

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2006 (2005: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK\$202.76 million, a slight increase of 1.42% as compared to HK\$199.92 million reported for the corresponding period last year. The profit attributable to shareholders amounted to HK\$8.62 million, representing an increase of 9.96 times compared to HK\$0.79 million reported for the corresponding period. The good performance was mainly attributed to the improved results of the Group's interest in associates.

BUSINESS REVIEW

Model Trains and Toys

The model trains business continued to be the key contributor to the Group's performance. During the first half year, the turnover for model trains was HK\$130.11 million, represented an increase of 3.52% as compared to the corresponding period last year. With the strong base in the U.S. and Europe markets as well as the promising response in the Japan market, the Group's another focus would be on the potential of the Chinese trains series, which have been well received in the recent sales campaigns. With the growing demand for collectibles in the current booming China economy, the Group is anticipating a new milestone in its trains business.

During the period under review, the turnover for the Group's OEM/ODM toys business was approximately HK\$60.41 million, a slight decrease of 2.38% as compared to the corresponding period last year. The increase in raw material, energy and labour costs affected the Group's profit margin. Meanwhile, the Group continued to exercise stringent cost control and broaden the product range to capture the market of high value-added products so that such adverse impact was moderated.

Looking ahead, to cope with the global trend of integrating electronics and new technologies into toys, the Group will keep on making efforts in research and development for its new products and at the same time, further expand its markets by broadening the product range and customer base.