RESULTS

For the year ended 31st December 2006, the Group recorded a turnover of approximately HK$727.2 million (2005: HK$709.6 million) representing approximately 2.5% increase. The increase was driven by the turnover contributed from the operation of our subsidiary, Dream Link Limited ("Dream Link"). The profit attributable to equity holders of the Company was dropped by approximately 18.2% to approximately HK$30.0 million (2005: HK$36.7 million) by which the basic earning per share was 15 HK cents (2005: 20 HK cents). The financial year 2006 was challenging for our toys production business. Increase in statutory minimum wages of labour, unstable supply of electricity, appreciation of renminbi against the Hong Kong dollar and increase in interest rate caused the increase in operating cost and overheads. In addition, the Group's net profit was affected by written off of pre operating expenses of Qing Yuan factory during the year and the increased expenses for enhanced corporate governance.

Comparing the Group's sales by product type, educational and recreational products and sports products such as bouncers had a healthy growth in the reporting period under review. As many of the sports products are for spring and summer activities, the growth of this category can help the Group to reduce seasonality fluctuation in toys industry.

Analysis of the Group's sales by product type for the year ended 31st December

	2003	2004	2005	**2006**
Hard and electronic toys	50%	61%	57%	**54%**
Educational and recreational products	26%	23%	19%	**21%**
Soft toys	19%	9%	9%	**9%**
Sports products	0%	1%	10%	**15%**
Others	5%	6%	5%	**1%**
	100%	100%	100%	**100%**

On the other hand, our subsidiary, Dream Link which is focused on ODM and OBM business started profit contribution in 2006. Sales of Dream Link reached approximately HK$46.2 million, which was more than doubled from the previous year. The growth of Dream Link contributed to the Group's gross margin despite rigorous pricing competition in the market, resulting in the gross profit margin increase from approximately 14.95% to 16.81%.

Some customers postpone the delivery of spring items such as bouncers in the year under review to first quarter of year 2007. In additions, the Group received orders from two renowned customers for the production of Spider-man III action toys the movie of which is expected to be released worldwide in May 2007. Therefore the sales of the Group in the first quarter of 2007 had doubled compare with the first quarter of the year under review.

The increase in interest rate and bank borrowing caused the finance cost of the Group to be increased by approximately 73.2% compared with last year and amounted to approximately HK$10 million (2005: HK$5.8 million). Bank borrowing increases due to increase in working capital and capital investment of Qing Yuan plant. Nowadays, many customers request short and tight delivery lead time to avoid their inventory risk which result in the Group having to build up inventories and incur extra working capital. The Group has taken a series of important steps to reduce the working capital requirement by stringent control of inventories and account receivables. In addition, the Group raised funds from our initial public offering on The Stock Exchange of Hong Kong Limited in September 2006 to support further development of Qing Yuan plant this reducing borrowing for Qing Yuan plant.

Liquidity and Financial Resources

As at 31st December, 2006, the Group had bank balances and cash of approximately HK$64.9 million (2005: HK$11.5 million) and pledged bank deposit of approximately HK$5.3 million (2005: HK$2.8 million) secured for banking facilities granted. During the year under review, the Group was granted banking facilities in a total of approximately HK$235 million secured by fixed deposits, available-for-sale financial assets and corporate guarantee given by the Group.

The Group's gearing ratio, representing total bank borrowing less bank balances and cash (including pledged bank deposits) and divided by shareholders' equity was approximately 37.8% (2005: 52.9%).

Assets and Liabilities

As at 31st December, 2006, the Group had total assets of approximately HK$483.3 million (2005: HK$301.2 million), total liabilities of approximately HK$316.3 million (2005: HK$208.2 million). The net assets of the Group increased by approximately 79.4% to approximately HK$167 million at the year ended (2005: HK$93.1 million).

Exchange Rate Risk

The Group is exposed to foreign currency risk, most of the Group's assets and liabilities, revenues and expenditure are denominated in renminbi and US dollars. The Group currently has foreign currency structured forward contracts to hedge against the above mentioned foreign currency exposure.

Capital Structure

There has been no change in the capital structure of the Company since the date of the prospectus of the Company dated 19th September 2006. The share capital of the Company comprises only ordinary shares.

DIVIDENDS

The directors of the Group recommend a final dividend of 3.8 HK cents per share in respect of the year ended 31st December 2006 and a special dividend of 2.2 HK cents per share in view of the Group's first year listing and to thanks for the shareholders' support to the shareholders of the Company whose name appear on the register of members on 18th May 2007.

BUSINESS REVIEW

The year of 2006 was a very challenging year for the toy manufacturing industry characterised by strong competition and rising commodity and labour costs. To overcome these challenges, the Group carried out a series of marketing strategies in order to optimise its product mix, further develop the OBM/ODM business, and enhance its toy manufacturing.

In 2006, the marketing strategy of the Group's core business, the OEM business was coincided with the marketing strategy developed in the past year. In light of the niche market in integrated products, the Group manufactured products that require integration of product lines across different industries, such as electronic toy integration with educational recreational product and toy integration with food-grade product. The product lines crossover created a one-stop-shop as those outsourced materials could now be self-supported. This largely improved profit margins, boosted the production capacity and diverse product types of the Group. Also, the process of integration further differentiated products of the Group from its competitors and hence strengthened its competitiveness.

In order to enlarge the production scale and improve cost effectiveness of the Group, the Qing Yuan factory was constructed. Qing Yuan Factory has started the operation in the forth quarter of 2006. Qing Yuan Factory occupies a site area of approximately 154,280 square meters and at present approximately 1,500 workers are in operation. The production capacity will reach one-third of the current one. Phase 1B of Qing Yuan Factory is proceeding smoothly and is expected to be completed in mid 2007 and commence operation in the 3rd quarter of 2007. Phase 1B is under construction which involves about HK$30,000,000, which will partly be paid off by the listing proceeds, and it is expected to start operation by the end of 2007. There will be a total of 4,000 workers when the two phases are in operation. The management is optimistic to the production prospects of Qing Yuan Factory. It is believed that the production capacity of the factory will facilitate the Group in exploring diversified customer network worldwide and building up a solid base for the business development in the coming year. The commencement of operation in the Qing Yuan Factory has demonstrated the enlarged production scale and improved production level, in which the Group is promising to become the largest toy production base in China. This will enhance the Group's production capacity in combining plastics, textile fabrics and electronic components into one single product. The Group endeavors to become a world-class toy supplier, and the strengthened production capacity would assist the Group in exploring high profit margin and high value-added product market, widening the customer network and expanding the revenue basis.

Dream Link's operations provided sourcing, design and engineering of the gift products for the clients and market their own created products under the brand Dream Cheeky. The creativity on the electronic entertainment gift category enable Dream Link to build up good relationship with the UK customers and achieved the critical mass on the operation in 2006 and contributed positive result to the group. In 2006, Dream Link has marketed seven computer companion products with USB connection, four remote control toys for the "big Boys" in the gift category. These contribute around 40% of their turnover and the balance of the sales are ODM products such as airflow, sporting entertainment products and other license products for the clients. The sales channels in UK have been reinforced, and we envisaged there will have growth of sales via internet channels for the USB products. The sales under this channels will further increase the profit margin of the Dream Link business.

Last year, Dream Link has set up a product showroom sized approximately 8,000 square feet in Shenzhen, the PRC. The products displayed ranging from electronic gifts to outdoor activities equipment. The Group believes that rapid development, vast market and attractive business opportunities in the PRC would create a favourable environment for its development of OBM business. It is expected that both the ODM and OBM business will become one of the major growth drivers in the foreseeable future.

Employees and remuneration polices

As at 31st December 2006, the Group had a total of approximately 1,600 full-time employees based in Hong Kong and the PRC. Remuneration packages of the Group's employees are generally structured by reference to market terms and individual qualifications. Employees may also participate in the share option scheme of the Company. The Group operates a defined contribution benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) as well as medical insurance for all its employees in Hong Kong. Also, the Group provides its employees in the PRC with welfare schemes covering various insurance and social benefits.

Future plan and prospects

In the coming year, the Group will continue to adjust its marketing strategies to tie in the changing market, aiming at sustaining steady growth in core business, exploring markets and opportunities for the OBM business in China and the U.S., developing new manufacturing process for the niche market and enhancing collaboration with other industries for further business growth.

Dream Cheeky is expected to launch over 20 new computer companion USB products launch to the market and the sales growth rate of Dream Link is expected to continue. The engineering and sales office of Dreamlink will be consolidated in Shenzhen and a show room for the sporting goods and USB products will be ready in 2007 to prepare for the next business growth driver for Dream Link in the China Market.

The niche sporting products has steady growth contributing to approximately 15% of the Group's sales apart from the fabric airflow lines and the unique backpacks categories. The Group has extended the niche design for the preschool ride-on category and will continue steadily expand via cooperate design and development with our marketing partners.

To enhance the toy manufacturing business of the Group, a three years long-term exclusive manufacturing agreement has been entered into between the Group and Artin International (Holdings) Limited ("Artin"), the world leading road race products company, to produce road race products effective from 1st January 2007. The initial production value target for 2007 reaches HK$150 million. In order to facilitate a smooth production scheduling, the Group will manage the production facilities on behalf of Artin of a gross floor area of 450,000 square feet in Dongguan, and use the facilities and equipment for free in the first year of the agreement. The Directors consider the partnership with Artin is a good deal for the Group, on the ground that we do not have immediate capital outlay but secure a handsome production value in the first year of the agreement. The Group looks forward to the establishing business relationship with Artin, as well as being able to offer road race fans a great product line with wide selection to collect and play. In the past years, the Group has invested and established the reputation in the market as a turnkey manufacturer of carrying the sophisticated capability of combining plastic, fabric or electronic components into a single product. It lays the foundation for establishing partnership with companies like Artin which looks for strong manufacturing capability and stringent quality control.

The Group has continued to focus on the productivity of high volume categories of OEM opportunities and have been gaining ground with major marketing partners. The Group believes such trend will allow the Company to build up stronger industrial engineering capability and continue to achieve the economy of scales in the production processes. This direction will enable the Group to remain competitive in the costing area.

The Group is under an operational restructuring and Zhang Yang Plant in our Zhangmutou operations will be the centralised service and engineering support area. This will enable the Group to reduce duplication of resources, improve our flexibility of capacity utilization and set uniformity of the Group's operating and ERP system among our multi-plants operations. The purchasing function will be consolidated and believe can continue improve the ability to acquire material through greater bulk purchases.

The Group expects to grow in sales as Phase 1A of the Qing Yuan factory has been in full production and sales of both sport and spring items will be enlarged in the coming year. Further, with cooperation from Artin on production of road race products and smooth operation of Dream Link, sales and profit of the Group will also be boosted in the forthcoming year.

Despite of keen competition in the industry, increasing labour costs and overhead costs for the Group and appreciation of Renminbi that is likely to continue in 2007, the Group believes that there is substantial growth potential for the toy industry in China and overseas in future.

Closure of register of members

The register of members of the Company will be closed from 15th May 2007 to 18th May 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend and the special dividend to be approved at the general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m., 14th May 2007