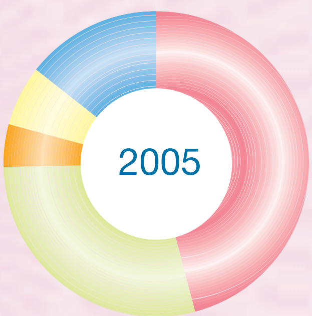
BUSINESS REVIEW AND OUTLOOK

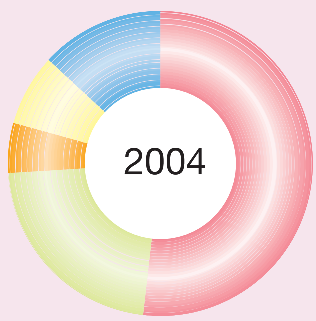
The year under review is another difficult year since 2004 following the high rise of oil price. The Group recorded consolidated revenue of HK$1,047.3 million for the year ended 31 December 2005, a decrease of 17.6% over last year. The profit attributable to equity holders of the Company amounted to HK$9.2 million (2004: HK$69.7 million) while basic earnings per share dropped correspondingly from HK9.64 cents in 2004 to HK1.27 cents.

The prices of plastics and metal tubes kept surged and the Company's production cost had been under great pressure, resulting in squeeze in gross margin ratio by 2.3% to 19.1% in 2005. In response to such, the Group has reviewed with customers for price adjustments and has phased out orders with extremely thin margins, which are usually related to lower end products. As a result, gross margin for the second half of 2005 showed a pick up compared with the first half of the year.

REVENUE BY REGION



United States	45.9%
Europe	28.8%
Australia	4.5%
South America	6.4%
Others	14.4%



United States	51.8%
Europe	22.2%
Australia	5.3%
South America	7.6%
Others	13.1%

management discussion and analysis

Apart from the impact of rising material costs on the Group's profit, impairment losses of HK$8.5 million on the value of intellectual property rights relating to certain models of strollers and playards were made, in view that the sales and manufacturing of such models had declined substantially. On the other hand, the Group strived to control its operating expenses at a comparatively low level, with marketing and distribution costs decreased by 23.1% and administrative expenses cut by 9.1%. An exception was that more resources on research and development had been employed to initiate new designs and to develop innovative products in the coming year. Research and development expenses represented 2.4% of the Group's total revenue in 2005, whereas for last year, only 1.4%.

In terms of revenue, sales to the United States of America (the "US") contributed to approximately half of the Group's total revenue, amounting to HK$481.0 million. However, the US Sales also recorded a great decline of 26.9%, as it comprised of a higher portion of lower end products, mostly strollers, which were phased out substantially due to their low margins. The slow down of sales of battery-operated ride-on cars to the US also contributed to the drop of the US sales.

Europe remained as our second largest market, sales to which amounted to HK$301.3 million, accounting for 28.8% of the Group's total revenue. Amid the tough operating environment, sales to Australia and South America dropped inevitably by 30.2% and 30.4% respectively over last year.

In the year 2005, sales of beds and playards and miscellaneous infant products remained stable, while those of strollers recorded a decrease of 18.8% as a result of the exercise in screening out models with extremely low margins. Sales of battery-operated ride-on cars also slowed down as a major customer was re-examining its strategy in marketing this category of products.

Looking forward, raw material prices will still be a key factor affecting the Group's performance. The Company will continue with its effort in developing innovative products to stimulate sales and will take a close look at the future trend of raw material prices so as to formulate strategies that enhance the Company to maintain its competitiveness in the industry.

INVESTMENTS

The Group has been holding a 30% equity interest in Weblink Technology Limited ("Weblink") since 2001 and the investment is classified as interests in associates in the balance sheet of the Group. Weblink and its subsidiaries (the "Weblink Group") are engaged in the manufacturing and distribution of optical fibre peripheral products and have been making losses during its initial years of operations. In 2005, a turnaround was noted due to the improved business environment and a breakeven was reached. Summarised financial information of the Weblink Group is set out in note 22 to the consolidated financial statements.

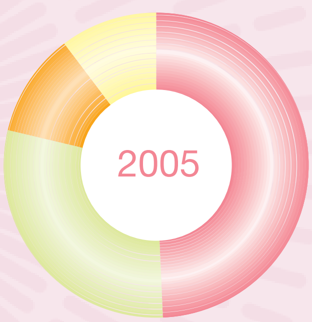
As to support the initial development and operations of Weblink, the shareholders of which had made, in proportion to their respective shareholdings, loans to Weblink since its incorporation. As at 31 December 2005, the Group's loan to Weblink amounted to HK$11.7 million. After a review of the financial status of the Weblink Group, which still recorded net liabilities, an impairment loss of HK$3.6 million was made against the loan during the year.

No new investment was made during the year ended 31 December 2005.

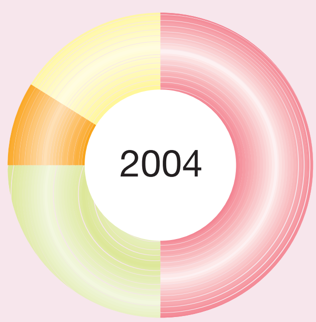
LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position despite the current downturn of its profits. The Board is in the opinion that the Group has sufficient resources to support its operations and meet its foreseeable capital expenditure.

REVENUE BY PRODUCT



Strollers	49.3%
Miscellaneous infant products	29.4%
Beds and playards	11.0%
Others	10.3%



Strollers	50.0%
Miscellaneous infant products	25.0%
Beds and playards	8.9%
Others	16.1%

As at 31 December 2005, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2005, the Group employed a total workforce of around 5,500 staff members, of which above 5,300 worked in the PRC offices and production sites, 112 in Taiwan mainly for marketing, sales support and research and development, and 13 in Hong Kong mainly for finance and administration.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits scheme, share options may also be granted to staff with reference to the individual's performance.

As at 31 December 2005, the Group had cash and bank balances, mainly in US Dollars and Renminbi, of HK$178.4 million (2004: HK$175.6 million) and was free of bank borrowings (2004: nil). The Group's gearing ratio, expressed as total bank borrowings to shareholders' fund, is zero (2004: nil).

As at 31 December 2005, the Group had net current assets of HK$319.4 million (2004: HK$310.1 million) and an improved current ratio of 2.8 compared with 2.5 in 2004. Trade receivable and inventory turnover were 58 days (2004: 55 days) and 57 days (2004: 49 days) respectively.

As at 31 December 2005, no asset of the Group was under charge.

EXCHANGE RISK EXPOSURE AND CONTINGENT LIABILITIES

The sales of the Group are mainly denominated in US dollars and purchases are mainly in HK dollars, Renminbi and New Taiwanese dollars. The Group does not foresee significant risk in exchange rate fluctuation.