

Investments

With available surplus funds on hand, the Group continues to utilize a limited portion of it to invest in the securities of both listed and unlisted companies. At 30th June, 2004, the market value of total investment in securities was approximately HK\$11,111,000, of which approximately HK\$2,849,000 was invested in the interest-bearing securities of unlisted companies.

FUTURE PLAN AND PROSPECT

Since the acquisition of the toys segment in December, 2003, the first phase of its restructuring has been completed. It is expected the segment will run at its normal pace of operation, and it is also expected that it will contribute to the Group's results. In order to further consolidate the segment with the Group's existing operations to further benefit from the synergy effects, plans for re-location of certain production facilities are under study.

In view of the recovering global economy atmospheres, the directors of the Company are prudently optimistic on the performance of the Group for the second half of 2004. Nevertheless, the directors also pay much attention on the trend of the price of oil and petroleum and the effects on both global and local economies.

Liquidity and financial resources

As at 30th June, 2004, the long-term finance lease obligations of the Group were approximately HK\$234,000 (31st December, 2003: HK\$331,000), while the short term bank and other borrowings were approximately HK\$32,029,000 (31st December, 2003: HK\$26,835,000), and the net book value of the Group's plant and machinery of approximately HK\$499,000 (31st December, 2003: HK\$527,000) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was approximately 12.99% (31st December, 2003: 11.52%)

At 30th June, 2004, the Group had bank balances and cash in aggregate of approximately HK\$44,724,000 (31st December, 2003: HK\$77,724,000)

Employees and remuneration policies

As at 30th June, 2004, the Group employed approximately 7,200 full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar, with some in Renminbi and Euro Dollar. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exchange risk exposure in this regard.

As for currencies other than Hong Kong Dollar, the Group will closely monitor their movement trends in relation to US Dollar and will engage in exchange rate hedges when necessary.

At 30th June, 2004, the Group did not use any financial instrument for hedging purposes.

SHARE OPTIONS SCHEME

A share option scheme (the "Scheme") was adopted pursuant to the Annual General Meeting held on 17th May, 2002 and will expire on 16th May, 2012. The primary purpose of the Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Under the Scheme, the board of directors of the Company may offer to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive director or proposed executive and non-executive director of the Company or any subsidiary options to subscribe for shares in the Company in accordance with the terms of the Scheme for the consideration of HK\$1 for each lot of share options granted.

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,000,000, representing approximately 0.33% of the shares of the Company in issue at that date.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules of the Stock Exchange) of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of shares of the Company in issue, at any point at time, without prior approval from the Company's shareholder.