

Statement from the Chairman



Playmates Toys and our property and other investments all contributed positively to the profitable Group results in 2006.

In 2006, Playmates Toys experienced another year of industry stagnation, shrinkage in its key categories, restrictive retail inventory policies and margin pressures and reported a decrease in both sales turnover and operating profit for the year. Nevertheless, Playmates Toys continued to invest in portfolio expansion and remains on track with its growth strategies.

During the year, two new licensed brands were successfully introduced: **Strawberry Shortcake**, a highly recognisable doll brand with worldwide appeal, from **American Greetings** and **Disney Fairies**, a new **Disney** franchise based on the classical tales of **Tinker Bell** and her friends. These new brands are expected to make a major contribution to the future growth of Playmates Toys.

Teenage Mutant Ninja Turtles went through a transition year as new TV programming, **Fast Forward**, was developed and launched in the latter part of 2006. The new programming, along with the widely anticipated TMNT computer generated imagery (CGI) movie slated for a March 2007 debut, is expected to re-energize the **Turtles** brand in 2007.

With strong fundamentals, a robust lineup of proven brands and a rich pipeline of innovative new product offerings in established and new categories, Playmates Toys is poised to embark on the next stage of growth.

Benefiting from a strong economy and buoyant capital market in Hong Kong during 2006, our property and other investments delivered significantly higher levels of revenue, profit and asset value than the year before. We remain confident in the medium to longer term prospects of our property investment and related businesses and will continue to prudently manage the portfolio of property and other investments for positive contributions of stable income and value enhancement.

We recognise that the value of Playmates Toys is driven by earnings and growth, and the value of our property and other investments is determined by income and asset appreciation. We will endeavor to realize their respective values to our shareholders.

CHAN Chun Hoo, Thomas

Chairman of the board

Hong Kong, 12 March 2007