

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2004 (2003: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK\$173,184,000, a slight increase of 4.60% as compared to the last corresponding period. The loss attributable to shareholders amounted to HK\$7,640,000 (2003: loss of HK\$11,037,000).

BUSINESS REVIEW

Toys

During the period under review, raw material prices such as resin, packaging materials and electronic components etc. remained high. At the same time, labour shortage in Guangdong Province, the PRC has led to higher labour costs and unstable supply of manpower. All these unfavourable conditions hamper profit margin and the Group's performance was adversely affected. During the period under review, the turnover for the Group's OEM/ODM toys business decreased by 26.94% as compared to the corresponding period of last year.

Model Trains

During the period under review, turnover in model trains increased by 22.46% as compared to the corresponding period of last year. The Group's model trains continued to be well received in both the European and American markets. This is attributable to the Group's efforts in widening product ranges and providing high quality products at competitive prices.

The Group has much pleasure to announce that at the recent National Model Railroad Convention held in the States, one of our colleagues was awarded the Pioneer Award. At the same time, he was also inducted into the Model Railroad Industry Hall of Fame. Both Awards were given to deserving individuals for their dedication and service to the model railroad industry. These prestigious Awards not only marked the Group's leading position in the industry, but also an encouraging news to our colleagues for their continuous dedication to the Group.