A POSITIVE OUTLOOK

Traditionally, the demand for infant and pre-school products depends primarily on the size of the juvenile population, followed by the affluence of society. Last decade, where birth rates in developed countries remained relatively steady, increased prosperity has proved to be the key factor of fuelling growth in the demand for infant and pre-school products.

Entering into the new millennium, with an ever-increasing worldwide female working population in developed countries, parents tend to spend even more on each child. In light of such market trend, the Group has expanded its product range to include infant necessities such as feeding bottles and nipples, as well as pre-school products such as plastic goods and battery operated ride-on cars. The widened product range caters for a broader age group of children, starting from infants up to the age of six, thus fostering new opportunities for the Group's future expansion.

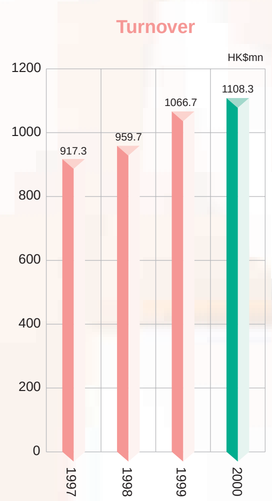
DIVERSIFIED PRODUCT RANGE OFFERS A STRONG EARNING BASE

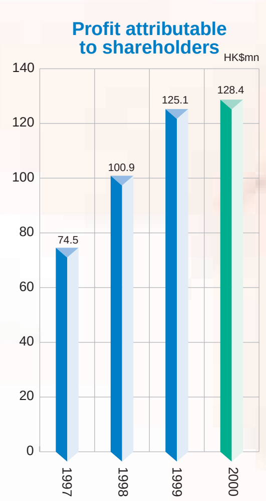
Among the four main product categories, namely strollers, beds, soft goods and other accessories, the former two continue to be the top revenue contributors, accounting for 61.1% and 17.0% of total turnover respectively. As reviewed in our interim report, competition in the US stroller market intensified in the first half of 2000 as one of the stroller brands triggered a price reduction, affecting the Group's sales correspondingly.

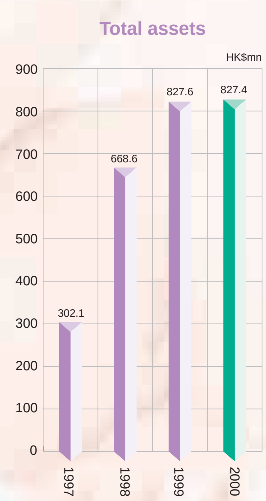
However, such an impact was only temporary. Sales picked up again in the second half of the year, compensating the decrease in the first six months. Sales of strollers for the year under review amounted to HK$721.0 million, a slight decrease of 2.7% as compared to the previous year.

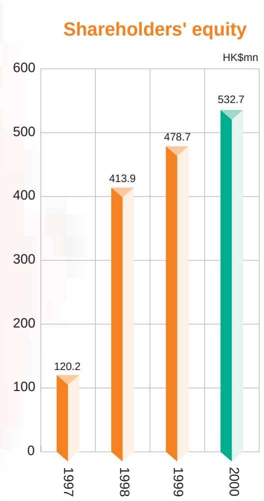
Remarkable increase in the sale of beds further offsets the impact of such a decline. Enjoying a broad customer base and good relation with existing customers, several stroller customers initiated their first-time orders for beds in the year under review. Sales of beds, as a result, grew strongly by 61.5% to HK$200.7 million.

Soft goods and other accessories have also recorded encouraging growth. Sales increased by 16.7% and 38.7% respectively, amounting to HK$111.2 million and HK$147.4 million.







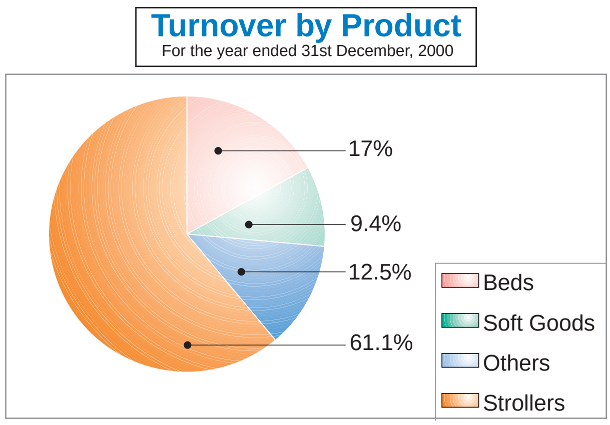


EFFICIENT SALES AND MARKETING

During the year under review, the Group's products were sold to over 140 customers in 60 countries and regions worldwide, including brand name owners, importers as well as trading agents. The Board is pleased to see that the major infant product brands in the US continued to be our customers.

While the US is still the Group's largest revenue contributor, the growth in Europe is expected to outpace that in the US in the coming years. It is the Group's goal to develop a solid and balanced revenue base from different regions and products. Encouragingly, a European customer is now among the top five customers of the Group in 2000.

In addition to being an ODM and OEM manufacturer, the Group has developed its own brand names. Products under the "Angel" brand specifically developed for the PRC market are sold in department stores in major cities. In addition, the Group has also developed a series of "Lerado" brand battery operated ride-on cars for sale in the US. Such initiatives will benefit the Group in the long run.



IMPRESSIVE R&D CAPABILITY

To cope with the development of a series of new products, the Group increased its R&D budget and devoted 2.0% of the total turnover (1999: 1.8%) for R&D purposes, amounting to HK$23.5 million, representing an increase of 22.4% over the previous year.

Employing a highly competent R&D team, the Group owns more than 250 registered patents on over 120 product features. In addition, over 74 new product features were submitted for patent registration in various countries in 2000.

LIQUIDITY AND FINANCIAL POSITION

The Group maintained a solid balance sheet. As at 31st December, 2000, the Group had cash and bank balances of HK$150.5 million. Following the repayment of a mortgage loan during the year, the total bank borrowings as at 31st December, 2000 dropped to HK$5.8 million, further lowering the Group's gearing ratio to 2.2% (1999: 5.3%), which was expressed as a ratio of total debts to shareholders' equity.

The Group is also healthy in its liquidity position. As at 31st December, 2000, the Group had net current assets of HK$211.7 million. A higher current ratio of 1.73 was resulted, compared with 1.61 in 1999, while stock turnover remained at a low level of 26.1 days.

Out of the proceeds from the Company's initial public offerings in 1998, approximately HK$19 million was utilized during 2000 for the acquisition of production facilities for the manufacture of battery operated ride-on cars and HK$3 million for the establishment of sales office in the US for the related marketing functions. A further HK$6 million was used for the marketing of the Group's products in the PRC. The remaining balance of the proceeds will be further applied according to schedule.

EXPANSION OF ZHONGSHAN PRODUCTION PLANT

Catering for the manufacturing needs of a widened product range, the Group has commenced construction work so as to expand the Zhongshan plant during the year under review, adding new production lines for battery operated ride-on cars. Completion is expected in mid 2001.

STAYING AT THE FOREFRONT

Ever since the establishment of our manufacturing base in Zhongshan, the PRC, the suppliers have commenced to locate themselves to nearby areas of our plants, enabling us to enjoy material-efficiency. Accelerating demand for materials eventuates a declining average cost. Controlling measures effectively imposed on production, quality assurance, delivery and after-sale service make our products remain highly-competitive in the forthcoming decades.

Given our innovation in product design and features, stringent quality control measures and high safety standards, our products have firmly established its competitive edge.