



## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Statement of Standard Accounting Practice No. 2.125 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 December 2003.

#### **Joint Ventures**

A joint venture is a contractual arrangement where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group’s interests in jointly controlled entities are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group’s share of the net assets of the jointly controlled entities. The Group’s share of post-acquisition results of the jointly controlled entities is included in the consolidated profit and loss account.

This unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company and were approved by the board of directors on 17 August 2004.

## 2. SEGMENT INFORMATION

### (a) Business segments

The following tables present revenue and results for the Group's business segments.

	Toys		Decorative gift items		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2004	2003	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>19,633</u>	<u>22,094</u>	<u>14,544</u>	<u>7,654</u>	<u>34,177</u>	<u>29,748</u>
Segment results	<u>1,322</u>	<u>2,208</u>	<u>500</u>	<u>479</u>	<u>1,822</u>	<u>2,687</u>
Interest, rental income and unallocated gains					995	1,168
Unallocated expenses					<u>(1,251)</u>	<u>(2,305)</u>
Operating profit					<u>1,566</u>	<u>1,550</u>
Finance costs					<u>(1,117)</u>	<u>(1,177)</u>
Share of profit of an associate					<u>164</u>	<u>-</u>
Profit before taxation					<u>613</u>	<u>373</u>
Taxation					<u>(56)</u>	<u>(47)</u>
Minority interest					<u>54</u>	<u>(37)</u>
Profit attributable to shareholders					<u>611</u>	<u>289</u>



## (b) Geographical segments

The following tables present revenue and results for the Group's geographical segments.

	The PRC (including Hong Kong)		North America		European Union		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>11,368</u>	<u>13,572</u>	<u>16,069</u>	<u>10,388</u>	<u>4,476</u>	<u>4,058</u>	<u>2,264</u>	<u>1,730</u>	<u>34,177</u>	<u>29,748</u>
Segment results	<u>3,187</u>	<u>5,820</u>	<u>(1,128)</u>	<u>(2,072)</u>	<u>(154)</u>	<u>(726)</u>	<u>(83)</u>	<u>(335)</u>	<u>1,822</u>	<u>2,687</u>

### 3. TURNOVER AND OTHER REVENUE

Turnover represents the total invoiced value of goods sold, net of allowances for returns and trade discounts.

An analysis of the Group's turnover and other revenue is as follows:

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover – sale of goods	<u>34,177</u>	<u>29,748</u>
Other revenue		
Bank interest income	79	176
Gross rental income	177	365
Exchange gains, net	126	69
Proceeds from sale of moulds	213	277
Dividend income	59	119
Others	341	162
	<u>995</u>	<u>1,168</u>

#### 4. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>4,065</b>	4,368
Amortisation of Goodwill	<b>134</b>	134
Amortisation of production and distribution rights	<b>500</b>	–
Unrealised holding loss on short term investments	<b>66</b>	916
Loss on disposal of short term investments	<b>149</b>	–
Staff costs	<b>7,429</b>	6,051
	<b><u>7,429</u></b>	<b><u>6,051</u></b>

#### 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and trust receipt loans wholly repayable within five years	<b>1,003</b>	1,066
Interest on bank loans not wholly repayable within five years	<b>67</b>	75
Interest on finance leases	<b>47</b>	36
	<b><u>1,117</u></b>	<b><u>1,177</u></b>



## 6. TAXATION

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Provision for the period:		
Hong Kong	27	25
Elsewhere	—	22
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Share of taxation attributable to an associate	29	—
	<hr/>	<hr/>
	<b>56</b>	<b>47</b>
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Hong Kong profits tax is calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

## 7. DIVIDENDS

The Board has resolved not to pay any interim dividend for the period (2003: Nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$611,000 (2003: HK\$289,000) and the weighted average of 2,213,820,000 (2003: 2,206,762,740) ordinary shares in issue during the period.

Diluted earnings per share for the period ended 30 June 2004 is not presented as there was no potential dilutive ordinary shares in existence for the period.

## 9. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2004 are analysed as follows:

	(Unaudited) HK\$'000
At 1 January 2004	148,334
Additions	4,845
Disposals	(5,657)
Depreciation	(4,065)
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<b>At 30 June 2004</b>	<b>143,457</b>
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## 10. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An ageing analysis of trade and bills receivables as at 30 June 2004, net of provision, is as follows:

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Current to 30 days	13,565	3,090
31 days to 90 days	158	2,965
91 days to 180 days	10	307
Over 180 days	18	3
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	<b>13,751</b>	<b>6,365</b>
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## 11. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables as at 30 June 2004 is as follows:

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Current to 30 days	4,582	687
31 days to 90 days	3,030	5,864
91 days to 180 days	201	1,340
181 days to 360 days	306	74
Over 360 days	77	32
	<u>8,196</u>	<u>7,997</u>

## 12. SHARE CAPITAL

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
<b>Authorised:</b>		
5,000,000,000 ordinary shares of HK\$0.02 each	<u>100,000</u>	<u>100,000</u>
	Number of ordinary shares of HK\$0.02 each	Par value HK\$'000
<b>Issued and fully paid:</b>		
At 1 January and 30 June 2004	<u>2,213,820,000</u>	<u>44,277</u>

### Share options

Effective from 28 May 2002, the Company has adopted a new share option scheme (the “New Scheme”) to replace the original scheme adopted on 22 January 2001. A summary of the terms of the New Scheme was contained in the Company’s circular dated 3 May 2002.

No options had been granted or outstanding under the share option scheme operated by the Company up to the date of this report.

### 13. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties:

<b>Nature of transaction</b>	<b>2004 (Unaudited) HK\$’000</b>	2003 (Unaudited) HK\$’000
Sales to an associate	<u>3,973</u>	<u>704</u>

The directors consider that the sales of goods to the associate were made according to similar terms offered to other customers of the Group.