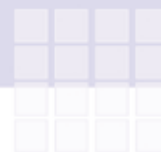


REPORT OF THE DIRECTORS



The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries during the year consisted of the design, manufacture and sale of toys, motors, electrical household appliances and material primarily for use in cathode ray tube and liquid crystal display. There were no significant changes in the principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 17 to 58.

An interim dividend of HK0.5 cent per ordinary share was paid to shareholders on 20 January 2005. The directors recommend the payment of a final dividend of HK2.5 cents per ordinary share in respect of the year, to shareholders on the register of members on 23 August 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements of the Group.

RESULTS	Year ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	737,015	624,665	794,209	785,804	811,561
PROFIT AFTER FINANCE COSTS	55,167	26,084	84,432	119,850	103,663
Share of profits less losses of associates	(16,736)	6,772	(2,028)	(1,336)	(3,000)
PROFIT BEFORE TAX	38,431	32,856	82,404	118,514	100,663
Tax	(4,705)	(3,517)	(6,837)	(9,309)	(6,904)
PROFIT BEFORE MINORITY INTERESTS	33,726	29,339	75,567	109,205	93,759
Minority interests	(2,960)	(4,507)	(4,124)	(11,171)	(9,067)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	30,766	24,832	71,443	98,034	84,692

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS	31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS	352,197	383,114	335,426	290,354	284,843
CURRENT ASSETS	334,656	273,846	315,841	311,523	286,415
TOTAL ASSETS	686,853	656,960	651,267	601,877	571,258
CURRENT LIABILITIES	(122,725)	(119,069)	(113,858)	(90,957)	(123,855)
NON-CURRENT LIABILITIES	(29,145)	(27,174)	(16,724)	(15,595)	(19,598)
TOTAL LIABILITIES	(151,870)	(146,243)	(130,582)	(106,552)	(143,453)
MINORITY INTERESTS	(13,769)	(12,419)	(10,340)	(28,855)	(17,928)
NET ASSETS	521,214	498,298	510,345	466,470	409,877

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

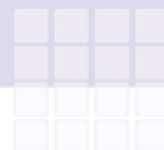
There were no movements in either the Company's authorised or issued share capital during the year. Details of the share capital and movements in the share options of the Company during the year, together with the reasons therefor, are set out in notes 22 and 23 to the financial statements, respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.



DISTRIBUTABLE RESERVES

As at 31 March 2005, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to HK\$129,781,000, of which HK\$10,120,000 has been proposed as a final dividend for the year. Under the Companies Act 1981 of Bermuda, the Company's contributed surplus of HK\$104,750,000 may be distributed under certain circumstances. In addition, the Company's share premium account with a balance of HK\$104,441,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 58% of the total sales for the year and sales to the largest customer included therein amounted to 33%.

The purchases attributable to the Group's five largest suppliers accounted for less than 30% of the total purchases of the Group for the year.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), nor those shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's major customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Cheng Chor Kit	
Chui Pak Shing	
Fan Sau Leung	
Wong Kin Chung	
Yuen Wai Kwong	(appointed on 17 December 2004)
Chan Tak Yin	(resigned on 3 January 2005)

Independent non-executive directors

Chung Chi Ping, Roy	
Wong Chi Wai, Albert	(appointed on 13 September 2004)
Sun Kwai Yu, Vivian	(appointed on 13 September 2004)
Lam Shuet Ching, Gloria	(resigned on 13 September 2004)

In accordance with the Company's bye-laws, Cheng Chor Kit, Yuen Wai Kwong, Wong Chi Wai, Albert and Sun Kwai Yu, Vivian will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors confirm that the Company has received from each of its independent non-executive directors a confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Cheng Chor Kit and Wong Kin Chung entered into service contracts with the Company for terms of three years commencing from 1 April 1997, which have been renewed automatically each year for successive terms of one year subject to termination by either party giving not less than six months' notice in writing to the other party. Chui Pak Shing, Fan Sau Leung and Yuen Wai Kwong entered into service contracts with the Company for terms of three years commencing from 22 April 2002, 17 October 2002 and 17 December 2004, respectively, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws unless terminated by either party giving not less than six months' notice in writing to the other party, the termination of which should not be later than the end of the three years. On 29 April 2005, Chui Pak Shing renewed his service contract with the Company for terms of three years commencing from 29 April 2005 subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws unless terminated by either party giving not less than six months' notice in writing to the other party, the termination of which should not be later than the end of the three years.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

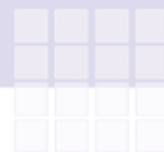
DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(A) Shares

Name of director	Long position/ short position	Capacity	No. of shares	Percentage of the Company's issued share capital
Cheng Chor Kit	Long position	Founder of a trust	266,018,000 (Note)	65.71%
Wong Kin Chung	Long position	Beneficial owner	3,050,000	0.75%

Note: These shares, amounting to around 65.71% of the total issued share capital of the Company, are held by Resplendent Global Limited ("Resplendent"), a company incorporated in the British Virgin Islands. Padora Global Inc. ("Padora") is the beneficial owners of all the issued share capital of Resplendent. Padora is a company incorporated in the British Virgin Islands and is wholly-owned by Polo Asset Holdings Limited, which is ultimately owned by the trustees of a discretionary trust established by Cheng Chor Kit for his family.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

(B) Underlying Shares

Name of director	Long position/ short position	Capacity	No. of share option granted	No. of underlying shares in respect of share option held and approximately percentage of shareholding	Date of share option granted	Exercise period	Exercise price per share
Cheng Chor Kit	Long position	Beneficial owner	2,000,000	2,000,000 (0.49%)	14/11/2003	14/11/2006- 13/11/2013	HK\$1.592
Chui Pak Shing	Long position	Beneficial owner	422,000	422,000 (0.10%)	14/11/2003	14/11/2006- 13/11/2013	HK\$1.592
Fan Sau Leung	Long position	Beneficial owner	392,000	392,000 (0.097%)	14/11/2003	14/11/2006- 13/11/2013	HK\$1.592
Wong Kin Chung	Long position	Beneficial owner	312,000	312,000 (0.078%)	14/11/2003	14/11/2006- 13/11/2013	HK\$1.592

The directors' interests in the Company's share options are disclosed in note 23 to the financial statements.

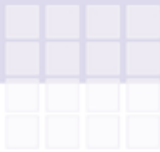
Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option scheme disclosures in note 23 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Concerning the share options granted during the year to the directors, substantial shareholders, employees, suppliers and others, as detailed in note 23, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because in the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of the share options.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Executive directors

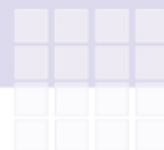
Cheng Chor Kit, aged 53, is the Chairman of the Company. He is the founder of the Group and is responsible for the Group's overall operation and strategic planning. He is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Congress (中國人民政治協商會議廣東省委員會), a member of the Shaoguan, Guangdong Provincial Committee of the Chinese People's Political Consultative Congress (中國人民政治協商會議廣東省韶關委員會委員), and a member of the Standing Committee of Shixing, Shaoguan, The People's Republic of China (the "PRC") (中華人民共和國韶關市始興縣政協常委). He has over 30 years' experience in the toy industry.

Chui Pak Shing, CPA (Aust.), AHKICPA, aged 37, is an executive director of the Company. He joined the Group in 1997 and is responsible for the corporate and day-to-day management. He is a member of CPA Australia, an associate member of the Hong Kong Institute of Certified Public Accountants and holds a master's degree in business administration from the United Kingdom.

Yuen Wai Kwong, aged 53, is an executive director of the Company. He is responsible for the marketing and engineering function of the toy division. He graduated from Hong Kong Polytechnic in 1975 and has more than 28 years experience in the toy industry. Before he joined the Group in April 2003, he had worked as senior executive in several major local and multinational toy manufacturing and marketing companies.

Fan Sau Leung, Tony, MSc (IM), BBA, IENG, aged 55, is an executive director of the Company. He joined the Group in 1998 and is responsible for organising and managing the Group's engineering and marketing activities. He is an Incorporated Engineer of I.E.E. and holds BBA and MSc degrees in marketing. He has more than 30 years of experience in the design engineering field and marketing management.

Wong Kin Chung, aged 59, is an executive director of the Company. He joined the Group in 1982 and is responsible for the overall operations in Shenzhen, the PRC. He has more than 20 years of experience in the toy industry.



BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (continued)

Independent non-executive directors

Chung Chi Ping, Roy, MSc, aged 53, is the co-founder and managing director of Techtronic Industries Company Limited. He holds a Master of Science degree in Engineering Business Management from the University of Warwick. He won the 1997 HK Young Industrialists Award, and is currently Deputy Council Chairman of Hong Kong Polytechnic University, Deputy Chairman of Federation of Hong Kong Industries, an Elected Council Member & Executive Committee Member of Hong Kong Management Association, a Member of the Advisory Board for Lingnan University's Faculty of Business, a Council Member of Vocational Training Council, Director of the HK Safety Institute Ltd & the HK Standards & Testing Centre Ltd, Director of HK Applied Science and Technology Research Institute Co. Ltd (ASTRI) and the Vice-Chairman of Governing Board of Dongguan City Association of Enterprises with Foreign Investment. He is also an independent non-executive director of Daka Designs Limited.

Wong Chi Wai, Albert, aged 39, is a certified public accountant (practising) in Hong Kong and an associate member of The Institute of Chartered Accountants in England and Wales. He has also been admitted as a barrister of the High Court of Hong Kong since 1998. He has over 16 years of experience in the accountancy profession and he currently is the owner of a certified public accountants firm, a senior consultant of another certified public accountants firm and an adviser of a law firm. He is also an independent non-executive director and audit committee member of Bonjour Holdings Limited and Arts Optical International Holdings Limited.

Sun Kwai Yu, Vivian, aged 43, is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. She has 18 year's experience working in a renowned international accounting firm and she is currently the founder and chief consultant of a consultancy firm.

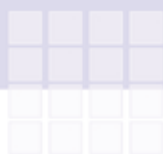
SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity of interest and nature	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Cheng Chor Kit (Note)	Through a controlled corporation	266,018,000	65.71	2,000,000

Note: These shares were held through Resplendent.

This shareholding is duplicated in the section headed "Directors' interests and short positions in shares and underlying shares" disclosed above.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

The details of the share options outstanding during the year are separately disclosed in note 23 to the financial statements.

Saved as disclosed above, no person, other than Cheng Chor Kit, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

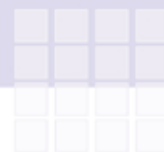
At 31 March 2005, the Group had advanced a total of HK\$18,223,000 (the "Loan") to Full Summit Development Limited ("Full Summit"), an associate of the Group, and provided a guarantee (the "Guarantee") of HK\$41,000,000 to a bank for facilities granted to Full Summit and its subsidiary, Concord Modern International Technology Limited, collectively referred to as Full Summit Group. The total amount of the Loan and Guarantee of HK\$59,223,000 exceeds 8 percent of one or more of the percentage ratios as set out in Rule 14.04(9) of the Listing Rules, thus giving rise to a disclosure obligation under Rule 13.22 of the Listing Rules. Accordingly, a combined balance sheet of Full Summit Group and the Group's attributable interest therein are presented below:

	Combined balance sheet <i>HK\$'000</i>
Non-current assets	98,133
Current assets	17,638
Current liabilities	(63,162)
Non-current liabilities	(79,645)
	<u>(27,036)</u>
Group's attributable interests	<u>(13,518)</u>

The Group is obliged to bear the deficit of Full Summit Group, as the Group granted corporate guarantees to Full Summit Group in proportion to the Group's shareholdings in Full Summit Group.

DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

The Group had trade receivables (the "Trade Receivables") due from a customer, Hasbro SA of HK\$27,555,000 as at 31 March 2005 and HK\$32,461,000 as at 30 June 2005 which individually exceeds 8 percent of the market capitalisation of the Group. The Trade Receivables are for sales of toys and related products which are unsecured, interest-free and have a normal repayment term of about 21 days. Hasbro SA is independent third party not connected to directors, chief executives or substantial shareholders of the Group or their respective associates.



PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CONNECTED TRANSACTIONS

Details of the connected transactions of the Group are set out in note 26 to the financial statements.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code of corporate governance practices (the "Code") as set out in the Listing Rules which is applicable to be disclosed in this annual report, except that the independent non-executive directors are not appointed for a specific terms but subject to retirement by rotation and re-election at the annual general meeting in accordance with the by-laws of the Company.

The total directors' fees paid to the independent non-executive directors of the Company for the year ended 31 March 2005 amounted to HK\$263,000.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float pursuant to the Listing Rules during the year under review and up to the latest practicable date prior to the issue of this annual report.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") in 1999 in compliance with the requirements of the Listing Rules. The Committee was established with written terms of reference, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors. The work of the Committee has covered the full financial year ended 31 March 2005.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheng Chor Kit
Chairman

Hong Kong
22 July 2005