



The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December 2006.

GROUP REORGANISATION AND LISTING

The Company was incorporated as an exempted company in the Cayman Islands under the Cayman Islands Companies Law on 8th March, 2006. Pursuant to the corporate reorganisation (“Reorganisation”) undertaken by the Group to rationalise the structure of the Group in preparation for the initial public offering (the “Listing”) of the Company’s shares on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group on 1st September, 2006. The shares of the Company were listed on the Stock Exchange on 29th September, 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of its subsidiaries are manufacturing and trading of toys and recreational products on an OEM basis. Particulars of the Company’s principal subsidiaries are set out in Note 10 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2006 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 30 to 84.

The Board of Directors recommend a final dividend of 3.8 HK cents per share and a special dividend of 2.2 HK cents per share for the year ended 31st December 2006.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 7 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company and movements thereof are set out in Note 17 to the financial statements.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares in connection with its listing on the Stock Exchange, after deduction of related expenses, amounted to approximately HK\$53 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future plans and prospect" in the Prospectus. Up to the date of this report, approximately HK\$13 million was used in the construction cost for the expansion of production facilities in Qing Yuan. Approximately HK\$2 million and approximately HK\$4.6 million were used in the development of Dream Link's ODM business and enhancement of Group's production capacity respectively. Approximately HK\$13 million has been utilised to repay bank borrowings in accordance with the plans set out in the Prospectus. The remaining net proceeds are temporarily placed in short term deposits with licensed banks in Hong Kong.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Note 18 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on pages 85 to 86.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Other than the issue of 240,000,000 shares by the Company during the year (including 60,000,000 shares issued upon the listing of the shares of the Company on the Stock Exchange on 29th September 2006), neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.



DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Wu Kam Bun	(appointed on 8th March 2006)
Mr. Lai Chiu Tai	(appointed on 4th July 2006)
Mr. Lo Kwok Choi	(appointed on 4th July 2006)
Mr. Ho Wai Wah	(appointed on 4th July 2006)
Mr. Wong Wai Chuen	(appointed on 4th July 2006)

Independent Non-executive Directors:

Dr. Lui Sun Wing	(appointed on 2nd September 2006)
Mr. Li Chak Hung	(appointed on 2nd September 2006)
Mr. Tang Koon Yiu, Thomas	(appointed on 2nd September 2006)

In accordance with Company's Article of Association, Mr. Wu Kam Bun, Mr. Lai Chiu Tai and Mr. Ho Wai Wah will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 10 to 12.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from 2nd September 2006 and may be terminated by either party by giving not less than three months' written notice at the end of the initial term or at any time thereafter.

Each of the independent non-executive directors of Company has entered into letters of appointment with the Company for a term of one year commencing from 2nd September 2006 and may be terminated by either party by giving three months' written notice.

None of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as those set out in Note 34 to the financial statements, no contract of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December 2006, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 by the Company pursuant to 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 were as follows:

Long position in ordinary shares of HK\$0.1 each in the Company

Name	Notes	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wu Kam Bun	1	Interest of controlled corporations	168,000,000	70.00%
			Beneficial owner	1,814,000
			<hr/>	<hr/>
Lai Chiu Tai	1	Interest of controlled corporations	168,000,000	70.00%

Notes:

- These shares were owned by Smart Place Investments Limited, a Company incorporated in the British Virgin Islands, the entire issued share capital of which is held as to 38.5% by Mr Wu Kam Bun, 38.5% by Mr. Lai Chiu Tai, 10% by Mr. Ho Wai Wah, 10% by Mr. Lo Kwok Choi, and 3% by Mr. Wong Wai Chuen, all being executive directors of the Company. Mr Wu and Mr Lai are deemed to be interested in the 168,000,000 shares held by Smart Place Investments Limited by virtue of the SFO.

Save as disclosed above, none of the Company's Directors, chief executive nor their respective associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO as at 31st December 2006.



SHARE OPTIONS

On 2nd September 2006, the share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company, under which, the options the Company may grant to any eligible participants to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

As at 31st December 2006, no options have been granted under the Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the section "Share Options" above, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

No director has been interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business which is required to be disclosed pursuant to the Listing Rules since the listing of its Shares on the Stock Exchange on 29th September 2006.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY.

As at 31st December 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interest maintained by the Company pursuant to Section 336 of the SFO.

Long position in ordinary shares of HK\$0.1 each in the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ip Chor Wan (<i>Note 1</i>)	Interest of spouse	168,000,000	70.00%
Chan Wai Ling (<i>Note 2</i>)	Interest of spouse	168,000,000	70.00%
Smart Place Investments Limited	Beneficial owner	168,000,000	70.00%

Note:

- Ms Ip Chor Wan is the wife of Mr. Wu Kam Bun. She is deemed to be interested in all the shares in which Mr. Wu Kam Bun is interested by virtue of the SFO.
- Ms Chan Wai Ling is the wife to Mr. Lai Chiu Tai. She is deemed to be interested in all the shares in which Mr. Lai Chiu Tai is interested by virtue of the SFO.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31st December 2006.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$ 0.5 million.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance, and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. As at 31st December 2006, no options have been granted under the Share Option Scheme.



PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of the total purchases and sales for the year under review attributable to the Group's major suppliers and customers are as follows:

Purchases	2006	2005
— the largest supplier	4%	5%
— five largest suppliers combined	15%	19%
Sales		
— the largest customer	19%	17%
— five largest customers combined	70%	57%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Prior to the Listing, the Group has entered into various transactions with Dream Link Limited ("Dream Link"). Pursuant to Rule 14A.11(5) of the Listing Rules, Dream Link, a non wholly-owned subsidiary of the Company, is regarded as a connected person of the Company. The transactions between the Group and Dream Link continued after the Listing and therefore constituted continuing connected transactions of the Company. Details of such transactions are set out in the section headed "Continuing Connected Transactions" in the Prospectus. The Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement relating to the Continuing Connected Transactions set out in Rule 14A.42(3) of the Listing Rules for the three years ending 31st December 2008.

On 29th December 2006, Dream Link ceased to be a connected person of the Company (as defined under Rule 14A of the Listing Rules) pursuant to a change of shareholdings in Dream Link.

Saved as disclosed above, there were no other connected transactions (as defined under Chapter 14A of the Listing Rules) entered into by the Company.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 28 of this report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules since the listing of its Shares on the Stock Exchange on 29th September 2006.

AUDITORS

The Company's auditors, PricewaterhouseCoopers retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wu Kam Bun

Chairman

Hong Kong, 20th April 2007