

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.

Property Investment

During the period under review, the Group's rental income remained steady as compared to the corresponding period of last year. Both the property and rental market in Hong Kong continued to improve in 2005. The Group's major rental property, the Kader Building, managed to maintain an occupancy rate at 85% as of 30th June 2005. Since then the Group has further improved the occupancy rate at better rental rate. The Group has presently achieved an occupancy rate at over 90% for Kader Building.

During the period under review, the Group took advantage of the active property market in Canada, and has disposed a portion of its rental properties in Vancouver. It is expected by the end of this year, the Group will dispose all of its rental properties in Canada.

Investment Holding

During Spring 2005, the Group's major investment holding in the United States, the Resort at Squaw Creek ("the Resort"), has successfully launched a condominium sale of existing hotel guest rooms. As of 30th June 2005, approximately 70% of the units were sold, thus providing significant liquidity to the ownership and reducing operating risk upon final sales completion.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June 2005, the Group's current ratio was 0.96 (at 31st December 2004: 1.00). The Group's total bank borrowings have decreased from approximately HK\$214 million as reported last year-end to approximately HK\$209 million as at period-end. The financial gearing of the Group, based on the total bank borrowings to the shareholder's equity was 38% (at 31st December 2004: 42%). There is no significant seasonality of borrowing requirements except that during peak sales period, the Group's trade loans will be higher.

Capital Structure

During the period under review, there were no movements in the Company's share capital. The Group's capital instruments are mainly composed of bank loans and director's support, which are in HK dollars, sterling pound, US dollars and Canadian dollars at prevailing market rates.

Charges on Group Assets

As at 30th June 2005, certain investment properties, leasehold land and buildings and other assets of the Group with a total net book value of approximately HK\$674 million (at 31st December 2004: HK\$659 million) were pledged to banks to secure banking facilities granted to the Group.