

Report of the Directors

The Board of Directors (the “Directors”) of the Company have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December 2006.

PRINCIPAL ACTIVITIES

The Company is a company incorporated in Bermuda under the Bermuda Companies Act 1981 with limited liability. 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, and investment holding and trading.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the “Group”) during the financial year are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company’s major subsidiaries at 31st December 2006 are set out on pages 92 and 93 of the annual report.

DIVIDEND

The Directors recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31st December 2006 (2005 : Nil) to those shareholders whose names appear on the register of members of the Company on 7th June 2007. The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming Annual General Meeting.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31st December 2006 and the state of the Company’s and the Group’s affairs at that date are set out in the financial statements on pages 30 to 93 of the annual report.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK\$29,972,000 (2005: HK\$80,347,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 28 to the financial statements.

Report of the Directors *(Continued)*

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 95 and 96 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

	2006	2005
	%	%
Purchases		
– the largest supplier	5	9
– five largest suppliers combined	20	19
Sales		
– the largest customer	26	18
– five largest customers combined	39	36

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\$103,560 (2005: HK\$81,000).

FIXED ASSETS

Movements in fixed assets during the year are set out in note 13 to the financial statements.

Report of the Directors *(Continued)*

PROPERTIES

Particulars of the major properties of the Group are shown on page 94 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 2006 are set out in notes 22 to 25 to the financial statements.

SHARE CAPITAL

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

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 2006.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Board of Directors during the financial year were:

Executive Directors:

Kenneth Ting Woo-shou (*Managing Director*)

Ivan Ting Tien-li (*appointed on 4th April 2006*)

Patrick Leung Shing-cheung (*resigned on 4th April 2006*)

Non-executive Directors:

Dennis Ting Hok-shou (*Chairman*)

Moses Cheng Mo-chi

Independent Non-executive Directors:

Liu Chee-ming

Floyd Chan Tsoi-yin

Andrew Yao Cho-fai

The Company has received from each of its Independent Non-executive Directors ("INEDs") a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers its INEDs to be independent. Members of the Board clearly understand their responsibilities and obligations. Four 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 INEDs.

Report of the Directors *(Continued)*

At the Annual General Meeting, Mr. Moses Cheng Mo-chi and Mr. Liu Chee-ming will retire by rotation in accordance with the Company's Bye-laws 109(A) and 189(ix), and being eligible, offer themselves for re-election.

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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Chairman

Dr. Dennis Ting Hok-shou, OBE, JP, aged 73, 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 the brother of Mr. Kenneth Ting Woo-shou and uncle of Mr. Ivan Ting Tien-li.

Managing Director

Mr. Kenneth Ting Woo-shou, SBS, JP, aged 64, 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 Hong Kong General Chamber of Commerce, Hong Kong Trade Development Council, Manpower Development Council, Economic and Employment Council, the Hong Kong Polytechnic University Court and the Hong Kong University of Science and Technology Court. He also serves as member of Jiangsu Provincial Committee of Chinese People's Political Consultative Conference and Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (Yue Xiu District).

Report of the Directors *(Continued)*

Mr. Ting is a director of H.C. Ting's Holdings Limited which is a substantial shareholder of the Company. He is the brother of Dr. Dennis Ting Hok-shou and father of Mr. Ivan Ting Tien-li.

Executive Director

Mr. Ivan Ting Tien-li (*appointed on 4th April 2006*), aged 32, holds a Bachelor's Degree in International Politics and Economics. He has been the Executive Director of Kader Industrial Company Limited, the major subsidiary of the Company since 1998. Apart from this, he also serves as director of certain other subsidiaries of the Company. Mr. Ting currently serves as the Vice Chairman of the Hong Kong Exporters' Association. He is also the Vice Chairman of Young Entrepreneurs' Organization - Hong Kong Chapter. He is the son of Mr. Kenneth Ting Woo-shou, the Managing Director and Chief Executive Officer of the Company, and the nephew of Dr. Dennis Ting Hok-shou, the Non-executive Chairman of the Company.

Non-executive Director

Mr. Moses Cheng Mo-chi, GBS, OBE, JP, aged 57, 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.

Mr. Cheng is the senior partner of P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and also one of the Company's solicitors. He is the Chairman of the Betting and Lotteries Commission and Deputy Chairman of the Council of the Hong Kong Academy for Performing Arts. 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 served as a member of the Legislative Council of Hong Kong from 1991 to 1995 and Chairman of the Council and Court of the Hong Kong Baptist University between 1997 and 2006. Mr. Cheng also serves on the boards of various listed companies both as independent non-executive director and non-executive director.

Independent Non-executive Directors

Mr. Liu Chee-ming, aged 56, 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 is an independent non-executive director of Singapore listed companies, StarHub Limited and Robinson & Company Limited and Hong Kong listed company, L. K. Technology Holdings Limited. He is a non-executive director of Singapore listed company, Media Asia Entertainment Group Limited. In addition, he is also a director of Yantai Raffles Shipyard Limited, listed on the Oslo OTC Exchange. He has been a member of the Takeovers Appeal Committee and Takeovers and Mergers Panel of the Securities and Futures Commission in Hong Kong since May 1995.

Report of the Directors *(Continued)*

Mr. Floyd Chan Tsoi-yin, aged 63, has been an Independent Non-executive Director of the Company since 30th September 2004. Mr. Chan 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 Limited'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.

Mr. Andrew Yao Cho-fai, aged 41, has been an Independent Non-executive Director of the Company since 30th September 2004. Mr. Yao graduated from the University of California, Berkeley and Harvard Graduate School of Business, is Chairman & CEO of Van Shung Chong Holdings Ltd ("VSC"), Hong Kong listed company 1001, also the founder and director of iSteelAsia Holdings Limited (now renamed North Asia Strategic Holdings Ltd). He is married with 3 children aged 9 (daughter) and 6 (twin sons).

VSC, founded in 1961, is a leading distributor and processor of quality construction and industrial materials, playing a significant role in the building, the infrastructure development and the manufacturing industries in Hong Kong and Mainland China.

Mr. Yao is the General Committee Member of Federation of Hong Kong Industries and he is also a Member of the Shanghai Municipal Committee of the 10th Session of China People's Political Consultative Conference, Committee Member of the 10th Session of China Youth Federation, Vice Chairman of Shanghai Youth Federation, Director and First Vice Chairman of Hong Kong United Youth Association, Director of Fudan University in Shanghai, Director of Harvard Business School, Chairman of HBS Global Alumni Conference 2004 in Shanghai, Founder of Young Presidents' Organization (YPO) Shanghai Chapter, General Committee Member of Young Presidents' Organization (YPO) Hong Kong Chapter. He was awarded "Young Industrialist Awards of Hongkong" in the year of 2004. He is also appointed as a member of the University Court of The University of Hong Kong by the Secretary for Education and Manpower for a period of three years until November 2008. He is also recently appointed as member of Central Policy Unit of HKSAR.

DIRECTORS' SERVICE CONTRACTS

All Non-executive Directors are engaged on a term of service of two years renewable for another two years upon expiry, and subject to re-election upon retirement by rotation at the forthcoming Annual General Meeting under the Company's Bye-laws 109(A) and 189(ix).

Report of the Directors (Continued)

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company and the Associated Corporations

The Directors of the Company who held office at 31st December 2006 had the following interests in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Listing Rules:

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	105,085,385	586,629 (i)	244,175,800 (ii)	349,847,814	52.58%
Dennis Ting Hok-shou	9,692,817	275,000 (iii)	236,969,800 (iv)	246,937,617	37.11%
Ivan Ting Tien-li	423,903	–	13,042,400	13,466,303	2.02%
Moses Cheng Mo-chi	11,000	–	–	11,000	0.00%
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)*

Interests in Associated Corporations

Name of associated corporation	Beneficial interests	Class of shares	Number 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)	100.00%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	62.00% (iv)
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	8.00% (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 (“Allman”), Mr. Kenneth Ting Woo-shou’s beneficial interests in Allman are 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. (“PSC”), Mr. Kenneth Ting Woo-shou’s beneficial interests in PSC are 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 2006, 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 2006, 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.

Report of the Directors *(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 and Other Person's Interests

As at 31st December 2006, 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.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

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\$3,723,000 which accounted for approximately 1.60% of the Group's total purchases.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 ("Qualidux"), 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. Qualidux employs a total workforce of over 8,000 employees.

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)*

INDEPENDENT AUDITORS

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
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 23rd April 2007