

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2005 (2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK\$199,923,000, an increase of 15.44% as compared to the last corresponding period. The profit attributable to shareholders amounted to HK\$787,000 (2004 restated: loss of HK\$7,628,000).

BUSINESS REVIEW

Toys

During the period under review, the turnover for the Group's OEM/ODM toys business increased by 59.27% as compared to the corresponding period of last year. This remarkable improvement was attributable to the strong US economy. Prosperity has stimulated consumer confidence in the US and the Group has received bulk business orders. On the other hand, intense competition of the toys industry, continual increase of raw material costs and tight labor supply in the whole Guangdong province are still factors adversely affecting the Group's profit margin. To remain competitive, the Group will continue to improve cost effectiveness, enhancing productivity and pursue OEM products with high profit margin.

Model Trains

During the period under review, the Group's model trains business remained steady. Turnover in model trains increased by 3.08% as compared to the corresponding period of last year. The Group anticipates that with the coming of the seasonal peak sales period, there will be an increase in the turnover in model trains for the second half of the year.

With the incorporation of the latest digital technology, the Digital Command Control System into the Bachmann E-Z Control, the Group's model trains continue to be very well received in both the United States and in Europe, strengthening the Group's leading position in the model train industry. Looking ahead, the Group will focus its efforts and investments in expanding product ranges as well as broadening customer bases.