Management Discussion and Analysis

The Group reported consolidated turnover of HK$1,125.5 million for the year ended 31 December 2006, representing a growth of 7.5% over last year. The profit attributable to equity holders of the Company increased at a higher rate to HK$86.2 million, compared with HK$9.2 million of the previous year. Basic earnings per share amounted to HK11.94 cents (2005: HK1.27 cents).

Business review

The Group's results rebounded in 2006 amid an improved operating environment. The comparatively stable prices of oil and metal tubes this year helped release pricing pressure of raw materials moderately. In addition, the Group's active restructuring of customer mix, phasing out lower-end models with extremely thin margins also led to improved gross margins. As a result, overall gross margin was raised from 19.1% to 23.0% this year.

Launching a series of new models which have been well accepted in the market contributed to the growth in the Group's revenue. The Group has been committing more resources in developing new designs in stimulating market demands. Research and development expenses amounted to 2.4% of the Group's turnover in 2006.

The Group has managed to control its operating expenses. Administrative expenses remained stable this year while marketing and distribution costs decreased by 6.5% resulting from the re-location of certain supporting functions to the Group's offices in China.

In terms of revenue, the growth momentum was mainly driven by the sales of "miscellaneous infant products", amounting to HK$390.9 million and representing 34.7% of the Group's revenue. Among this category, sales of car seats and walkers recorded the highest growth rate. With the convenient patented click-in mechanism, the Group has been successful in pushing up car seats sales by cross-selling the product to its stroller buyers. In the meanwhile, stroller sales stayed flat, with revenue of HK$505.8 million which accounted for 44.9% of the Group's turnover, following the exercise in screening out models with extremely low margins. Sales of beds and playards dropped by 7.1% and sales of other products increased by 12.4% as compared with the previous year.

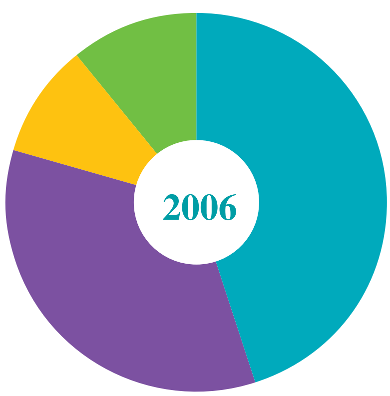
Outlook

Looking forward, the Group will allocate more resources in strengthening its design capabilities and developing innovative products to stimulate sales. We will take a close look at the future trend of raw material prices so as to formulate strategies that enhance the Group to maintain its competitiveness in the industry. We will also identify suitable business development and investment opportunities to increase our market penetration.

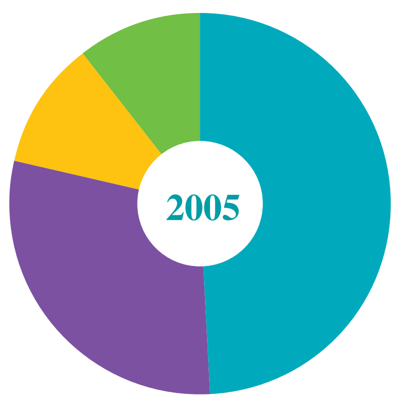
Investments

As to support the initial development and operations of Weblink Technology Limited ("Weblink"), an associate of the Company, the shareholders of Weblink had loaned to Weblink since its incorporation in proportion to their respective shareholdings. In May 2006, each of the shareholders

Revenue By Product



Strollers	44.9%
Miscellaneous infant products	34.7%
Beds and playards	9.5%
Others	10.9%



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

converted its entire loan into capital in Weblink. Immediately before the conversion, the carrying amount of the loan made by the Group as recorded in its balance sheet amounted to approximately HK$8.1 million. During the year ended 31 December 2006, the Group's share of loss of Weblink and its subsidiaries amounted to approximately HK$159,000.

On 27 December 2006, the Group increased its shareholding in Glory Time Investments Limited ("Glory Time") from 52.0% to 76.6% for a consideration of approximately HK$4.3 million. Glory Time and its subsidiary ("Glory Time Group") are engaged in the production of stroller wheels, which are mainly sold to the Group. For the year ended 31 December 2006, Glory Time Group recorded net profit of approximately HK$5.6 million.

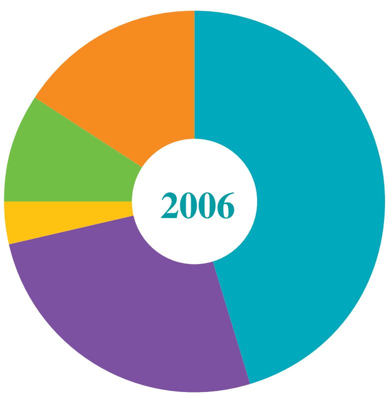
Except for those mentioned above, no new investment was made during the year ended 31 December 2006.

Employees and remuneration policies

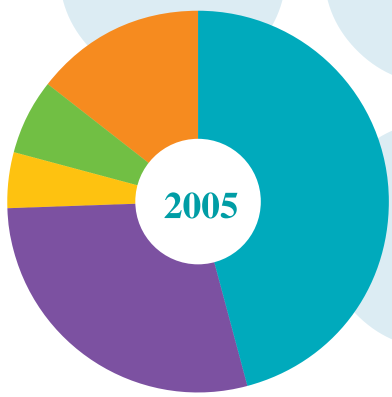
As at 31 December 2006, the Group employed a total workforce of around 5,800 staff members, of which about 5,700 worked in the PRC offices and production sites, above 100 in Taiwan mainly for marketing, sales support and research and development, and 14 in Hong Kong mainly for finance and corporate administration.

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.

Revenue By Region



United States	45.5%
Europe	25.9%
Australia	3.6%
South America	9.4%
Others	15.6%



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

Liquidity and financial resources

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

As at 31 December 2006, the Group had cash and bank balances, mainly in US dollars and Renminbi, of HK$259.8 million (2005: HK$178.4 million) and was free of bank borrowings (2005: nil). The Group's gearing ratio, expressed as total bank borrowings to shareholders' fund, is zero (2005: nil).

As at 31 December 2006, the Group had net current assets of HK$369.3 million (2005: HK$319.4 million) and an improved current ratio of 2.9 compared with 2.8 in 2005. Trade receivable and inventory turnover were 51 days (2005: 58 days) and 52 days (2005: 57 days) respectively.

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.

As at 31 December 2006, the Group had no significant contingent liabilities.