

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, if any.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2003.

Due to the first time adoption of the revised SSAP 12 "Income Taxes" issued by HKICPA which affect financial statements beginning at 1st January, 2003, comparative amounts for prior period need to be restated for consistent presentation. In this regard, retained profits as at 31st December 2002 is therefore restated.

2. BUSINESS SEGMENTS

For management purposes, the Group's business is currently divided into four segments, namely manufacture and sale of novelties and decorations, manufacture and sale of packaging products, trading of PVC films and plastic materials and manufacture and sale of toys products forming the basis of the Group's business segments reporting.

For the six months ended 30th June, 2004

	(Unaudited)					
	Novelties and decorations	Packaging products	PVC films and plastic materials	Toys	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	33,271	65,864	35,699	59,428	-	194,262
Inter-segment sales	42	11,237	1,127	-	(12,406)	-
Total revenue	33,313	77,101	36,826	59,428	(12,406)	194,262
RESULT						
Segment results	5,734	4,894	1,243	682	(961)	11,592
Loss from investments						(1,696)
Unallocated corporate expenses						(530)
Profit from operations						9,366
Finance costs						(606)
Profit before taxation						8,760
Taxation						(1,169)
Profit after taxation						7,591

For the six months ended 30th June, 2003

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	(Unaudited) PVC films and plastic materials <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External sales	30,864	53,923	14,324	–	99,111
Inter-segment sales	15	5,846	177	(6,038)	–
	<u>30,879</u>	<u>59,769</u>	<u>14,501</u>	<u>(6,038)</u>	<u>99,111</u>
RESULT					
Segment results	<u>1,670</u>	<u>734</u>	<u>(84)</u>	<u>(302)</u>	2,018
Profit from investments Unallocated corporate expenses					2,964 (615)
Profit from operations					4,367
Finance costs					(35)
					<u>4,332</u>
Profit before taxation					4,332
Taxation					(328)
					<u>4,004</u>
Profit after taxation					<u>4,004</u>

3. GEOGRAPHICAL SEGMENTS

The following table provides an analysis of the Group's sales by geographical segments:

	(Unaudited) For the six months ended 30th June,	
	2004	2003
By geographical market:	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	104,972	68,693
Europe	28,955	14,363
America	44,575	14,814
Asia (other than Hong Kong)	14,707	710
Others	1,053	531
	<u>194,262</u>	<u>99,111</u>

4. OTHER OPERATING INCOME

	(Unaudited)	
	For the six months ended	
	30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	313	302
Interest income	1,011	1,445
Dividend income	205	151
Exchange gain	698	2,643
Gain on disposal of trading securities	–	648
Gain on disposal of other securities	3	–
Others	837	87
	<u>3,067</u>	<u>5,276</u>

5. OTHER OPERATING EXPENSES

	(Unaudited)	
	For the six months	
	ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrealised loss on trading securities	924	477
Loss on disposal of trading securities	1,421	–
	<u>2,345</u>	<u>477</u>

6. PROFIT FROM OPERATIONS

Profit from operations was stated after charging depreciation of approximately HK\$10,012,000 (2003: HK\$6,853,000) and amortisation of goodwill of approximately HK\$53,000 (2003: HK\$53,000).

7. TAXATION

	(Unaudited)	
	For the six months	
	ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax charge comprises:		
Hong Kong Profits tax		
Current period	22	769
Deferred taxation	1,147	(441)
	<u>1,169</u>	<u>328</u>

Hong Kong Profits tax is stated at 17.5% (2003: 17.5%) of the estimated assessable profits for the period.

8. DIVIDENDS

	(Unaudited) For the six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Final paid:		
3.5 cents per share for 2003 (2003: 5 cents per share for 2002)	10,724	13,900

The directors have resolved to declare an interim dividend of 1 cent (2003: 0.5 cent) per share.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the net profit for the period of approximately HK\$7,155,000 (2003: HK\$4,240,000) and the following data:

	(Unaudited) For the six months ended 30th June,	
	2004	2003
Weighted average number of ordinary shares for the purposes of basic earnings per share	303,012,596	273,239,259
Effect of dilutive potential ordinary shares:		
Share options	523,381	367,075
Weighted average number of ordinary shares for the purposes of diluted earnings per share	303,535,977	273,606,334

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$8,051,000 (2003: HK\$5,684,000).

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of the Group's trade receivables at end of the period:

	(Unaudited) 30th June, 2004 HK\$'000	(Audited) 31st December, 2003 HK\$'000
0-60 days	68,491	43,718
61-90 days	12,624	12,598
91-120 days	9,329	7,689
> 120 days	7,393	4,970
	97,837	68,975

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at end of the period:

	(Unaudited) 30th June, 2004 <i>HK\$'000</i>	(Audited) 31st December, 2003 <i>HK\$'000</i>
0-60 days	44,974	23,123
61-90 days	5,850	5,369
91-120 days	4,508	4,619
> 120 days	1,910	1,664
	<u>57,242</u>	<u>34,775</u>

13. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	(Unaudited) 30th June, 2004 <i>HK\$'000</i>	(Audited) 31st December, 2003 <i>HK\$'000</i>	(Unaudited) 30th June, 2004 <i>HK\$'000</i>	(Audited) 31st December, 2003 <i>HK\$'000</i>
Amount payable under a finance lease:				
Within one year	207	207	190	185
More than one year, but not exceeding two years	207	207	200	196
More than two years, but not exceeding five years	34	137	34	135
	<u>448</u>	<u>551</u>	<u>424</u>	<u>516</u>
Less: Future finance charges	(24)	(35)	-	-
Present value of lease obligations	<u>424</u>	<u>516</u>	424	516
Less: Amount due within one year shown under current liabilities			(190)	(185)
Amount due after one year			<u>234</u>	<u>331</u>

It is the Group's policy to lease certain of its plant and equipment under a finance lease. The average lease term is 3 years. For the six months ended 30th June, 2004, the average effective borrowing rate was 5.2% (2003: Nil). Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements has been entered into for contingent rental payments.

The Group's obligations under a finance lease are secured by the lessors' charged over the leased assets.

14. SECURED BANK BORROWINGS

	(Unaudited) 30th June, 2004 <i>HK\$'000</i>	(Audited) 31st December, 2003 <i>HK\$'000</i>
Bank overdrafts	–	1,772
Bank loans	–	13,917
Trust receipt loans	–	10,961
	<hr/>	<hr/>
	–	26,650
	<hr/> <hr/>	<hr/> <hr/>

The Group's bank borrowings were secured by:

- (i) personal guarantee granted by a director of acquired subsidiaries and a director of the former ultimate holding company of these subsidiaries.
- (ii) certain properties held by former related companies of acquired subsidiaries.
- (iii) bank deposits of HK\$7,500,000.

15. UNSECURED BANK BORROWINGS

	(Unaudited) 30th June, 2004 <i>HK\$'000</i>	(Audited) 31st December, 2003 <i>HK\$'000</i>
Bank overdrafts	2,476	–
Bank loans	4,307	–
Trust receipt loans	25,056	–
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	31,839	–
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16. SHARE CAPITAL

	(Unaudited)			
	Authorised		Issued and fully paid	
	For the six months ended 30th June,			
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.1 each				
At beginning of the period	70,000	70,000	28,170	27,000
Issue of new shares	–	–	2,100	–
Issue of shares on exercise of options	–	–	370	1,110
At end of the period	<u>70,000</u>	<u>70,000</u>	<u>30,640</u>	<u>28,110</u>

17. COMMITMENTS

(a) Capital commitments for property, plant and equipment

	(Unaudited) 30th June, 2004 <i>HK\$'000</i>	(Audited) 31st December, 2003 <i>HK\$'000</i>
Contracted but not provided for	–	1,084
Authorised but not contracted for	<u>622</u>	<u>–</u>
	<u>622</u>	<u>1,084</u>

(b) Operating lease commitments

At end of the period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	(Unaudited) 30th June, 2004 <i>HK\$'000</i>	(Audited) 31st December, 2003 <i>HK\$'000</i>
Within one year	6,729	7,600
Over 1 year but within 5 years	15,889	18,000
Over five years	<u>36,613</u>	<u>37,700</u>
	<u>59,231</u>	<u>63,300</u>

Operating lease payments represent rental payable by the Group for certain of its office and factory properties. Leases are negotiated for a term from 2 years to 42 years.

18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties who are not members of the Group:

	(Unaudited) For the six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Rental expenses paid to:		
Nice Step Investment Limited (<i>Note (a)</i>)	430	399
Mr. Poon Siu Chung	84	84
Professional fees paid to Messrs. Cheung, Tong & Rosa (<i>Note (b)</i>)	101	100
Printing fees paid to Run All Limited (<i>Note (c)</i>)	254	154
	<u> </u>	<u> </u>

Notes:

- (a) Mr. Leung Ying Wai, Charles, a director of the Company, has beneficial interest in Nice Step Investment Limited.
- (b) Mr. Tong Wui Tung, an independent non-executive director of the Company, is a partner of Messrs. Cheung, Tong & Rosa, the legal adviser of the Group.
- (c) Mr. Ng Siu Yu, Larry, an independent non-executive director of the Company, has beneficial interest in Run All Limited.

The above transactions were determined by the directors by reference to the relevant estimated market values.

During the period, the Group issued guarantees to certain financial institutions to secure general banking facilities granted to the Group including its non-wholly-owned subsidiaries. The amount of such facilities utilised by its non-wholly-owned subsidiaries at 30th June, 2004 were HK\$21,549,000 (at 31st December, 2003: Nil).

INTERIM DIVIDEND

The directors have resolved to declare an interim dividend for the six months ended 30th June, 2004 of 1 cent (2003: 0.5 cent) per share payable on or about 28th October, 2004 to shareholders on the register of members of the Company (the "Register of Members") on 26th October, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 25th October, 2004 to 26th October, 2004, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Standard Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 21st October, 2004.