Financial Analysis

The Group generates revenues mainly from the manufacturing and sales of toys and moulds. Total revenue for the year ended 31 March 2002 was HK$657 million, representing a slight increase of 1.6% over previous year's HK$647 million. Management attributes the stability in sales despite the sluggish global economy to continued support from major OEM customers and successes of the Group's ODM products.

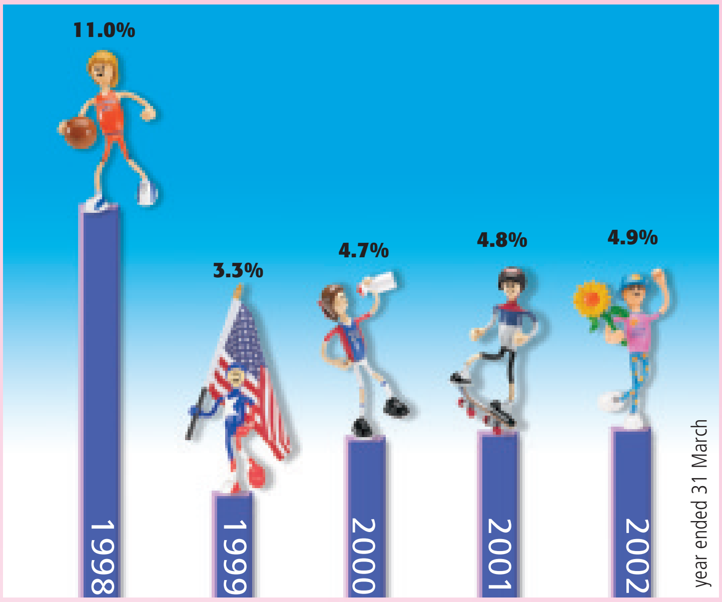
Sales from consignments and wholesale business in Mainland China during the festive seasons formed a major part of the Group's second half revenues. ODM sales in which the Group owns the engineering and design continued to generate higher margin than normal OEM sales. Kid Galaxy, commenced in January 2002, also contributed to the annual turnover. With uncertainties in the market, there were pricing pressures at the retail level causing the Group's customers to seek alternatives. However, the Group's technical experience and sourcing capabilities allowed it to keep prices competitive without sacrificing margins. Consequently, gross profit margin was maintained at HK$181 million or 28% of turnover, similar to 2000/01.

The unpleasant trading environment following the September attacks in the U.S. caused the Group to take unprecedented action and prudent control measures towards the Group's expenditures. The centralization of operations and shifting of all production related functions from Hong Kong to our Dongguan factories were undertaken immediately. Meanwhile, the consolidation resulted in lowering administrative overheads for the Group from last year's HK$117 million to HK$110 million. The full benefits of the integration process should be reflected in the following year's results.

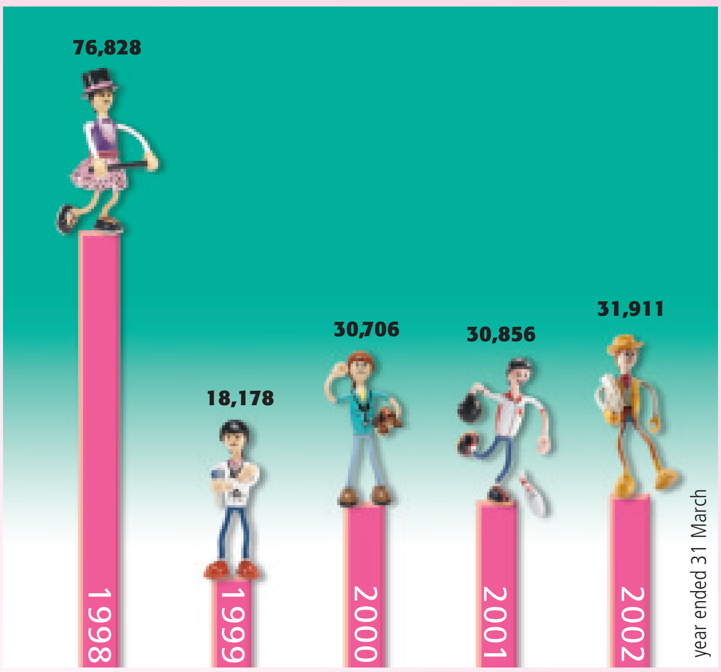
The Group's selling expenses had shown an increase due to the promotion of two licensed characters and extra marketing push during the Chinese New Year in the Mainland. Toy show activities during the early part of 2002 for Kid Galaxy shared part of the selling expenses incurred. In order to reduce the Group's reliance on short term trust receipt loans, the Group entered into a three year transferable loan agreement with a group of banks in June 2001 for a sum of HK$150 million. Lower interest rate, despite an increase in borrowing, benefited the Group in achieving a profit before taxation of HK$32 million, an increase over last year's HK27 million, which included a revaluation deficit of HK$3.6 million.

Dongguan, where one of the Group's major subsidiaries and main production facilities are located, offers certain tax benefits for export oriented enterprises. Accordingly, the local subsidiary was granted a reduction in tax applicable to foreign enterprises for the previous years. The actual tax paid was lower than the amount previously provided for. The overall calculation resulted in the Group's provision for taxation was reduced to HK$700,000, substantially lower than the HK$4 million provided for the year ended 31 March 2001.

All in all, the Group's net profits attributable to shareholders were HK$31 million compared to HK$23 million in the previous year. Net profit margin also showed an increase up to 4.7% as compared to 3.5% for the previous year. The basic earnings per share were 7.2 cents for the year ended 31



PROFIT MARGIN BEFORE TAX *



PROFIT BEFORE TAX * (HK$ '000)

*excluding revaluation deficit on leasehold land and buildings charged to the profit and loss account

March 2002 against 5.2 cents for the year ended 31 March 2001. Where as the diluted earnings per share were also higher at 6.5 cents compared to 4.7 cents for the same period.

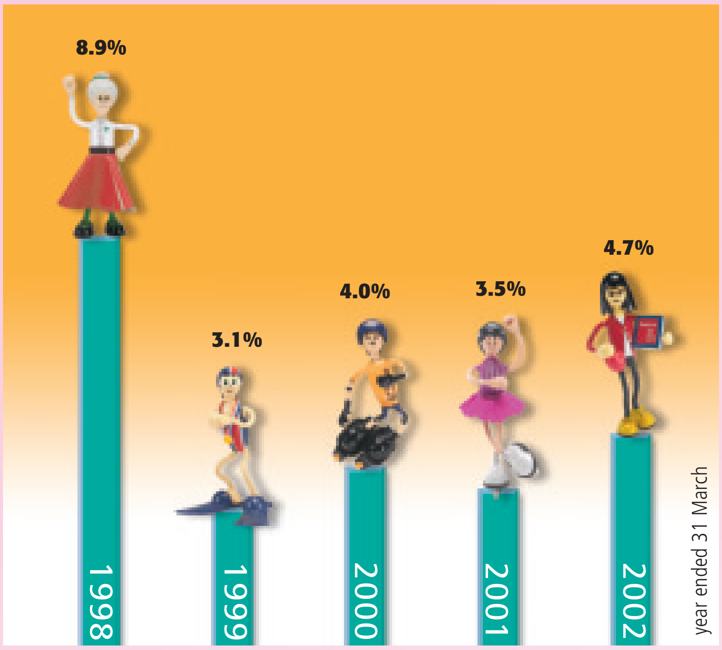
Liquidity and capital resources

The consistent strategies of strengthening STP's design, engineering and moulding capabilities as part of ODM expansion process adds to the fixed assets investment of the Group. The cost of renovation and additions to the production plant in Dongguan as a result of extension as well as the recent consolidation also formed part of the fixed assets increment of approximately HK$20 million to HK$281 million. The goodwill and other investment of HK$23 million and HK$10 million respectively were mainly the direct result of the acquisition of Kid Galaxy Inc., the Bendos brand and investment in Statcard Entertainment Inc.

The Group's current assets position as at 31 March 2002 improved significantly to HK$380 million from HK$341 million in the previous year-end date. The principal contribution being the increase in inventories, trade receivables and bank balances. The increases in inventories were mainly due to the seasonality of the Group's moulding business. Beginning of the year marked the peak moulding period for both OEM and ODM products. During this period of the financial year, most newly designed concepts are either under development or in the process of moulding.

The Group commits to stocking up common parts during the slack period in order to meet high production demand during the peak season. To retain well trained workers during these slow months, the Group took advantage of the available resources to build up finished goods for the Mainland China market so it does not compete with export business during the later months. Inventory turnover days increased from 77 days in 2000/2001 to 93 days in 2001/02.

US dollar remains the Group's major transaction currency. Since the Hong Kong currency is pegged to the US dollar, foreign exchange risk exposure to the Group is considered minimal. The other source of currency generated is in the form of Renminbi ("Rmb") from China sales, which are fully expensed in the Mainland in salaries, material purchases and other forms of expenditures. Total cash and bank balances of the Group stood at HK$69 million compared to HK$60 million as at 31 March 2001.

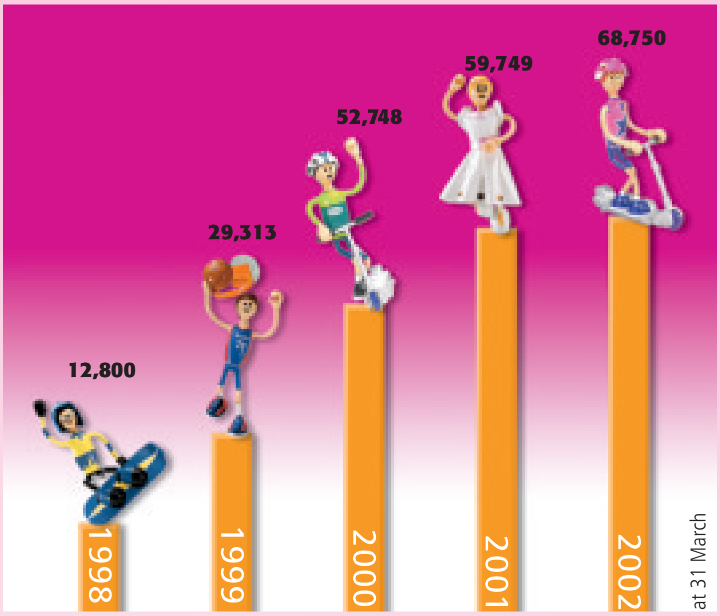


NET PROFIT MARGIN

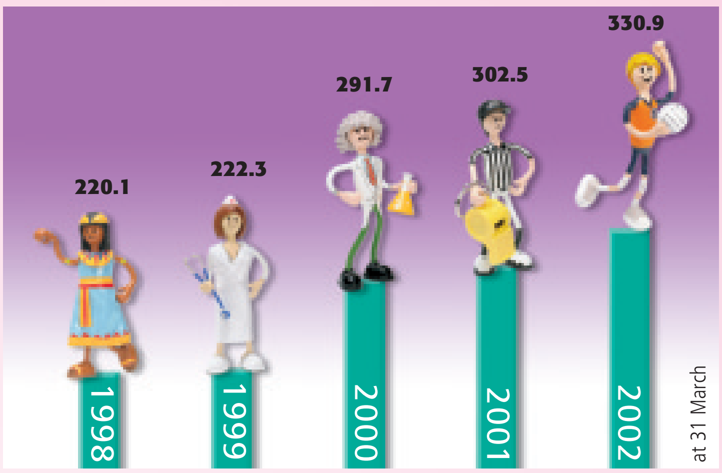
Trade receivables at 31 March 2002 increased to HK$106 million compared to HK$81 million in the previous year. Management attributes the increase directly to STP's increased moulding business as well as extension of payment terms to certain reputable customers of the Group. Receivable turnover rate increased from 37 days in 2000/01 to 52 days in 2001/02. Management has a policy of constantly reviewing the Group's credit policy and assessing its customer's financial status through publicly available information. Sales to certain customers are covered by export credit insurance considered appropriate by management.

The Group's net current assets improved tremendously from HK$58 million to HK$164 million for the reason of a major decrease in short-term trust receipt loan from HK$138 million in the previous year end date to HK$42 million at 31 March 2002.

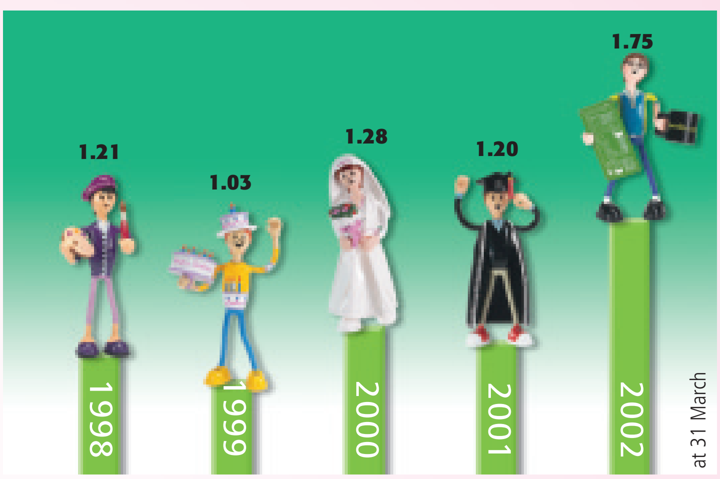
On June 26, 2001, the group entered into a transferable term loan agreement for the amount of HK$150 million with a maturity of three years. The loan facilitated the Group's shift away from short-term borrowing to medium and long term sources of funding. Part of this loan was used to repay existing short-term loan, expansion of ODM projects, acquisition of Kid Galaxy Inc.,



CASH AND BALANCE AT BANK (HK$ '000)



SHAREHOLDERS' FUND (HK$ million)



CURRENT RATIO

investment into the smart trading card business as well as working capital. The additional funding was reflected in the increase in long-term liabilities from HK$25 million to HK$143 million at 31 March 2002.

Net asset value of the Group showed a growth to HK$331 million compared to HK$302 million at the previous balance sheet date. The Group's working capital needs have been constantly financed by internally generated cash flow and credit facilities granted by banks. The Group had in place general banking facilities with various financial institutions of which HK$55 million were utilized for trust receipt loans and short-term bank loans at 31 March 2002. However, the increase in total borrowings has resulted in higher gearing ratio of the Group, a position which management will have to regularly review and improve in the coming year. One of the steps taken to secure the Group's share capital was amending the rights attached to the existing preference shares by making them perpetual.