NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company's 2004 Annual Report except for the new adoption of HKFRSs and HKASs as disclosed in note 2 below. Due to the new adoption of such HKFRSs and HKASs, certain comparative figures previously reported have been restated to comply with the new requirements.

These 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 29 July 2005.

2. IMPACT OF NEW/REVISED HKFRSs AND HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements.

HKAS 1	Presentation of Financial Statement
HKAS 17	Leases
HKAS 28	Investment in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property

The adoption of these new/revised HKFRSs and HKASs has resulted in the following changes to the Group's accounting policies that have affected the amount reported or disclosures for the current or prior periods.

(a) The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

(b) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at valuation less accumulated depreciation. Following the adoption of HKAS 17, If the lease payments can be allocated reliably between the land and the buildings elements, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The land lease prepayment is stated at cost and amortised over the period of the lease whereas the leasehold building is stated at valuation less accumulated depreciation. If the lease payments cannot be allocated reliably between the land and the buildings elements, the entire leasehold properties is stated at valuation less accumulated depreciation. Previously included in fixed assets is the land element of certain leasehold properties, which is now disclosed as "land lease prepayment".

(c) The adoption of HKAS 32 and HKAS 39 has resulted in a change of accounting policy for recognition, measurement and disclosure of financial instruments. Until 31 December 2004, investments of the Group were classified as other investments and were stated in the balance sheet at fair value.

In accordance with the provision of HKAS 39, the investments have been classified into available-for-sale financial assets, financial assets at fair value through profit and loss and loans and receivables (which include bank deposits and cash and cash equivalents). The classification depends on the purpose for which the investments were held.

The transitional provisions of HKAS 39 are follows:

– redesignate all investments into available-for-sale financial assets, financial assets through profit and loss and loans and receivables (which include bank deposits and cash and cash equivalents) from 1 January 2005.

– remeasure those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised cost from 1 January 2005.

(d) The adoption of HKAS 40 has resulted in a change in accounting policy for investment property. Prior to this, changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. After the adoption of HKAS 40, any changes in value of investment property are dealt with in the profit and loss account and there should be no revaluation reserve available for offsetting against revaluation deficits.

(e) The effects of changes in the above accounting policies on the consolidated balance sheet are as follows:

	Effects of adopting				
	HKAS 1	**HKAS 17**	**HKAS 32 & HKAS 39**	**HKAS 40**	**Total effects on adoption of HKFRSs and HKASs**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005 (audited and restated)					
Increase/(decrease) in assets					
Property, plant and equipment		(70,436)			(70,436)
Land lease prepayment		6,270			6,270
Other investments			(306)		(306)
Financial assets at fair value through profit or loss			306		306
Increase/(decrease) in liabilities					
Deferred tax		(15,401)			(15,401)
Increase/(decrease) in reserves					
Assets revaluation reserve		(54,240)			(54,240)
Investment property revaluation reserve				(280)	(280)
Retained profits		5,475		280	5,755
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2005 (unaudited)					
Increase/(decrease) in assets					
Property, plant and equipment		(69,653)			(69,653)
Land lease prepayment		6,192			6,192
Amount due from a related company			(968)		(968)
Other investments			(286)		(286)
Financial assets at fair value through profit or loss			286		286
Increase/(decrease) in liabilities					
Deferred tax		(15,401)			(15,401)
Increase/(decrease) in reserves					
Asset revaluation reserve		(54,240)			(54,240)
Investment property revaluation reserve				(280)	(280)
Retained profits		6,180	(968)	280	5,492

(f) The effects of changes in the above accounting policies on the consolidated income statement are as follows:

	Effects of adopting				Total effects on adoption of HKFRSs and HKASs
	HKAS 1	HKAS 17	HKAS 32 & HKAS 39	HKAS 40	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2005 (unaudited)					
Increase/(decrease) in profit					
Decrease in depreciation		783			783
Increase in amortisation of land lease prepayment		(78)			(78)
Decrease in gain on disposal of subsidiaries			(968)		(968)
Total increase/(decrease) in profit	–	705	(968)	–	(263)
Increase/(decrease) in basic earnings per share (HK cent)	–	0.03	(0.04)	–	(0.01)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2004 (unaudited)					
Increase/(decrease) in profit					
Decrease in depreciation		766			766
Increase in amortisation of land lease prepayment		(78)			(78)
Decrease in share of results of an associate	(29)				(29)
Decrease income tax expenses	29				29
Total increase/(decrease) in profit	–	688	–	–	688
Increase/(decrease) in basic earnings per share (HK cent)	–	0.03	–	–	0.03

3. 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 30 June		Six months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**11,488**	19,633	**8,811**	14,544	**20,299**	34,177
Segment results	**(3,090)**	1,821	**(1,890)**	689	**(4,980)**	2,510
Interest, rental income and unallocated gains					**4,039**	995
Unallocated expenses					**(1,214)**	(1,251)
Operating (loss)/profit					**(2,155)**	2,254
Finance costs					**(2,429)**	(1,117)
Share of loss of a jointly controlled entity					**(869)**	–
Share of results of an associate					**(335)**	135
(Loss)/Profit before taxation					**(5,788)**	1,272
Taxation					**(31)**	(27)
(Loss)/Profit for the period					**(5,819)**	1,245

(b) Geographical segments

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

	The PRC (including Hong Kong) Six months ended 30 June		North America Six months ended 30 June		European Union Six months ended 30 June		Others Six months ended 30 June		Total Six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(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	**1,984**	11,368	**13,933**	16,069	**3,940**	4,476	**442**	2,264	**20,299**	34,177
Segment results	**(438)**	4,390	**(3,516)**	(1,554)	**(916)**	(212)	**(110)**	(114)	**(4,980)**	2,510

4. 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	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover – sale of goods	**20,299**	34,177
Other revenue		
Bank interest income	**118**	79
Gross rental income	**13**	177
Exchange gains, net	**–**	126
Proceeds from sale of moulds	**226**	213
Dividend income	**–**	59
Gain on disposal of subsidiaries	**2,740**	–
Others	**942**	341
	4,039	995

5. OPERATING (LOSS)/PROFIT

The Group's operating (loss)/profit is arrived at after charging:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**2,532**	3,299
Amortisation of land lease prepayment	**78**	78
Amortisation of Goodwill	**–**	134
Amortisation of production and distribution rights	**–**	500
Exchange loss, net	**28**	–
Unrealised loss on financial assets at fair value through profit or loss	**20**	66
Loss on disposal of financial assets at fair value through profit or loss	**–**	149
Staff costs	**7,465**	7,429

6. FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and trust receipt loans wholly repayable within five years	**1,096**	1,003
Interest on bank loans not wholly repayable within five years	**62**	67
Interest on finance leases	**47**	47
Interest on amount due to a jointly controlled entity	**1,224**	–
	2,429	1,117

7. TAXATION

	Six months ended 30 June 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Provision for the period:		
Hong Kong	**31**	27
Elsewhere	**–**	–
	31	27

Hong Kong profits tax is calculated at the rate of 17.5% (2004: 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.

8. INTERIM DIVIDENDS

The Board has revolved not to pay any interim dividend for the period (2004: Nil).

9. (LOSS)/EARNING PER SHARE

The calculation of basic (loss)/earning per share is based on the loss for the period of HK$5,819,000 (2004: profit of HK$1,245,000) and the weighted average of 2,213,820,000 (2004: 2,213,820,000) ordinary shares in issue during the period.

Diluted earnings per share for the period ended 30 June 2005 is not presented as there was no potential dilutive ordinary shares in existence for the period.

10. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2005 are analysed as follows:

	(Unaudited) *HK$'000*
At 1 January 2005	60,318
Additions	10,054
Disposals	(15)
Disposal of subsidiaries	(2,991)
Depreciation	(2,532)
At 30 June 2005	**64,834**

11. AMOUNT DUE FROM A RELATED COMPANY

The balances represent the amount due from Kiu Hung Holdings Limited arising from the Group's disposal of the entire issued share capital of Huge Profit Enterprises Limited ("Huge Profit") and the shareholder's loan in the sum of HK$14,029,904 owing by Huge Profit to the Group during the period. Kiu Hung Holdings Limited is a related company of the Group which is beneficially owned by Mr. Hui Kee Fung, Mr. Hui Ki Yau, Madam Hui Hung Tan, Teresa, the three executive directors of the Company, and their associates. Details of this transaction is set out in note 15(b) to the interim financial statements.

12. 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 2005, net of provision, is as follows:

	As at 30 June 2005 (Unaudited) ***HK$'000***	As at 31 December 2004 (Audited) *HK$'000*
Current to 30 days	**7,057**	342
31 days to 90 days	**3,142**	1,037
	10,199	1,379

13. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables as at 30 June 2005 is as follows:

	As at 30 June 2005 (Unaudited) ***HK$'000***	As at 31 December 2004 (Audited) *HK$'000*
Current to 30 days	**2,573**	976
31 days to 90 days	**4,198**	3,665
91 days to 180 days	**492**	2,380
181 days to 360 days	**746**	152
Over 360 days	**29**	6
	8,038	7,179

14. SHARE CAPITAL

	As at 30 June 2005 (Unaudited) ***HK$'000***	As at 31 December 2004 (Audited) *HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.02 each	**100,000**	100,000

	Number of ordinary shares of HK$0.02 each	**Par value** *HK$'000*
Issued and fully paid:		
At 1 January and 30 June 2005	**2,213,820,000**	**44,277**

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.

15. RELATED PARTY TRANSACTIONS

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

Nature of transaction	**2005 (Unaudited)** ***HK$'000***	2004 (Unaudited) *HK$'000*
Sales to an associate	**757**	3,973

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

(b) On 19 April 2005, the Group entered into an agreement with Kiu Hung Holdings Limited, a company beneficially owned by the three executive directors of the Company in relation to the disposal of the entire issued share capital of Huge Profit and the shareholder's loan in the sum of HK$14,029,904 owing by Huge Profit to the Group. The aggregate consideration for the disposal was HK$14,029,905. Huge Profit is an investment holding company and owns 30% of the equity interest in Sangyang Spandex Co. Ltd., a jointly controlled entity of the Group. Further details of the disposal are set out in the Company's announcement and circular dated 25 April 2005 and 1 June 2005, respectively. The transaction has been approved by the independent shareholders at the extraordinary general meeting of the Company held on 17 June 2005 and the transaction has been completed on 24 June 2005.