

Charges on Group Assets

As at 30th June 2006, certain investment properties, leasehold land and buildings and other assets of the Group valued at approximately HK\$686.48 million (at 31st December 2005: HK\$732.76 million) were pledged to several banks to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

There are no material acquisitions and disposals during the period ended 30th June 2006. At the moment, there are no major plans for acquiring substantial investments or capital assets.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated in Hong Kong Dollars, U.S. Dollars, Sterling Pounds, Renminbi Yuan and Canadian Dollars. During the period under review, the majority of the Group's sales revenues were denominated in Hong Kong Dollars, U.S. Dollars and Sterling Pounds while the majority of its raw materials and equipment purchases were settled in Hong Kong Dollars. As such, the Group was facing a certain degree of exchange risk; mainly arising from Sterling Pounds denominated sales transactions of which the exchange rate volatility is relatively high. Meanwhile, forward contracts were arranged and the exchange risk in this respect was substantially covered.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2006, the Group employed approximately 7,650 (at 30th June 2005: 8,400; at 31st December 2005: 6,960) full time management, administrative and production staff in Hong Kong SAR, Mainland China, the United States and Europe. The Group had seasonal fluctuation in the number of workers employed in its production plant while the number of other management and administrative staff remained stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

Despite the recent recovery on global economic condition, the competition within the toys industry remained keen while the problems hindering manufacturers' business were increasing. The volatility of raw material prices and rising energy and labour costs in Guangdong province have been the immediate concern for manufacturers. These unfavourable factors were bringing adverse impact on manufacturers' profitability.

Looking ahead, in order to enhance the competitiveness of the Group and to maintain the leading position in the industry, the Group is improving its production efficiency through stringent management controls, and at the same time implementing series of exercises on cost saving and monitoring. The Group aims to sharpen its competitive edge in terms of productivity, quality and reliability. Moreover, the Group will endeavour to keep abreast of market trends, bring new ideas to its products, explore new markets as well as maintain good relationship with the existing valued customers. The Group is cautiously optimistic to achieve good result for year 2006 as a whole.