc.	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	–	–	1,000 <i>(ii)</i>	100%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable <i>(iii)</i>	–	–	–	62% <i>(iv)</i>
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable <i>(iii)</i>	–	–	–	8% <i>(v)</i>

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 interest in Allman Holdings Limited was disclosed in Note (i) above.
- (iii) Squaw Creek Associates, LLC ("SCA") 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, 2004, 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, 2004, 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.

Report of the Directors *(Continued)*

DISCLOSURE OF INTERESTS *(continued)*

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.

Substantial Shareholder's Interests

As at 31st December, 2004, 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\$6,401,000 which accounted for approximately 4.0% 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 Listing Rules 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.

Report of the Directors *(Continued)*

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31st December, 2004, the Group had certain financial assistance to affiliated companies which is disclosed below in accordance with Chapter 13 of the Listing Rules.

Advances to Affiliated Companies

As at 31st December, 2004, the Company advanced a total sum of HK\$79,266,000 to its affiliated companies, the details of which are as follows:–

Affiliated Companies	Interest Rate of Advances	Amount of Advances as at 31/12/2004 (HK\$'000)
Allman Holdings Limited and its subsidiaries	Interest-free	63,500
Mango Designs, LLC	Interest-free	864
Hip Wah Industrial (Development) Limited	Interest-free	7,462
The Melville Street Trust	Interest-free	7,440
		<u>79,266</u>

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, 2004 (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, 2004

	HK\$'000
Fixed assets	842,160
Net current assets	30,174
Bank loans and shareholders' loans – long term	<u>(593,435)</u>
Surplus in shareholders' funds	<u>278,899</u>

The aggregate of the Group's advances to affiliated companies as at 31st December, 2004 amounted to HK\$ 79,266,000 which represents approximately 8.0% of the Group's total assets as at 31st December, 2004.

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, 2004.

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 complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules 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. Arrangements have been made where fixed term appointments of all Non-executive Directors will commence on 1st May, 2005.

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, 12th April, 2005