

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The financial information relating to the financial year ended 31st December 2003 included in the interim financial report does not constitute the statutory financial statements of the Company and its subsidiaries (the “Group”) for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st December 2003 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16th April 2004.

The same accounting policies adopted in the 2003 annual financial statements have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2003 annual financial statements.

2. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Toys and model trains: The manufacture and sale of plastic, electronic and stuffed toys and model trains.

Property investment: The leasing of office premises, industrial building and residential units to generate rental income and to gain from the appreciation in the properties' value in the long term.

Investment holding and trading: The investment in partnership and trading of listed securities.

Six months ended 30th June	Toys and model trains		Property leasing		Investment holding and trading		Unallocated		Inter-segment elimination		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	160,784	152,797	12,400	12,762	-	1	-	-	-	-	173,184	165,560
Inter-segment revenue	-	-	343	343	-	762	-	-	(343)	(1,105)	-	-
Other revenue from external customers	1,617	1,563	2,479	2,559	-	320	87	524	-	-	4,183	4,966
Total	162,401	154,360	15,222	15,664	-	1,083	87	524	(343)	(1,105)	177,367	170,526
Segment result	(950)	(6,848)	9,565	11,342	(3,034)	(2,531)	38	(1,449)	-	-	5,619	514
Inter-segment transactions	343	186	353	418	(696)	(762)	-	158	-	-	-	-
Contribution from operations	(607)	(6,662)	9,918	11,760	(3,730)	(3,293)	38	(1,291)	-	-	5,619	514
Unallocated operating income and expenses											111	26
Profit from operations											5,730	540

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong and China is a major market for the Group's toys and model trains and property investment, and it is the location of most of its toys and model trains manufacturing. Toys and model trains are also sold to North America. The Group also has investment and investment properties in North America. In Europe and other locations, the major business is sale of toys and model trains.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Six months ended 30th June	Hong Kong and China		North America		Europe		Others	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	25,410	29,291	74,989	71,905	68,065	52,673	4,720	11,691

3. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Cost of inventories	95,363	97,410
Amortisation of positive goodwill included in the share of profits less losses of associates	242	–
Interest on borrowings	6,764	8,664
Depreciation	10,006	9,979
Impairment loss in respect of fixed assets	5,706	–
Net loss on sale of fixed assets	4	–
Net realised and unrealised (gain)/losses on trading and other securities carried at fair value	(5)	57
Increase/(decrease) in liability for long service payment	38	(239)
Decrease in liability for accrued leave pay	(111)	(24)
	<u> </u>	<u> </u>

4. INCOME TAX

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong taxation	363	536
Overseas taxation	687	591
Deferred taxation	(156)	728
	<u> </u>	<u> </u>
	<u>894</u>	<u>1,855</u>

Hong Kong profits tax is provided at 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Overseas taxation is similarly calculated at the rate prevailing in the respective jurisdictions.

5. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders after taxation and minority interests of HK\$7,640,000 (2003: HK\$11,037,000) and 665,412,000 shares (2003: 665,412,000 shares) in issue, which represents the weighted average number of shares in issue during the period.

(b) Diluted loss per share

The diluted loss per share is not presented as the Company does not have dilutive potential ordinary shares outstanding during the six months ended 30th June 2004 and 30th June 2003.

6. INVENTORIES

The amount of inventories carried at net realisable value is HK\$15,330,000 (at 31st December 2003: HK\$11,651,000). In addition, finished goods inventories are stated net of a general provision of HK\$4,180,000 (at 31st December 2003: HK\$4,180,000) made in order to state those inventories at the lower of cost and estimated net realisable value.

7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30th June 2004 <i>HK\$'000</i>	At 31st December 2003 <i>HK\$'000</i>
Current	43,663	50,584
1 to 3 months overdue	4,084	10,530
More than 3 months overdue but less than 12 months overdue	1,429	2,344
More than 12 months overdue	1,416	774
	<hr/>	<hr/>
Total trade debtors	50,592	64,232
Other debtors and prepayments	6,533	7,628
	<hr/>	<hr/>
	57,125	71,860

Debtors are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30th June 2004	At 31st December 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 1 month or on demand	24,026	14,219
Due after 1 month but within 3 months	3,793	6,909
Due after 3 months but within 6 months	73	383
Due after 6 months but within 12 months	798	833
	<hr/>	<hr/>
Total trade creditors	28,690	22,344
Other payables	60,130	61,193
	<hr/>	<hr/>
	88,820	83,537
	<hr/> <hr/>	<hr/> <hr/>

9. SHARE CAPITAL

	At 30th June 2004	At 31st December 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Issued and fully paid:</i>		
665,412,000 ordinary shares of HK\$0.10 each	66,541	66,541
	<hr/> <hr/>	<hr/> <hr/>

10. RESERVES

	Investment properties revaluation reserve	Exchange reserves	Contributed surplus	Capital reserve	Share premium	Revenue reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003	9,529	234	169,994	10,816	109,942	66,808	367,323
Surplus arising on revaluation net of deferred tax	8,189	-	-	-	-	-	8,189
Net exchange translation differences	-	4,810	-	-	-	-	4,810
Write off of goodwill	-	-	-	(1)	-	-	(1)
Loss for the year	-	-	-	-	-	(5,330)	(5,330)
At 31st December 2003	<u>17,718</u>	<u>5,044</u>	<u>169,994</u>	<u>10,815</u>	<u>109,942</u>	<u>61,478</u>	<u>374,991</u>
At 1st January 2004	17,718	5,044	169,994	10,815	109,942	61,478	374,991
Net exchange translation differences	-	1,209	-	-	-	-	1,209
Loss for the period	-	-	-	-	-	(7,640)	(7,640)
At 30th June 2004	<u>17,718</u>	<u>6,253</u>	<u>169,994</u>	<u>10,815</u>	<u>109,942</u>	<u>53,838</u>	<u>368,560</u>

11. MATERIAL RELATED PARTY TRANSACTIONS

- (a) One of the directors of the Company is also a director and shareholder of a supplier which sold packaging and printing materials to the Group under the same terms as those available to other customers in the ordinary course of business. Total purchases from the supplier amounted to HK\$2,282,000 (2003: HK\$2,531,000) during the period. The amount due to the supplier at the period end amounted to HK\$1,447,000 (at 31st December 2003: HK\$1,325,000).
- (b) During the period, the Group had net interests in certain associates amounting to HK\$175,971,000 (at 31st December 2003: HK\$177,459,000) in which a director of the Company has beneficial interests.
- (c) During the period, the Group has obtained funding from certain directors, shareholders, related companies and related parties to finance its operations. The outstanding balances are as follows:

	At 30th June 2004 HK\$'000	At 31st December 2003 HK\$'000
Directors	98,128	87,733
Shareholders	73,390	49,380
Related companies	8,743	8,510
Related parties	2,130	2,281

The above balances are unsecured, interest bearing at 3% or prime less 0.5% to prime plus 0.5% and repayable after 30th June 2005.