



Mr Leung Chung Ming
Managing Director

MARKET REVIEW

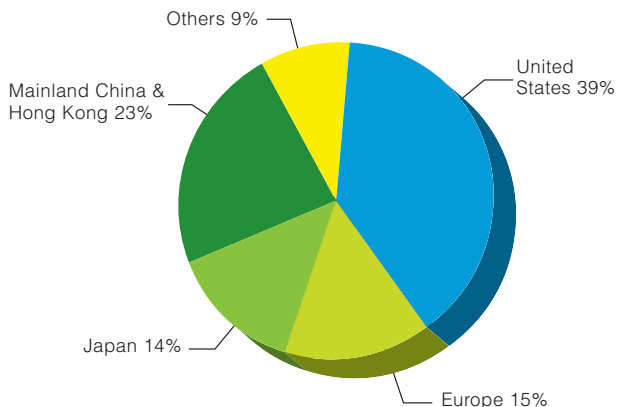
For the year ended 31 March 2007, export to the United States (“US”) remained strong, recording shipment value of HK\$274 million, accounting for 39% (2006: 42%) of the Group’s overall shipment.

Shipment to Europe remained steady at HK\$108 million (2006: HK\$112 million), accounting for 15% (2006: 15%) of the Group’s revenue. Export to Japan shrank to HK\$97 million (2006: HK\$166 million), or 14% of the Group’s total shipment against 22% in the previous year.

Growth in local deliveries boosted shipment to Mainland China and Hong Kong from 15% in 2006 to 23% in 2007. Some of these shipments, consolidated in Hong Kong and China, headed for the US, Europe and Japanese markets as final destinations.

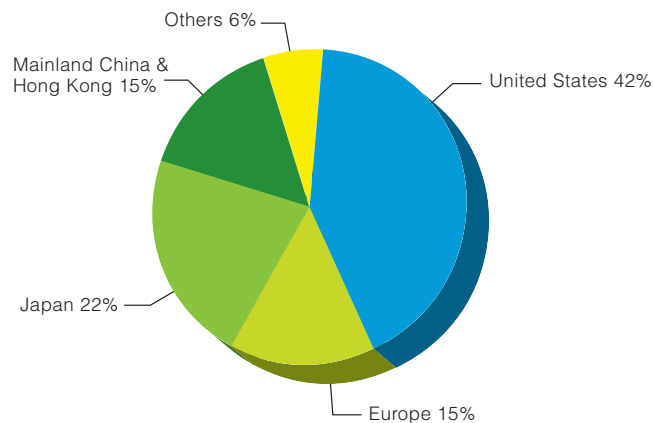
Turnover by Geographical Segment

(For the year ended 31 March 2007)



Turnover by Geographical Segment

(For the year ended 31 March 2006)



PRODUCT REVIEW

Radio Control Toys

The Group's core business segment accounted for 57% of its turnover for the year, stable when compared to 58% last year. Revenue was HK\$403 million, 7% less than the HK\$434 million recorded last year, mainly due to major Japanese customers postponing shipment of the Group's products for its newly developed fuel operated vehicles and robotics to the following financial period.

Continuous success of the Group's certain innovative and licensed radio control products for automobiles, boats, airplanes (including Flying Super Hero) testifies to the Group's manufacturing strengths and quality outputs in the wireless segment. Revenue of the segment came partly from Kid Galaxy in the past year from new brands such as Elite Fleet, Interactive R/C, Morphibians, Mad Dog Motors, GoGo Auto and My First RC, etc.



The Group during this financial year invested into tooling for all different sizes of vehicle chassis ranging from very small to large scale vehicles. This investment should pave the way to the Group to expand sales, strengthen and protect its position within the radio control vehicles segment.

Electronic and Plastic Toys

The electronic and plastic toys segment recorded an increase of 5% in sales from HK\$176 million in 2006 to HK\$185 million in 2007. The segment accounted from 26% of the Group's turnover compared to 23% in the previous year. The increased revenue of the segment was a result of increased orders from leading US and Japanese customers for toys for pre-school children. These orders often come with stringent quality requirements.

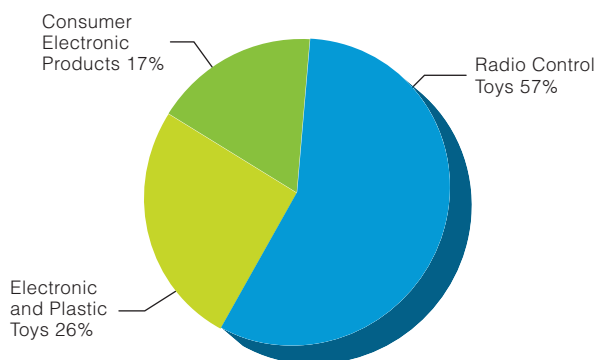


On the licensed business front, during the period under review, certain licensed sports products performed below expectations. The Group is now reviewing the prospects of all its sports licenses in particular that for Bendos figures.

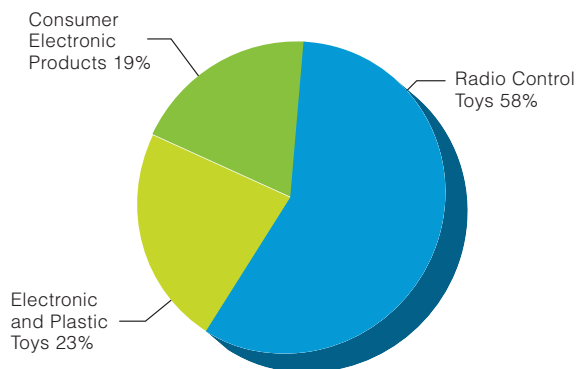
Consumer Electronic Products

Sales contribution from the segment decreased from HK\$141 million in 2006 to HK\$117 million in 2007. Revenue for consumer electronic products accounted for 17% of the Group's total turnover (2006: 19%). A range of educational and construction based robotics, Bluetooth earphones and automatic vacuum machines are the earning contributors of the non-toy segment.

Turnover by Product Type
(For the year ended 31 March 2007)



Turnover by Product Type
(For the year ended 31 March 2006)



DIVISIONAL AND RESOURCES REVIEW

China

Relocation of facilities of the Qian Tou plant to the new Changping Factory commenced in early 2007 and will continue in the coming year.

The new factory will have production, warehouse, office and dormitory facilities spanning a total of approximately 90,000 square meters, and will boost the Group's production and operational efficiency markedly when it is fully operational. For the financial year under review, however, the Group had to rely on the two existing factories in Dongguan for production.

Indonesia

During this year under review, the Group's factory in Indonesia did not contribute significantly to the Group's turnover, the reason being customers were concerned about the uncertain political and social situations in the country and were reluctant to have their orders met by the factory. However, persistent appreciation of the Renminbi and labour shortage in Southern China had convinced a few customers to use facilities of the plant to produce certain non-complex products starting in early 2007.



US

The New Hampshire operation consists mainly of marketing, product design, sales and fulfillment in the US market. KGI, which was relocated to a more efficient new office in Manchester, has started to report encouraging results. Its own brand subsidiary recorded sales of HK\$48 million, compared with HK\$32 million made last year.

LAWSUIT IN FLORIDA, US

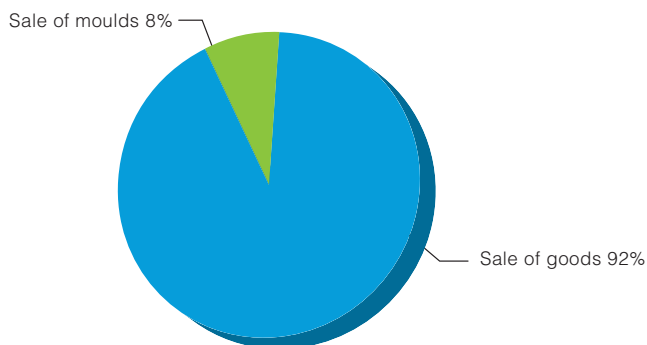
On 9 October 2006, the jury in the Circuit Court of Alachua County, Florida, US (the "Circuit Court") ruled against the Company and commanded it to pay damages in the amount of US\$5.1 million (approximately HK\$40 million) to APII. On 16 October 2006, the Company filed a motion with the Circuit Court to set aside the jury's verdict but was subsequently denied. Details of the Lawsuits and the previous verdicts were set out in the announcements of the Company dated 16 October 2006 and 16 November 2006.



The Company filed an appeal against the verdict on 4 December 2006. Pending hearing or Court finding of the appeal, the Company has posted a cash bond (the "Appeal Bond") with the Circuit Court in an amount equal to the damages plus two years of interest at 9% per annum totalling US\$6 million (approximately HK\$48 million). The provision was made in the accounts of the Group for the year ended 31 March 2007.

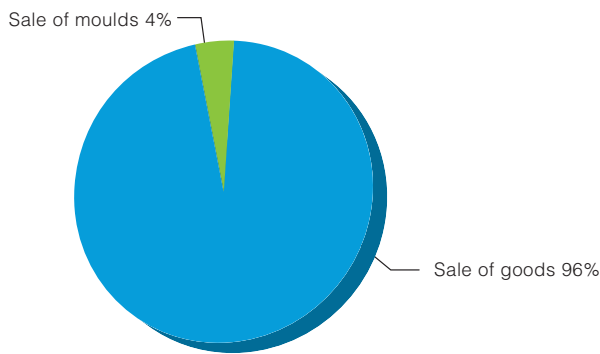
Turnover

(For the year ended 31 March 2007)



Turnover

(For the year ended 31 March 2006)



EMPLOYEE

As at 31 March 2007, the Group had approximately 6,053 employees of which 70, 5,771, 203 and 9 employees were based in Hong Kong headquarter, the Dongguan factories, the Indonesian factory and the US office respectively. The number of people employed by the Group varies from time to time depending on production needs and staff are remunerated based on industry practices.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our long term customers, suppliers, licensors and business partners for their continual support over the past year. I would also like to extend my appreciation to our management and staff for their hard work and dedication, despite the challenging year in the toys business.



Leung Chung Ming
Managing Director

23 July 2007