Chairman's Statement

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RESULTS

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The audited consolidated profit for the year of the Company and its subsidiaries ("the Group") was HK$54,337,341. Basic earnings per share based on the weighted average number of 332,277,280 shares in issue amounted to HK$16.4 cents.

DIVIDENDS

The directors are pleased to recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK6.0 cents per share for the year ended 31 March 2005 to the members whose names appear on the Register of Members on 23 August 2005. Together with the interim dividend of HK2.8 cents per share paid in January 2005, total dividends for the year amounted to HK8.8 cents per share.

Subject to the approval of shareholders at the aforesaid Annual General Meeting, the dividend will be paid on or before 26 August 2005.

REVIEW OF OPERATIONS AND PROSPECTS

The Group delivered an improving achievement for the year under review. The consolidated turnover for the year amounted to HK$573 million (2004: HK$502 million), representing a stable rise of 14% compared with previous financial year. The Group reached a gross profit of HK$136 million (2004: HK$127 million), being 24% of the turnover. The gross profit percentage slightly reduced by 1% from last year's 25%. The net profit attributable to shareholders was HK$54 million (2004: HK$49 million), resulting in an increase of 10% compared with previous financial year. The net margin was in the 10% range, similar to the last year. The basic earnings per share was 16.4 cents (2004: HK14.6 cents).

With the pace of continuous growth of the global economy, the Group was able to recapture sales momentum, and overall it experienced a moderate rise in turnover when compared to the previous year's figure. This was also due to our sound business strategy and successful positioning in the market segment. The Group also undertook initiatives to strictly control distribution and administrative expenses. These expenses increased from HK$74 million in 2004 to HK$77 million in 2005, a slight increase of 4%. However, our management will foresee the future dramatic rise of the expenses attributable to the increasing minimum wages in China and price level of cruel oil. This will indeed considerably has adverse impact on the Group's performance in coming future. In spite of the significant challenges ahead such as the rising operating costs and fierce competition from economic globalization, the Group will endeavor to establish the solid foundations necessary to support a new and exciting period of stable growth.

The distribution costs notably increased by 9% to HK$25 million (2004: HK$23 million). The increase was acceptable because of the rise in turnover by 14% compared with last year. The Group achieved an encouraging performance in administrative expenses. The administrative expenses amounted to 51 million, almost the same as last year's figure. This was attributable to the effective and strengthened cost control measures.

For the year under review, the capital expenditures amounted to HK$33 million (2004: HK$29 million), and principally comprised of production facility, plant and machinery, computer equipment and diverse infrastructure projects in our China factories. For the year ahead, the Group will further enhance its production capabilities, and promote the efficiency of our existing facilities to maximize the profitability and the shareholders' return.

As mentioned in our interim report for the six months ended 30 September 2004, lawsuit against a Group's subsidiary for copyright infringement in the PRC remains uncertain up to the reporting date, but the management believes that the final result will not have significant impact on the Group's financial position.

Despite the fact that we are still facing the critical challenges: a keen competitive business environment, an upsurge of rising material prices, tight electricity supply in China, and the promulgation of stricter regulations of the PRC government, we will still enable continued success and growth by virtue of the following indispensable elements:

- Cost control measures will be strengthened for the Group. The Group boasts high operational efficiencies, strong distribution capabilities, and relatively low production costs to promote competitive advantages.

- The Enterprise Resource Planning System (ERP) will be in full operation in coming year. It helps to improve the inventory level control, save cost and shorten delivery lead-time. In addition, the implementation of the ERP is in line with the Group's strategies of Just-In-Time production management, supply chain network for its business expansion.

- Together with the ISO certification, our China plant has acquired ICTI COBP (International Council of Toy Industries, Code of Business Practice) certification. This will enrich our customer base and their confidence.

- The development of human resources has been critically emphasized. In-house management programs and seminars will be held to improve our staff on-the-job skills. They are provided with appropriate training for better personal growth and contribution to the Group. This is because our staff has played an invaluable role in our success.

However, Hong Kong vulnerable market faces threats from the gradual slowdown of the global and Chinese economic growth, rising interest rates in the US and the sharp and enduring rise in oil price. All situation considered, the Group expects competition to intensify in the market, leading to a much more challenging year ahead for it.

We have come a long way from our humble beginnings. On behalf of the Board of Directors, I would like to express my heartfelt thanks for the utmost efforts of our diverse team of Group's management and staff. I would also like sincerely to thank our shareholders, customers and suppliers for their continuous support.

FINANCIAL POSITION

The Group continued to maintain a strong and healthy operating cash position, despite the substantial capital investments made during the financial year. This reflected the strength of its operating results. The Group believes that it has sufficient resources to meet its foreseeable capital expenditures and working capital requirement. At 31 March 2005, cash and deposits amounted to HK$86 million. After netting off the interest bearing debts of HK$18 million, the Group had a net surplus cash of HK$68 million (31 March 2004: HK$94 million). The group will follow a prudence policy in managing its cash balances and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

At 31 March 2005, net current assets and current ratio of the Group was approximately HK$266 million and 4.5 : 1 respectively. The current assets comprised inventory of approximately HK$84 million, trade and other receivables of approximately HK$152 million, investment in securities of approximately HK$20 million, short-term bank deposit of approximately HK$58 million, and bank balances and cash of approximately HK$28 million. The Group's total borrowings amounted to HK$18 million, which are unsecured and repayable within one year.

At 31 March 2005, the Group shareholders' funds were HK$521 million (31 March 2004: HK$496 million). The gearing ratio was 3.5% (31 March 2004: 2.2%), which is calculated based on the Group's total borrowings of HK$18 million (31 March 2004: HK$11 million) and the shareholders funds of HK$521 million. (31 March 2004: HK$496 million).

The Group's dividend payout ratio as a percentage of its earning is about 54%. The Directors will closely monitor the dividend policy to ensure that our investors are well rewarded for their on-going support.

The Group had limited exposure to fluctuation in foreign currencies as most transactions were denominated in Hong Kong dollars, US dollars and Renminbi. No hedging for the foreign currency transactions has been undertaken during the year under review.

EMPLOYEES

As at 31 March 2005, the total number of employees of the Group was approximately 4,400.

The Group reviews remuneration packages from time to time and increases are generally annually. Special adjustments are also made when required. Aside from salary payments, other staff benefits include contributions to a Retirement benefit Scheme and medical subsidies. Staff training is also provided as and when required.

On behalf of the Board
DR. SUEK CHAI KIT, CHRISTOPHER
Chairman

Hong Kong, 19 July 2005