

Chairman's Statement

Towards a Prosperous Year

The Directors have resolved to announce the audited consolidated results for the year ended 31st December, 2006. Total turnover for the year amounted to approximately HK\$538,875,000 (2005: HK\$515,875,000). The net profit stood at approximately HK\$33,763,000 (2005: HK\$10,701,000). Earnings per share were HK11.01 cents (2005: HK3.46 cents).

FINAL DIVIDEND

The Directors recommend the payment of a final dividend for the year ended 31st December, 2006 of HK5.5 cents per share (2005: HK1.5 cents per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 31st May, 2007. This dividend together with the interim dividend of HK1.0 cent per share (2005: HK0.5 cent per share), will mean a total dividend of HK6.5 cents per share for the year (2005: HK2.0 cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about 12th June, 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 28th May, 2007 to 31st May, 2007, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong at Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 25th May, 2007.

BUSINESS REVIEW

During the year, the turnover of the Group increased by approximately 4% to approximately HK\$538,875,000, while the net profit for the year was approximately HK\$33,763,000 representing a rapid growth of approximately 215%. The gentle growth in turnover was mainly contributed by the segment of toys products, which was acquired by the Group in 2003 and the holding company of which has become the wholly owned subsidiary of the Group since 2005.

To the Group, the year of 2006 was quite a fruitful year. The substantial increase in the contribution from the toys segment together with the recovery of the novelty and festival decorations segment contributed greatly to the success of the Group in 2006. The performance of each segment will be further discussed below.

The year of 2006 was still a year of challenge for the Group, though not as tough as 2005. The prices of various kinds of raw materials were still very volatile, especially paper and PVC raw materials, both being the Group's principal sources of production. The continuing increase in the wages level in the People's Republic of China (the "PRC") led to an ever-increasing cost of production in the PRC. Despite our effort in cutting the staff costs for the Group, such costs still increased by about 18% in the PRC, while the turnover of the Group increased by only about 4%.

For the year 2006, the profits of the Group included a decrease in the fair value of derivative financial instruments of approximately HK\$3,456,000, which were held by the Group for investment and hedging purposes, gain on disposal of an investment property of approximately HK\$490,000, and after the deduction of a share related payment on the share options granted to employees of approximately HK\$1,323,000, and an impairment loss of goodwill of approximately HK\$321,000.

Finance costs decreased by about 31% to approximately HK\$1,464,000. This was mainly due to repayment of a term loan raised in 2005 by the Group as working capital for future expansion and development during the year and the cash generated from operation.

FUTURE PLAN & PROSPECT

Hunting for potential investment opportunities in merger and acquisition of the Group's related businesses for further growth and expansion is the Group's long-term strategy. The Group will carefully study the feasibility of any such opportunity in terms of profitability of the project, the financial positions of the Group and also other resources that are available.

For the existing businesses of the Group, measures for re-structuring the segment of packaging products have been undertaken, and it is expected that the performance of the segment will improve; while the segment of trading activities will continue to face keen competition from ultimate manufacturers together with credit risk on customers, and the segment has to strive for survival.

Even though the performance of the aforesaid two segments may not be good enough to support a brilliant result of the Group, the Directors are still optimistic and confident that the overall results of the Group in 2007 will be further improved as a result of the continuous recovery of the novelty and festival decorations segment together with the further growth in the toys segment, in which, further improvements in both the moulding sub-division and toys products sub-division are expected. It is the target of the Directors of the Company to share a more fruitful results of the Group with its shareholders in 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Results

Novelties and decorations

The turnover of this segment for the year remained quite stable and stood at approximately HK\$139,369,000, while the segment result increased by about 92% to approximately HK\$15,497,000. The result of the segment increased substantially due to the Group's policy to raise the selling price to improve profit margin instead of by cutting price to boost the revenue and to change the ways of production and even the methods of rewarding the labour in order to increase productivity, as stated in the last annual report of the Company.

Packaging products

The turnover of packaging products to external customers also remained at last year's level of approximately HK\$152,720,000, while the segment result increased gently by about 7% to HK\$3,481,000. Despite such an increase in segment result, the segment still encountered keen competition and increase in production costs, and in order to improve the segment result, measures have been undertaken for the repositioning in the product mix. The Group has abandoned the production line of PVC blister and has used the capacity to manufacture other products, which are more profitable.

Trading activities

The turnover of the trading of PVC film and plastic materials decreased by about 22% to HK\$85,468,000, as a result of keen competition in the market and the prudent strategy of the Group for allowing credit to open account customers. Nevertheless, the segment still recorded a contribution of approximately HK\$1,070,000 for the year, as a result of the success of cost control.

Toy products

The turnover of this segment increased substantially by about 41% to approximately HK\$161,318,000, while the segment result therefrom was approximately HK\$15,373,000, representing a growth of about 252%. Both increases in turnover and contribution of the segment were attributed as a result of the synergy effect of the segment together with the original core businesses of the Group since the holding company of the segment became the Group's wholly owned subsidiary in mid-2005.

Investments

To well utilize the available cash on hand, the Group has invested in the securities of various listed companies, which are held for short-term purposes for capital gain in the value of the securities. As at the balance sheet date, the market value of investment in securities was approximately HK\$4,198,000.

Besides investing in stock markets, the Group may also utilize its cash on hand for foreign currencies cash deposits with local banks in order to earn a higher return of interest income, and also the potential capital gain thereon.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar. While all the Group's factories are located in the PRC, expenses incurred there are dominated in Renminbi.

At the balance sheet date, the Group has entered into several financial instruments with its major bankers for the hedging of exposures in US Dollar and Renminbi, especially for the gradual and continuous appreciation of the latter since recent years.

Liquidity and financial resources

As at 31st December, 2006, the long-term finance lease obligation and bank loan of the Group were approximately nil (2005: HK\$500,000), while the short term borrowings were nil (2005: HK\$6,135,000), and none of the Group's plant and machinery (2005: HK\$297,000, net book value) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was zero (2005: 2.54%).

At balance sheet date, the Group had bank balances and cash of approximately HK\$63,776,000 (2005: HK\$32,279,000).

With cash and other current assets at 31st December, 2006 of HK\$273 million as well as available banking facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value of the Group as at 31st December, 2006 was HK\$0.93 per share based on the actual number of 303,159,607 shares in issue on that date.

Employees and remuneration policies

As at 31st December, 2006, the Group employed approximately 3,400 full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

CHAIRMAN'S STATEMENT

APPRECIATION

Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year.

On behalf of the Board

Poon Siu Chung

Chairman & Managing Director

Hong Kong, 23rd April, 2007