NOTES TO THE UNAUDITED CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information (July 2005). The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2 Changes in accounting policies

(a) Effect of adopting HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates

HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation and disclosure of the accounts.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land attributable to own-use properties from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land attributable to own-use properties are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and building for own-use was accounted for as investment property as permitted under the previous SSAP 13. Following the adoption of HKAS 40, with effect from 1 January 2005 the leasehold land and building has been reclassified as prepaid premium on leasehold land and property, and accounted for in accordance with HKAS 17 and HKAS 16 respectively.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement. As a result of the adoption of HKAS 40, valuation of the Group's investment properties was performed as at 30 June 2005. No such valuation was performed as at 30 June 2004.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 January 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods (Note 2.8).

The adoption of HKFRS 3 and HKAS 36 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– amortised on a straight line basis over a period of 10 years; and

– assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (Note 2.4):

– The Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require or permit retrospective application other than:

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after the adoption date.

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

	Effects of adopting						
	HKAS 16/17	**HKAS 32/39**	**HKAS 40**	**HKFRS 2**	**HKFRS 3**	**HKAS -Int 21**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2005 (unaudited)							
Increase/(decrease) in assets							
Goodwill	–	–	–	–	485	–	485
Property, plant and equipment	12,171	–	–	–	–	–	12,171
Prepaid premium on leasehold land held for own use under an operating lease	23,053	–	–	–	–	–	23,053
Investment properties	(35,700)	–	67,271	–	–	–	31,571
Financial assets at fair value through profit or loss	–	252,517	–	–	–	–	252,517
Investments	–	(252,517)	–	–	–	–	(252,517)
Deferred tax assets	–	–	–	3,206	–	–	3,206
Increase in liabilities							
Deferred tax liabilities	–	–	–	–	–	28,169	28,169
Increase/(decrease) in reserves							
Share premium	–	–	–	10,297	–	–	10,297
Investment properties revaluation reserve	–	–	(93,694)	–	–	–	(93,694)
Properties revaluation reserve	–	–	4,803	–	–	–	4,803
Retained profits	(476)	–	156,162	(7,091)	485	(28,169)	120,911
At 31 December 2004 (restated)							
Increase in assets							
Deferred tax assets	–	–	–	2,443	–	–	2,443
Increase in liabilities							
Deferred tax liabilities	–	–	–	–	–	16,397	16,397
Increase/(decrease) in reserves							
Share premium	–	–	–	7,974	–	–	7,974
Investment properties revaluation reserve	–	–	(93,694)	–	–	–	(93,694)
Properties revaluation reserve	–	–	4,803	–	–	–	4,803
Retained profits	–	–	88,891	(5,531)	–	(16,397)	66,963

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

	Effects of adopting					
	HKAS 16/17	**HKAS 40**	**HKFRS 2**	**HKFRS 3**	**HKAS -Int 21**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2005 (unaudited)						
Increase/(decrease) in profit attributable to shareholders						
(Increase)/decrease in administrative expenses	(476)	–	(2,323)	485	–	(2,314)
Increase in revaluation surplus on investment properties	–	67,271	–	–	–	67,271
(Increase)/decrease in tax expense	–	–	763	–	(11,772)	(11,009)
Increase/(decrease) in profit attributable to shareholders	(476)	67,271	(1,560)	485	(11,772)	53,948
Increase/(decrease) in basic earnings per share (HK cents)	(0.03)	3.97	(0.09)	0.03	(0.70)	3.18
Increase/(decrease) in diluted earnings per share (HK cents)	(0.03)	3.83	(0.09)	0.03	(0.67)	3.07
For the six months ended 30 June 2004 (unaudited)						
Increase/(decrease) in profit attributable to shareholders						
Increase in administrative expenses	–	–	(3,336)	–	–	(3,336)
Decrease in tax expense	–	–	1,004	–	–	1,004
Decrease in profit attributable to shareholders	–	–	(2,332)	–	–	(2,332)
Decrease in basic earnings per share (HK cents)	–	–	(0.15)	–	–	(0.15)
Decrease in diluted earnings per share (HK cents)	–	–	(0.15)	–	–	(0.15)

(b) New accounting policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 are the same as those set out in note 1 to the 2004 annual financial statements except for the following:

2.1 Acquisition of subsidiaries and associates

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.3 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. These valuations are performed at least annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.5 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.6 Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2.7).

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value, and in the case of financial assets not carried at fair value through profit or loss, plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.8 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.9 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

3 Segment information

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, and property investment and management.

Business segments

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Six months ended 30 June 2005			
	Toys *HK$'000*	**Property investment and management** *HK$'000*	**Eliminations** *HK$'000*	**Group** *HK$'000*
Revenue				
Turnover	**447,816**	**14,946**	**–**	**462,762**
Inter-segment revenue *(Note iii)*	**–**	**287**	**(287)**	**–**
	447,816	**15,233**	**(287)**	**462,762**
Results				
Segment results	**22,597**	**76,694**	**–**	**99,291**
Inter-segment transactions	**(287)**	**287**	**–**	**–**
	22,310	**76,981**	**–**	**99,291**
Unallocated costs				**(7,802)**
Operating profit				**91,489**

	Six months ended 30 June 2004			
	Toys	**Property investment and management**	**Eliminations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)	*(restated)*		*(restated)*
Revenue				
Turnover	421,791	14,867	–	436,658
Inter-segment revenue *(Note iii)*	–	284	(284)	–
	421,791	15,151	(284)	436,658
Results				
Segment results	37,535	9,563	–	47,098
Inter-segment transactions	(284)	284	–	–
	37,251	9,847	–	47,098
Unallocated costs				(5,170)
Operating profit				41,928

Notes:

(i) **Toys** business refers to the design, development, marketing and distribution of toys and family entertainment activity products.

(ii) **Property investment and management** business refers to the leasing of office, industrial and residential premises to generate rental income, and the provision of property management services.

(iii) Inter-segment revenue eliminated on consolidation represents inter-company rental charges on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

(iv) The Group's associated companies are engaged mainly in toys business. The Group's share of net loss after taxation of associated companies for the period amounted to HK$2,147,000 (2004: HK$2,034,000), which has not been included in the segment results shown above.

The segment assets and liabilities at 30 June 2005 are as follows:

	Toys *HK$'000*	Property investment and management *HK$'000*	Eliminations *HK$'000*	Group *HK$'000*
Assets				
Segment assets	**462,951**	**765,515**	**(143)**	**1,228,323**
Investment in associated companies	**32,384**	**–**	**–**	**32,384**
				1,260,707
Unallocated assets				**706,111**
Total assets				**1,966,818**
Liabilities				
Segment liabilities	**251,580**	**92,273**	**(143)**	**343,710**
Unallocated liabilities				**1,070**
Total liabilities				**344,780**

The segment assets and liabilities at 31 December 2004 are as follows:

	Toys *HK$'000* *(restated)*	Property investment and management *HK$'000* *(restated)*	Eliminations *HK$'000*	Group *HK$'000* *(restated)*
Assets				
Segment assets	519,913	675,847	(143)	1,195,617
Investment in associated companies	35,531	–	–	35,531
				1,231,148
Unallocated assets				374,391
Total assets				1,605,539
Liabilities				
Segment liabilities	348,099	78,630	(143)	426,586
Unallocated liabilities				7,255
Total liabilities				433,841

Geographical segments

An analysis of the Group's turnover and segment results for the period by geographical segments is as follows:

	Turnover		**Segment results**	
	Six months ended 30 June		**Six months ended 30 June**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
America				
– USA	**296,328**	307,574	**(25,003)**	17,468
– Others	**23,117**	17,758	**5,999**	2,218
Europe	**109,473**	78,595	**35,595**	14,551
Asia Pacific	**32,996**	31,559	**82,382**	12,649
Others	**848**	1,172	**318**	212
	462,762	436,658	**99,291**	47,098

Segment assets are allocated based on where the assets are located.

	30 June	31 December
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Segment assets		
America		
– USA	**354,166**	506,775
Asia Pacific	**874,157**	688,842
	1,228,323	1,195,617

4 Profit before taxation

Profit before taxation is stated after charging and crediting the following:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Charging:		
Cost of inventories sold	**192,553**	171,766
Staff costs	**38,862**	36,236
Depreciation of property, plant and equipment	**1,651**	2,731
Amortisation of prepaid premium on leasehold land held for own use under an operating lease	**262**	–
Loss on disposal of property, plant and equipment	**22**	506
Amortisation of goodwill	**–**	485
Crediting:		
Interest income from bank deposits	**5,174**	1,680
Dividend income from financial assets at fair value through profit or loss	**1,370**	–
Dividend income from investments	**–**	1,464
Unutilised provision for customer concession	**10,257**	–

5 Taxation credit/charge

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Overseas taxation is provided on the profits/losses of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate.

The taxation credit/(charge) in the unaudited condensed consolidated income statement comprises:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Current taxation		
Hong Kong profits tax	**(1,329)**	(742)
Overseas taxation	**(7,410)**	(1,270)
Over-provision in prior years	**170**	–
	(8,569)	(2,012)
Deferred taxation		
Origination and reversal of temporary differences	**12,037**	179
	3,468	(1,833)

6 Dividend

At a meeting held on 23 February 2005 the directors proposed a final dividend of HK cents 4 per share for the year ended 31 December 2004, which was paid on 5 May 2005 and has been reflected as an appropriation of retained profits for the six months ended 30 June 2005.

At a meeting held on 29 August 2005 the directors declared an interim dividend of HK cents 2.5 (2004: HK cents 2.0) per share for the year ending 31 December 2005 to be paid on 28 September 2005 to shareholders on the Company's Register of Members on 21 September 2005. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2005.

7 Earnings per share

The calculations of basic and diluted earnings per share are based on the following data:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Profit attributable to shareholders for the purpose of calculating basic and diluted earnings per share	**94,814**	34,879
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,692,825,000**	1,553,168,000
Number of potential ordinary shares issuable under share options and warrants	**61,352,000**	16,684,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,754,177,000**	1,569,852,000

8 Capital expenditure

	Property, plant and equipment *HK$'000*	Investment properties *HK$'000*	Prepaid premium on leasehold land held for own use under an operating lease *HK$'000*
Opening net book amount as at 1 January 2005	8,031	662,000	–
Reclassification	12,385	(35,700)	23,315
Additions	3,078	19,629	–
Revaluation surplus	–	67,271	–
Depreciation	(1,651)	–	–
Amortisation	–	–	(262)
Disposals	(22)	–	–
Closing net book amount as at 30 June 2005	**21,821**	**713,200**	**23,053**
Opening net book amount as at 1 January 2004	9,576	542,000	–
Additions	1,232	–	–
Depreciation	(2,731)	–	–
Disposals	(506)	–	–
Closing net book amount as at 30 June 2004	7,571	542,000	–
Additions	2,255	548	–
Revaluation surplus	–	155,452	–
Depreciation	(1,795)	–	–
Disposal of a subsidiary	–	(36,000)	–
Closing net book amount as at 31 December 2004	8,031	662,000	–

9 Trade receivables

As at 30 June 2005, 99.1% (31 December 2004: 99.6%) of the trade receivables were current to 30 days, 0.1% (31 December 2004: nil) were 31 to 60 days and the remaining were over 60 days.

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term of 60 days on average. For property investment and management business, no credit term is granted to tenants.

10 Bank loans

	30 June 2005 HK$'000	31 December 2004 HK$'000
Secured bank loans payable:		
Within one year	**2,964**	2,964
In the second year	**2,964**	2,964
In the third to fifth years	**8,892**	8,892
After the fifth year	**15,529**	17,011
	30,349	31,831
Unsecured bank loan payable within one year	**–**	19,500
	30,349	51,331
Current portion included in current liabilities	**(2,964)**	(22,464)
	27,385	28,867

As at 30 June 2005, the Group had banking facilities amounting to approximately HK$390 million (31 December 2004: HK$392 million), of which HK$30 million (31 December 2004: HK$51 million) were utilised.

The banking facilities of certain subsidiaries are secured by land and building and investment properties of the Group with an aggregate amount of HK$705 million (31 December 2004: HK$640 million) at 30 June 2005.

11 Trade payables

As at 30 June 2005, 91.2% (31 December 2004: 60.4%) of the trade payables were current to 30 days, 8.4% (31 December 2004: 36.6%) were 31 to 60 days and the remaining were over 60 days.

12 Share capital

	Authorised Ordinary shares of HK$0.10 each	
	No. of shares	*HK$'000*
At 30 June 2005 and 31 December 2004	**3,000,000,000**	**300,000**

	Issued and fully paid Ordinary shares of HK$0.10 each	
	No. of shares	*HK$'000*
At 1 January 2004	1,546,417,840	154,642
Exercise of warrants 2004	11,099,771	1,110
Exercise of warrants 2005	62,162	6
Exercise of share options	5,933,000	593
At 1 January 2005	1,563,512,773	156,351
Exercise of warrants 2005 *(Note i)*	299,441,936	29,944
Exercise of warrants 2006 *(Note ii)*	2,968	–
Exercise of share options	3,698,000	370
At 30 June 2005	**1,866,655,677**	**186,665**

Notes:

(i) The warrants were exercisable from 24 May 2004 to 23 May 2005 at an initial subscription price of HK$1.42 per share (subject to adjustment). On 23 May 2005, 12,327,377 warrants which had not been exercised, were lapsed.

(ii) On 20 May 2005, 366,793,085 warrants were issued pursuant to an ordinary resolution passed at the general meeting of the Company held on 28 April 2005 on the basis of the bonus issue of one warrant for every five shares held. These warrants are exercisable from 24 May 2005 to 23 May 2006 at an initial subscription price of HK$2.03 per share (subject to adjustment). As at 30 June 2005, 366,790,117 warrants issued on 20 May 2005 remained unexercised.

13 Contingent liabilities

There was no material change in contingent liabilities compared to those disclosed in the most recently published annual report.

14 Commitments

Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to create, develop and market certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amounts of financial commitments contracted but not provided for at 30 June 2005 were payable as follows:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Within one year	**22,430**	17,470
In the second to fifth years inclusive	**19,586**	15,990
	42,016	33,460

15 Operating lease arrangements

The Group acts as lessee and lessor under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) As lessee

At 30 June 2005, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by the Group were as follows:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Within one year	**10,766**	10,420
In the second to fifth years inclusive	**26,800**	29,333
After the fifth year	**1,051**	2,831
	38,617	42,584

The Group has non-cancellable subleases with future minimum sublease receipts of HK$6,115,000 (31 December 2004: HK$6,621,000).

(b) As lessor

At 30 June 2005, the future aggregate minimum lease payments under non-cancellable operating leases for office, industrial and residential premises receivable by the Group were as follows:

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Within one year	**28,840**	19,853
In the second to fifth years inclusive	**20,530**	11,500
	49,370	31,353

16 Related-party transactions

Key management compensation

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Salaries and other short-term employee benefits	**5,581**	5,233
Share-based payments	**1,694**	2,107
	7,275	7,340

17 US dollar equivalents

These are shown for reference only and have been arrived at based on the exchange rate of HK$7.8 to US$1 ruling at 30 June 2005.