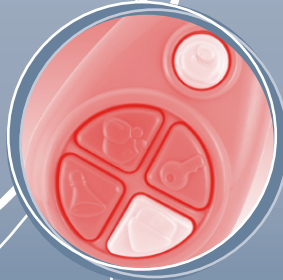




INTERIM REPORT 2005



RBI HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Yip Yun Kuen (*Chairman*)
Yip Yun Tim
Chan Shun Po

NON-EXECUTIVE DIRECTORS

Chan Pik Ha
Yeung Wai Kin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Man Mo Leung
Yap Alfred Donald, J.P.
Lau Ki Cho, Iris

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

Lee Kin Fai

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7/F, Tower1, South Seas Centre
75 Mody Road
Tsimshatsui East
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

STOCK CODE

566

HONG KONG BRANCH SHARE REGISTRAR

Tengis Limited
G/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

UNAUDITED INTERIM RESULTS

The Board of Directors of RBI Holdings Limited (the "Company") are pleased to present the unaudited Interim Report of the Company and its subsidiaries (together the "Group") to the shareholders of the Company for the six months ended 30th June 2005.

INTERIM DIVIDEND

The directors have resolved that an interim dividend of Hong Kong 2 cents (six months ended 30th June 2004: Hong Kong 3 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 17th October 2005. It is expected that the interim dividend will be paid on 3rd November 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

		Six months ended 30th June	
		2005	2004
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited and restated)
Turnover	4	198,056	205,090
Cost of sales		(150,273)	(143,782)
Gross profit		47,783	61,308
Other operating income	5	3,950	4,142
Distribution costs		(18,479)	(20,913)
Administrative expenses		(27,753)	(29,791)
Gain on fair value changes on investment properties		2,800	—
Finance costs	6	(1)	(3)
Profit before tax	7	8,300	14,743
Income tax expense	8	(1,064)	(1,799)
Profit for the period attributable to shareholders		7,236	12,944
Interim dividend	9	6,686	11,151
		HK Cents	HK Cents
Earnings per share			
Basic	10	1.9	3.5
Diluted	10	1.9	3.5

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE 2005

		30th June 2005 HK\$'000 (unaudited)	31st December 2004 HK\$'000 (audited and restated)
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment	11	176,033	165,932
Prepaid land lease payments		20,677	20,925
Investment properties	11	10,300	7,500
Investments in securities	12	53,706	63,578
Bank deposits	13	22,131	31,200
Deferred tax assets		4,522	4,663
		<hr/> 287,369 <hr/>	<hr/> 293,798 <hr/>
Current Assets			
Inventories		190,892	126,292
Investments in securities	12	10,286	10,211
Trade and other receivables	14	32,978	39,269
Bills receivable		32,799	21,622
Prepaid land lease payments		496	496
Deposits and prepayments		6,232	5,527
Tax recoverable		1,311	1,382
Bank balances and cash		50,050	120,139
		<hr/> 325,044 <hr/>	<hr/> 324,938 <hr/>
Current Liabilities			
Trade and other payables	15	55,804	34,751
Deposits and accruals		30,068	37,966
		<hr/> 85,872 <hr/>	<hr/> 72,717 <hr/>
Net Current Assets			
		<hr/> 239,172 <hr/>	<hr/> 252,221 <hr/>
		<hr/> 526,541 <hr/>	<hr/> 546,019 <hr/>
Capital and Reserves			
Share capital	16	37,129	37,171
Share premium and reserves		485,741	505,398
		<hr/> 522,870 <hr/>	<hr/> 542,569 <hr/>
Non-current Liability			
Deferred tax liabilities		3,671	3,450
		<hr/> 526,541 <hr/>	<hr/> 546,019 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Share capital	Share premium account	Capital redemption reserve	Asset revaluation reserve	Capital reserve	Goodwill reserve	Dividend reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004									
— as originally stated	36,741	129,595	2,118	8,260	21,481	(5,720)	55,404	316,742	564,621
— Effects of changes in accounting policies	—	—	—	(8,260)	—	—	—	(3,585)	(11,845)
— as restated	36,741	129,595	2,118	—	21,481	(5,720)	55,404	313,157	552,776
2003 final and special dividends paid	—	—	—	—	—	—	(55,758)	—	(55,758)
Repurchase of shares	(10)	(93)	10	—	—	—	—	(127)	(220)
Issue of shares	430	4,300	—	—	—	—	—	—	4,730
Profit for the period	—	—	—	—	—	—	—	12,761	12,761
Amounts set aside for dividend payment	—	—	—	—	—	—	11,151	(11,151)	—
At 30th June 2004	37,161	133,802	2,128	—	21,481	(5,720)	10,797	314,640	514,289
2004 interim dividend paid	—	—	—	—	—	—	(11,151)	—	(11,151)
Issue of shares	10	100	—	—	—	—	—	—	110
Profit for the period	—	—	—	—	—	—	—	39,321	39,321
Amounts set aside for dividend payment	—	—	—	—	—	—	26,374	(26,374)	—
Other appropriations	—	—	—	—	7,686	—	—	(7,686)	—
At 1st January 2005	37,171	133,902	2,128	—	29,167	(5,720)	26,020	319,901	542,569
Effect of changes in accounting policies	—	—	—	—	—	5,720	—	(5,924)	(204)
As restated	37,171	133,902	2,128	—	29,167	—	26,020	313,977	542,365
2004 final dividend paid	—	—	—	—	—	—	(26,020)	—	(26,020)
Repurchase of shares	(42)	(391)	42	—	—	—	—	(320)	(711)
Profit for the period	—	—	—	—	—	—	—	7,236	7,236
Amounts set aside for dividend payment	—	—	—	—	—	—	6,686	(6,686)	—
At 30th June 2005	37,129	133,511	2,170	—	29,167	—	6,686	314,207	522,870

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*FOR THE SIX MONTHS ENDED 30TH JUNE 2005*

	Six months ended 30th June	
	2005	2004
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(34,516)	(4,211)
Net cash used in investing activities	(8,843)	(8,754)
Net cash used in financing activities	(26,730)	(51,247)
Decrease in cash and cash equivalents	(70,089)	(64,212)
Cash and cash equivalents at beginning of the period	120,139	126,812
Cash and cash equivalents at end of the period	50,050	62,600
Being:		
Bank deposits and cash	72,181	78,200
Less: Bank deposits not within three months of maturity when acquired	(22,131)	(15,600)
	50,050	62,600

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group, comprising the Company and its subsidiaries, for the year ended 31st December 2004 except as described below.

Change in accounting policy — property, plant and equipment

In previous periods, the Group's land and buildings included in property, plant and equipment, other than the factory under construction which was stated at cost less accumulated impairment loss (if any), were stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment loss, if any. Commencing from the current period, land and buildings, other than the factory under construction, are carried at cost less accumulated depreciation and impairment loss, if any ("cost model"). Under the cost model, annual depreciation charges would not be affected by changes in the fair value of land and buildings. Further, on adoption of Hong Kong Accounting Standard ("HKAS") 17 "Leases", the Group's leasehold land is required to be classified as "prepaid land lease payments" and is carried at amortised cost. Revaluation of the buildings excluding the land component is no longer practicable. Accordingly, management is of the view that accounting for the Group's buildings which are included in property, plant and equipment using the cost model would result in the financial statements providing more relevant information about the Group's financial position and performance. This change in accounting policy has been accounted for retrospectively and the comparative figures for the corresponding prior period have been restated.

Adoption of new HKFRSs

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS(s)”), HKAS(s) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in the following changes to the Group’s accounting policies:

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment (“PP&E”) and measured using the revaluation model. In the current period, the Group has applied HKAS 17 “Leases”, under which the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 “Investment Property”. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to asset revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the asset revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amounts of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amounts of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Previously, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Investments in debt or equity securities were classified as "held-to-maturity securities" or "other investments" as appropriate. "Held-to maturity securities" were carried at amortised cost less impairment losses (if any), while "other investments" were measured at fair value, with unrealised gains or losses included in profit or loss. From 1st January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. "Held-to-maturity securities" and "other investments" have been respectively re-designated as "held-to-maturity investments" and "investments at fair value through profit or loss". "Held-to-maturity investments" are measured at amortised cost using the effective interest method. "Investments at fair value through profit or loss" are carried at fair value, with changes in fair values recognised in profit or loss.

Financial assets other than debt and equity securities

In the current period, the Group classifies and measures its financial assets other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”.

Business combinations

In the current period, the Group has applied HKFRS 3 “Business Combinations” which is effective for business combinations for which the agreement date is on or after 1st January 2005.

Previously, goodwill arising on acquisitions prior to 1st January 2001 was held in reserves, and goodwill arising on acquisitions after 1st January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group’s retained profits on 1st January 2005. Goodwill arising on acquisitions after 1st January 2005 is measured at cost less accumulated impairment loss (if any) after initial recognition. No amortisation on goodwill will be provided, any goodwill will be tested for impairment at least annually.

Share-based payments

In the current period, the Group has applied HKFRS 2 “Share-based Payment”. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1st January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November 2002 and share options that were granted after 7th November 2002 and had vested before 1st January 2005 in accordance with the relevant transitional provisions. No share option has been granted during the current period.

The effects of the change in accounting policy in respect of property, plant and equipment and on the adoption of the new HKFRSs on the income statement are immaterial. The effects of these changes on the balance sheet are set out in note 3.

3. SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the changes in accounting policies in respect of property, plant and equipment and on adoption of the new HKFRSs on balance sheet items as at 31st December 2004 and 1st January 2005 are summarised below:

	As at	Effects of adoption of			As at	Effects of adoption of		As at
	31st December 2004 (as originally stated)	HKAS 17	the cost model for PP&E	HKAS 21	31st December 2004 (as restated)	HKFRS 3	HKAS 39	1st January 2005 (as restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance sheet items								
Property, plant and equipment	236,311	(21,421)	(48,958)	—	165,932	—	—	165,932
Prepaid land lease payments								
Non-current assets	—	20,925	—	—	20,925	—	—	20,925
Current assets	—	496	—	—	496	—	—	496
Investments in securities								
Non-current assets								
— Held-to-maturity securities	63,578	—	—	—	63,578	—	(63,578)	—
— Held-to-maturity investments	—	—	—	—	—	—	64,258	64,258
Current assets								
— Held-to-maturity securities	9,971	—	—	—	9,971	—	(9,971)	—
— Held-to-maturity investments	—	—	—	—	—	—	9,971	9,971
— Other equity securities	240	—	—	—	240	—	(240)	—
— Investments at fair value through profit or loss	—	—	—	—	—	—	240	240
Bank deposits	31,200	—	—	—	31,200	—	(884)	30,316
Deferred tax assets	5,084	—	(421)	—	4,663	—	—	4,663
Deferred tax liabilities	(8,621)	—	6,234	(1,063)	(3,450)	—	—	(3,450)
Total effects on assets and liabilities	337,763	—	(43,145)	(1,063)	293,555	—	(204)	293,351
Retained profits	325,313	—	(4,349)	(1,063)	319,901	(5,720)	(204)	313,977
Asset revaluation reserve	38,796	—	(38,796)	—	—	—	—	—
Goodwill reserve	(5,720)	—	—	—	(5,720)	5,720	—	—
Total effects on equity	358,389	—	(43,145)	(1,063)	314,181	—	(204)	313,977

The above changes in accounting policies have resulted in a decrease in asset revaluation reserve and retained profits at 1st January 2004 of HK8,260,000 and HK\$3,585,000, respectively.

4. SEGMENT INFORMATION

Business segments

The Group is principally engaged in the design, manufacture and sales of toys. Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the period. The businesses based upon which the Group reports its primary segment information are as follows:

- Own brand — Manufacture of toys designed/developed by the Group and sold under the Group's brand name or the labels of licensors.
- OEM/ODM — Manufacture of toys with design originated from customers and where the toolings are owned by customers.
- Moulds — Manufacture of moulds for sale to customers.

Segment information about these businesses is presented below.

For the six months ended 30th June 2005

	Own brand HK\$'000	OEM/ODM HK\$'000	Moulds HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	<u>172,599</u>	<u>25,275</u>	<u>182</u>	<u>198,056</u>
SEGMENT RESULT	<u>13,568</u>	<u>2,176</u>	<u>4</u>	15,748
Interest and other income				3,950
Gain on fair value changes on investments properties				2,800
Unallocated corporate expenses				(14,197)
Finance costs				<u>(1)</u>
Profit before tax				8,300
Income tax expense				<u>(1,064)</u>
Profit for the period attributable to shareholders				<u>7,236</u>

For the six months ended 30th June 2004

	Own brand <i>HK\$'000</i>	OEM/ODM <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	182,995	21,026	1,069	205,090
SEGMENT RESULT				
	27,236	1,769	99	29,104
Interest and other income				4,142
Unallocated corporate expenses				(18,500)
Finance costs				(3)
Profit before tax				14,743
Income tax expense				(1,799)
Profit for the period attributable to shareholders				12,944

5. OTHER OPERATING INCOME

Included in other operating income is income from investments and investment properties as follows:

	Six months ended 30th June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank deposits	859	870
Yield on held-to-maturity investments/securities	2,186	2,301
Dividends from listed securities	—	8
Rental from investment properties	213	170

6. FINANCE COSTS

	Six months ended 30th June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank overdrafts	1	3

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Six months ended 30th June	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Amortisation of prepaid land lease payments	248	248
Depreciation of property, plant and equipment	19,141	21,806
Fair value adjustment on bank deposits	385	—
Net realised loss on dealing equity securities	—	43
Net unrealised holding loss (gain) on investments at fair value through profit or loss/other investments	69	(97)
	<u>69</u>	<u>(97)</u>

8. INCOME TAX EXPENSE

	Six months ended 30th June	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Current tax on profit for the period:		
Hong Kong	385	1,396
Other regions in the People's Republic of China (the "PRC")	316	686
	<u>701</u>	<u>2,082</u>
Deferred taxation	363	(283)
	<u>1,064</u>	<u>1,799</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30th June 2004: 17.5%) of the estimated assessable profit for the period. Taxation arising in the PRC is calculated at the applicable rates prevailing in the relevant jurisdictions.

9. INTERIM DIVIDEND

During the period, the final dividend of HK 7 cents (six months ended 30th June 2004: final and special dividends totalling HK 15 cents) per share in respect of the year ended 31st December 2004 was paid to shareholders.

The directors have resolved that an interim dividend of HK 2 cents (six months ended 30th June 2004: HK 3 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 17th October 2005. It is expected that the interim dividend will be paid on 3rd November 2005.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Earnings for the purposes of basic and diluted earnings per share	<u>7,236</u>	<u>12,944</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	371,590,462	370,228,991
Effect of dilutive potential ordinary shares in respect of share options	<u>222,677</u>	<u>372,091</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	371,813,139	370,601,082

	Basic HK cents	Diluted HK cents
Reconciliation of earnings per share for the six months ended 30th June 2004:		
As originally stated	3.7	3.7
Adjustments arising from the changes in accounting policies	<u>(0.2)</u>	<u>(0.2)</u>
As restated	<u>3.5</u>	<u>3.5</u>

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired property, plant and equipment at the total cost of approximately HK\$29 million. There were no other material additions or disposals of property, plant and equipment or investment properties during the period.

The Group's investment properties were revalued at 30th June 2005 by RHL Appraisal Ltd., a firm of independent property valuers. The revaluation has given rise to an increase of HK\$2,800,000 which has been recognised in the income statement.

12. INVESTMENTS IN SECURITIES

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Held-to-maturity investments (previously classified as held-to-maturity securities)		
Unlisted bonds	63,821	73,549
Investments at fair value through profit or loss (previously classified as other securities)		
Securities listed in Hong Kong	<u>171</u>	<u>240</u>
	<u>63,992</u>	<u>73,789</u>
<i>Less:</i> Amounts included in current assets		
Held-to-maturity investments (held-to-maturity securities)	(10,115)	(9,971)
Investments at fair value through profit or loss (other securities)	<u>(171)</u>	<u>(240)</u>
	<u>(10,286)</u>	<u>(10,211)</u>
	<u>53,706</u>	<u>63,578</u>
Market value of listed investments	<u>171</u>	<u>240</u>

13. BANKS DEPOSITS

The Group's bank deposits are funds placed with banks for long term, accordingly are classified as non-current.

14. TRADE AND OTHER RECEIVABLES

The Group normally allows credit periods ranging from 30 to 90 days to its trade customers.

The following is an aged analysis of trade and other receivables outstanding at the reporting date:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
0 - 30 days	17,640	10,412
31 - 60 days	7,947	10,178
61 - 90 days	2,696	11,501
Over 90 days	4,695	7,178
	<u>32,978</u>	<u>39,269</u>

15. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables outstanding at the reporting date:

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
0 - 30 days	52,158	25,074
31 - 60 days	3,577	7,214
61 - 90 days	58	2,063
Over 90 days	11	400
	<u>55,804</u>	<u>34,751</u>

16. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	Number of shares		Nominal value	
	30th June 2005 '000	31st December 2004 '000	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Issued and fully paid				
At beginning of the period/year	371,712	367,412	37,171	36,741
Shares repurchased and cancelled	(420)	(100)	(42)	(10)
Issued pursuant to exercise of share options	—	4,400	—	440
At end of the period/year	<u>371,292</u>	<u>371,712</u>	<u>37,129</u>	<u>37,171</u>

During the period, the Company repurchased 420,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$711,000, all of which have been cancelled.

None of the Company's subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period.

17. CAPITAL COMMITMENTS

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	<u>24,618</u>	<u>22,619</u>

18. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the interim reporting date:

- (a) the Group has completed the repurchase of 37,000,000 of the Company's shares from a shareholder for an aggregate consideration of HK\$57,720,000.
- (b) the Hong Kong Customs and Excise Department have seized certain computer equipment of the Group located at its principal office for investigation of an alleged infringement of computer software rights. Up to the date of approval of these financial statements, the investigation is still in progress. A provision of HK\$1,000,000 has been made against the possible costs which may be caused for this incident.

DIRECTORS' INTERESTS IN SHARES

The beneficial interests of the directors of the Company and their associates in the shares of the Company and its associated corporations at 30th June 2005 within the meaning of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained under Section 352 of the SFO, and their interests in the share options of the Company at that date, are as follows:

Long Position in Shares and Underlying Shares of the Company

Name of directors	Note	Personal interest	Family interest	Interest of controlled corporation	Number of underlying shares (share option)	Total interests	Percentage of issued share capital (%)
Mr. Yip Yun Kuen	1	30,864,600	6,435,000	133,925,220	—	171,224,820	46.12
Ms. Chan Pik Ha	1	6,435,000	30,864,600	133,925,220	—	171,224,820	46.12
Mr. Chan Shu Po	2	4,720,320	—	—	300,000	5,020,320	1.35
Mr. Yip Yun Tim	2	400,000	—	—	300,000	700,000	0.19
Mr. Man Mo Leung		182,000	—	—	—	182,000	0.05

Notes:

1. Ms. Chan Pik Ha is the spouse of Mr. Yip Yun Kuen and jointly controlled the corporate interest of 133,925,220 ordinary shares of the Company through Extrad Assets Limited.
2. The Company's share option scheme (the "Scheme") was adopted on 21st December 1995. The outstanding options as at period end to subscribe for 600,000 Shares, which were granted previously, are exercisable during the period from 1st January 2004 to 31st December 2013 at the price of HK\$1.10 per share. No options were granted, exercised, lapsed or cancelled under the Scheme during the period.

Save as disclosed above and for shares in certain subsidiaries held by directors in trust for their immediate holding companies, at 30th June 2005, none of the directors and chief executive of the Company, or any of their associates, had any interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO Ordinance, and none of the directors and chief executives of the Company, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30th June 2005, the following shareholders were interested in 5 per cent or more of the issued share capital of the Company according to the register of interest required to be kept by the Company under section 336 of the SFO:

Long Positions in the Shares of the Company

Name of shareholder	Note	Capacity	Number of shares	Percentage of issued share capital (%)
Mr. Yip Yun Kuen	1	Beneficial owner (30,864,600) Family interest (6,435,000) Interest of controlled corporation (133,925,220)	171,224,820	46.12
Ms. Chan Pik Ha	1	Beneficial owner (6,435,000) Family interest (30,864,600) Interest of controlled corporation (133,925,220)	171,224,820	46.12
Extrad Assets Limited	1	Beneficial owner	133,925,220	36.07
Walbeck International Limited	2	Beneficial owner	74,062,352	19.95
Arisaig Greater China Fund	3	Beneficial owner	20,564,000	5.54

Notes:

1. Extrad Assets Limited is a company owned by Mr. Yip Yun Kuen and his spouse Ms. Chan Pik Ha.
2. Walbeck International Limited is a subsidiary of First Shanghai Investments Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
3. Arisaig Greater China Fund through its investment manager Arisaig Partner (Mauritius) Limited owns 20,564,000 shares of the Company

Other than as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital or short positions in the shares or underlying shares of the Company as at 30th June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the period decreased by 3.4% from HK\$205 million to HK\$198 million. Unaudited consolidated profit attributable to shareholders for the six months ended 30th June 2005 decrease by 44% from HK\$12.9 million to HK\$7.2 million.

The period under review was a difficult time for the toy industry. The profit margin of the Company was affected by the spiraling raw material cost. The increase in the statutory minimum wages since March 2005 in the Pearl River Delta Region has also increased the burden of the Group and with the persistent shortage of reliable electricity supply, the operating conditions have been very challenging.

The Group has managed to raise the prices of its products to a limited extent to compensate for the increase in operating costs. Nevertheless, due to the keen competition in the toy industry, the Group unavoidably has to absorb some of the burden.

Due to seasonality of the industry, the management expects an improvement of the result in the peak season of the second half year of 2005.

Liquidity and Financial Position

The Group continued to maintain a healthy financial position. Total cash and bank balances and marketable securities amounted to HK\$72 million and HK\$64 million respectively as at 30th June 2005. The Group was debt free as at 30th June 2005 and 31st December 2004.

Treasury Policies

The Group's monetary transactions and deposits continued to be in the form of US dollars, Renminbi and HK dollars. The Group adopted conservative treasury policies and did not enter into any derivatives products during the period under review.

Business Prospect

In common with many manufacturing businesses in China, the Group was affected by the spiraling material and operating costs in the PRC production plants. The recent appreciation of Renminbi should not have significant impact to the Group at present as major raw materials are sourced outside the PRC.

The Group will continue to develop high value-added new products and strive for cost saving through effective management on automation and production planning.

The first phase of the production plant in He Yuan is near completion and would commence operation soon. The management will take this opportunity to conduct a review on the useful life of the Group's property, plant and equipment. The He Yuan production plan is part of the Group's long-term strategic planning to counter the expected continued increase in operating costs in the Pearl River Delta Region for the foreseeable future. The new production plant is expected to yield further cost saving in production in the future.

PERSONNEL

The average number of employees of the Group during the period was approximately 5,900 (year ended 31 December 2004: 5,800) of whom 790 (year ended 31 December 2004: 790) were office administration staff.

Bonuses are awarded based on individual performance and made to certain employees of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company had repurchased ordinary shares of the Company on the Stock Exchange at an aggregate consideration of HK\$711,000 (detailed as follows), all of which have been cancelled.

Date	No. of Shares	Price per Share (HK\$)
4th May 2005	150,000	1.71
6th May 2005	100,000	1.70
6th May 2005	100,000	1.71
27th May 2005	70,000	1.62
	420,000	

Except as aforementioned, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

EVENTS AFTER BALANCE SHEET DATE

The Company entered into an agreement on 16th June 2005 (which was supplemented by a supplemental agreement dated 8th July 2005) with Walbeck International Limited (“Walbeck”), a substantial shareholder of the Company for an off-market repurchase of 37 million shares from Walbeck at \$1.56 per share, totalling HK\$57,720,000 in cash (the “Share Repurchase”). For further details, please refer to the circular to shareholders in connection with the Share Repurchases dated 29th July 2005. The Share Repurchase was approved by the independent shareholders at the special general meeting held on 22nd August 2005. Mr. Xin Shu Lin, Steve has resigned as non-executive director of the Company upon the completion of the Share Repurchase. Mr. Xin’s resignation was effective from 16th September 2005.

Subsequent to the balance sheet date, the Hong Kong Customs and Excise Department have seized certain computer equipment of the Group located at its principal office for investigation of an alleged infringement of computer software rights. As at the date of approval of these financial statements, the investigation is still in progress. A provision of HK\$1 million has been made in the current period against the possible costs which may be caused from this incident.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive Directors (“INEDs”) and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Board comprises three INEDs including two with financial management expertise. Details of their biographies were set out in the 2004 Annual Report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12th October 2005 to Monday, 17th October 2005, both days inclusive, during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 10th October 2005.

CODE OF BEST PRACTICE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2005, with deviations from code provisions A2.1, A4.2 and B1.1 — B1.5 of the Code.

Code Provision A2.1

Under the code provision A2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual.

The Company does not have a separate chairman and CEO and Mr. Yip Yun Kuen holds both positions. The deviation is deemed necessary as, given the nature and size of the Company's business, it is at this stage considered to be more efficient to have one single person to hold both positions. The Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

Code Provision A4.2

According to the code provision A4.2, all directors appointed to fill a causal vacancy should be subject to election at the first general meeting after their appointment. All directors should be subject to retirement by rotation at least once every three years.

To comply with the code provision A4.2, the relevant amendment to Bye-law 87 of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 27th May 2005.

Code Provision B1.1 — B1.5

Listed issuers should establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be the INEDs. The major duty of the committee is to make recommendations to the board on remuneration policy and structure and on the establishment of a formal and transparent procedure for developing remuneration policy.

To comply with this code provision, a remuneration committee was established on 16th September 2005. The specific written terms of reference for the committee has been adopted and approved by the board. The committee comprise of two INEDs and one executive director.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements are unaudited, but have been reviewed by the Company's audit committee and external auditors.

On behalf of the Board

Yip Yun Kuen

Chairman

Hong Kong, 16th September 2005