NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 14 September 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 6.

The financial information relating to the financial year ended 31 December 2004 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 6 April 2005.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2005, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in the interim financial report.

(a) Summary of the effect of changes in the accounting policies

(i) Effect on opening balance of total equity at 1 January 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 January 2005. These are the aggregate effect of retrospective adjustments to the net assets as at 31 December 2004 and the opening balance adjustments made as at 1 January 2005.

	Note	Retained profits $'000	Capital and other reserves $'000	Total equity $'000
Effect of new policy (increase/(decrease))				
Prior period adjustments:				
HKFRS 2				
Equity settled share-based transactions	*2(b)*	(4,054)	4,054	–
HKAS 17				
Leasehold land and buildings held for own use	*2(c)*	32	(589)	(557)
Total (decrease)/increase in equity before opening balance adjustments		(4,022)	3,465	(557)
Opening balance adjustments:				
HKFRS 3				
Derecognition of negative goodwill	*2(e)*	9,595	–	9,595
HKAS 39				
Financial instruments	*2(d)*	8,274	–	8,274
		17,869	–	17,869
Total effect at 1 January 2005		13,847	3,465	17,312

(ii) Effect on opening balance of total equity at 1 January 2004 (as adjusted)

The following table sets out only those adjustments that have been made to the opening balances at 1 January 2004.

	Note	Retained profits $'000	Capital and other reserves $'000	Total equity $'000
Effect of new policy (increase/(decrease))				
HKFRS 2				
Equity settled share-based transactions	*2(b)*	(188)	188	–
HKAS 17				
Leasehold land and buildings held for own use	*2(c)*	80	(627)	(547)
Total effect at 1 January 2004		(108)	(439)	(547)

(iii) Effect on loss/profit after taxation for the six months ended 30 June 2005 (estimated) and 30 June 2004 (as adjusted)

In respect of the six month period ended 30 June 2005, the following table provides estimates of the extent to which the loss for that period is higher or lower than it would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six month period ended 30 June 2004, the table discloses the adjustments that have been made to the profit as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs. As retrospective adjustments have not been made for all changes in policies, as explained in note 2(d) and (e), the amounts shown for the six month period ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

	Note	Six months ended 30 June 2005 $'000	2004 $'000
Effect of new policy			
(2005: (increase)/ decrease in loss			
2004: (decrease)/ increase in profit)			
HKFRS 2			
Equity settled share-based transactions	*2(b)*	**(978)**	(1,933)
HKFRS 3			
Amortisation of goodwill	*2(e)*	**2,869**	–
HKAS 17			
Leasehold land and buildings held for own use	*2(c)*	**–**	(5)
HKAS 39			
Financial instruments	*2(d)*	**(4,106)**	–
Total effect for the period		**(2,215)**	(1,938)
Effect on (loss)/earnings per share			
– basic		**(0.3 cent)**	(0.3 cent)
– diluted		**(0.3 cent)**	(0.3 cent)

(iv) Effect on amounts recognised as capital transactions with owners for the six months ended 30 June 2005 (estimated) and 30 June 2004 (as adjusted)

In respect of the six month period ended 30 June 2005, the following table provides estimates of the extent to which the amounts recorded as capital transactions with owners are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six month period ended 30 June 2004, the table discloses the adjustments that have been made to the amounts recorded as capital transactions with owners as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

		Six months ended 30 June	
		2005	2004
	Note	***$'000***	*$'000*
Effect of new policy (increase)			
HKFRS 2			
Equity settled share-based transactions – effect recognised in capital reserve	*2(b)*	**978**	1,933

(b) *Employee share option scheme (HKFRS 2 "Share-based payment")*

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

The amount of prior period adjustments and the effect on the results for the six months ended 30 June 2005 and 30 June 2004, and the reserves as of those dates, are set out in note 2(a).

The amount charged to the income statement as a result of the change of policy increased administrative expenses for the six months ended 30 June 2005 by $978,000 (six months ended 30 June 2004: $1,933,000), with the corresponding amounts credited to the capital reserve.

Details of the employee share option scheme can be found in the Company's annual report for the year ended 31 December 2004 and the section "Additional information provided in accordance with the Listing Rules" in this interim report.

(c) Leasehold land and buildings held for own use (HKAS 17 "Leases")

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With the adoption of HKAS 17 as from 1 January 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. The amortisation charge for the period is recognised in the income statement immediately.

Any buildings held for own use which are situated on such land leases continue to be presented as part of fixed assets. However, as from 1 January 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

The new accounting policies have been adopted retrospectively, with the opening balances of retained profits and the land and buildings revaluation reserve and the comparative information adjusted for the amounts relating to prior periods as disclosed in note 2(a) and the consolidated statement of changes in equity. In respect of the six months ended 30 June 2005 it is not practicable to estimate the extent to which the loss for that period, or the income or expenses taken directly to equity, are higher or lower than they would have been had the previous policy still been applied in the interim period.

(d) Financial instruments (HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement")

In prior years, the accounting policies for certain financial instruments were as follows:

– equity investments held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision; and

– other non-current investments were stated at fair value with changes in fair value recognised in the income statement.

With effect from 1 January 2005, and in accordance with HKAS 39, the following new accounting policies are adopted for the financial instruments mentioned above:

– Non-trading investments are classified as available-for-sale securities and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statement for the period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale securities is recognised directly in equity.

  This change was adopted by way of an adjustment to the opening balance of retained profits as at 1 January 2005 as shown in note 2(a)(i). Comparative amounts have not been restated nor has the opening balance of the fair value reserve been restated as this is prohibited by the transitional arrangements in HKAS 39.

– All derivative financial instruments entered into by the Group are carried at fair value. Changes in fair value are recognised in the income statement.

  This change was adopted by way of an adjustment to the opening balance of retained profits as at 1 January 2005 as shown in note 2(a)(i). Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

  As a result of this new policy, the Group's loss before taxation for the six months ended 30 June 2005 has increased by $4,106,000.

(e) Amortisation of positive and negative goodwill (HKFRS 3 "Business combinations" and HKAS 36 "Impairment of assets")

In prior periods:

– positive goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 January 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 30 June 2005. This has reduced the Group's loss before taxation for the six months ended 30 June 2005 by $3,664,000.

In accordance with the transitional arrangements under HKFRS 3, the carrying amount of negative goodwill as at 1 January 2005 has been derecognised at 1 January 2005, with a corresponding adjustment to the opening balance of retained earnings. This has increased retained earnings at 1 January 2005 by $9,595,000, and increased the Group's loss before taxation for the six months ended 30 June 2005 by $795,000.

(f) *Retranslation of goodwill relating to a net investment in a foreign operation (HKAS 21 "The effects of changes in foreign exchange rates")*

In prior years, goodwill was carried at cost less amortisation and impairment as described in note 2(e).

With effect from 1 January 2005, in order to comply with HKAS 21, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus it is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1 January 2005. As the Group has not acquired any new foreign operations since that date, the change in policy did not have any impact on the interim financial report for the six months ended 30 June 2005.

3. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises two main business segments:

– manufacture and sale of plush stuffed toys; and

– manufacture and sale of steel and plastic toys.

	Plush stuffed toys Six months ended 30 June		Steel and plastic toys Six months ended 30 June		Unallocated Six months ended 30 June		Consolidated Six months ended 30 June	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004 (restated)
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**409,117**	480,732	**20,988**	18,825	**–**	–	**430,105**	499,557
Other revenue from external customers	**130**	998	**13**	4	**3,589**	6,328	**3,732**	7,330
Total	**409,247**	481,730	**21,001**	18,829	**3,589**	6,328	**433,837**	506,887
Segment result	**(14,057)**	55,563	**(2,103)**	1,522	**–**	–	**(16,160)**	57,085
(Loss)/profit from operations							**(16,160)**	57,085
Finance costs							**(1,154)**	(139)
Share of profits/(losses) of associates							**131**	(154)
Income tax							**678**	(9,104)
(Loss)/profit attributable to equity holders of the Company							**(16,505)**	47,688

Geographical segments

The Group participates in several principal economic environments as set out below.

In presenting information on the basis of geographical segments, segment turnover is based on the geographical destination of delivery of goods.

	Turnover	
	Six months ended 30 June	
	2005	2004
	$'000	*$'000*
North America	**173,516**	207,111
Japan	**171,642**	222,074
Europe	**65,355**	48,401
South Korea	**5,598**	4,715
Others	**13,994**	17,256
	430,105	499,557

There is no major disparity in the ratios between turnover and loss/profit in relation to the above geographical locations, hence no analysis is given of the loss incurred/profit contributions from the above geographical locations.

4. Other revenue and net loss

	Six months ended 30 June	
	2005	2004
	$'000	*$'000*
Other revenue		
Interest income from bank deposits (including related option premium income on dual currency option deposits)	**3,589**	6,328
Sales of scrap materials	**–**	154
Sundry income	**143**	848
	3,732	7,330
Other net loss		
Net gain on sale of fixed assets	**399**	289
Net exchange loss	**(1,258)**	(2,533)
Loss on early termination of long-term bank deposit	**(3,700)**	–
Changes in fair value of financial instruments	**(4,106)**	–
	(8,665)	(2,244)

5. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2005	2004 (restated)
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	**1,154**	139
(b) Other items:		
Cost of inventories *(note)*	**346,597**	356,754
Staff costs (including retirement costs of $6,980,000 (2004: $7,170,000)) *(note)*	**125,582**	112,656
Amortisation of land lease premium	**53**	47
Depreciation *(note)*	**10,392**	7,982
Operating lease charges: minimum lease payments *(note)*		
– property rentals	**15,542**	14,192
Commission expenses	**1,623**	3,660
Amortisation of positive goodwill	**–**	3,664
Amortisation of negative goodwill	**–**	(795)

Note: Cost of inventories includes $92,478,000 (2004: $85,000,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. Income tax

Income tax for the period comprises current and deferred taxes.

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2005	2004 (restated)
	$'000	*$'000*
Current tax – Hong Kong Profits Tax	**1,794**	3,915
Current tax – outside Hong Kong	**34**	5,740
Deferred taxation	**(2,506)**	(551)
Tax (credit)/charge	**(678)**	9,104

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the six months ended 30 June 2005. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

In accordance with the relevant regulations and the Enterprise Income Tax Law applicable in the People's Republic of China ("PRC"), the PRC subsidiaries are exempted from Enterprise Income Tax for two years starting from the first profit-making year and thereafter subject to Enterprise Income Tax at 50% of the standard tax rate for the following three years. During the period ended 30 June 2005, a PRC subsidiary is subject to Enterprise Income Tax at 50% (2004: 50%) of the standard tax rate and another PRC subsidiary is loss making and has not commenced its first profit making year.

As at 30 June 2005, tax reserve certificates totalling $16,482,000 (2004: $16,482,000) were purchased by the Company pending the resolution of certain enquires raised by the Hong Kong Inland Revenue Department ("IRD") relating to the years of assessment 1998/99 to 2002/2003. Based on the information available to date, the directors of the Company consider the tax provisions included in the interim financial report for the years of assessment 1998/99 to date are adequate after taking into account the nature of the enquiries raised by the IRD and the bases upon which the Company's assessable profits for the years of assessment prior to 1998/99 have been agreed with the IRD.

7. Dividends

	Six months ended 30 June	
	2005	2004
	$'000	*$'000*
Dividend paid		
2003 final dividend of $0.060 per share approved and paid in 2004	–	40,053
2004 final dividend of $0.060 per share approved and paid in 2005	**40,111**	–
	40,111	40,053
Dividend declared		
Interim dividend declared after the balance sheet date of $Nil (2004: 0.030) per share *(note)*	–	20,026

Note: The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

8. (Loss)/earnings per share

(a) *Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to shareholders of $16,505,000 (2004: profit of $47,688,000 (restated)) and the weighted average number of 668,078,200 (2004: 665,156,740) ordinary shares in issue during the period.

(b) *Diluted (loss)/earnings per share*

Diluted loss per share for the period ended 30 June 2005 is the same as the basic loss per share as the potential ordinary shares outstanding during the period ended 30 June 2005 were anti-dilutive. The calculation of diluted earnings per share for the period ended 30 June 2004 is based on the profit attributable to shareholders of $47,688,000 (restated) and the weighted average number of 672,771,235 ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	Six months ended 30 June 2004 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	665,156,740
Deemed issue of ordinary shares for no consideration	7,614,495
Weighted average number of ordinary shares used in calculating diluted earnings per share	672,771,235

9. Other financial assets

The balance as at 31 December 2004 includes a long-term structured deposit contract with a bank in the amount of $85,288,000. Interest was payable in the first year at 6% per annum and in subsequent years at rates based on LIBOR.

The long-term structured deposit contract was early terminated by the Group during the period due to expected unfavourable future movements in interest rates and a penalty was incurred as a result. A loss of $3.7 million was recognised in the income statement for the period.

During the period, the Group entered into another long-term structured deposit contract with the bank. Interest is payable in the first year at 6.5% per annum and in subsequent years at rates based on the spread between the 30 year and 10 year US dollar swap rates. The long-term structured deposit contract has been split into a non-derivative host contract and its embedded derivative components at initial recognition. The non-derivative host contract is subsequently carried at amortised cost using the effective interest method. The embedded derivative components are carried at fair value, with changes in fair value recognised in the income statement. At 30 June 2005, the carrying amounts of the non-derivative host contract and the embedded derivatives are $93.3 million and $15.7 million respectively. The non-derivative host contract and the embedded derivatives are included on the consolidated balance sheet under "other financial assets" and "other financial liabilities" respectively.

10. Inventories

	At 30 June 2005 $'000	At 31 December 2004 $'000
Raw materials	**108,703**	83,914
Work in progress	**43,544**	31,134
Finished goods	**47,006**	27,474
	199,253	142,522

Raw materials included inventories that are stated net of a general provision of $4,860,000 (31 December 2004: $4,860,000), made in order to state these inventories at the lower of their cost and estimated net realisable value.

11. Trade and other receivables

	At 30 June 2005 $'000	At 31 December 2004 $'000
Trade debtors, bills receivable, deposits and prepayments	**162,639**	157,681
Amounts due from fellow subsidiaries	**5,430**	8,883
Amounts due from associates	**2,116**	4,979
	170,185	171,543

Included in trade and other receivables are trade debtors and bills receivable (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2005 *$'000*	At 31 December 2004 *$'000*
Current	**82,340**	72,696
1 to 3 months	**21,355**	19,186
More than 3 months but less than 1 year	**3,026**	8,910
More than 1 year	**786**	797
	107,507	101,589

Trade receivables, which generally have terms of 14 to 90 days, are recognised and carried in the balance sheet at original invoice amounts less provisions for overdue debts which are considered by the directors to be doubtful.

12. Cash and cash equivalents

	At 30 June 2005 *$'000*	At 31 December 2004 *$'000*
Deposits with banks and other financial institutions	**10,781**	85,182
Cash at bank and in hand	**83,515**	56,684
	94,296	141,866

During the period, the Company entered into dual currency option deposit contracts with certain banks and consequently was exposed to foreign exchange risk to the extent of the amount invested for such deposits. As at 30 June 2005, there were no outstanding dual currency option deposit contracts with banks (31 December 2004: US$1,346,000 (equivalent to $10,461,000) and JPY100,000,000 (equivalent to $7,580,000)).

13. Trade and other payables

	At 30 June 2005 $'000	At 31 December 2004 $'000
Creditors and accrued charges	**124,024**	85,933
Amount due to ultimate holding company	**631**	686
Amounts due to fellow subsidiaries	**4,324**	4,344
Amount due to associate	**1,364**	4,483
	130,343	95,446

Included in creditors and accrued charges are trade creditors and bills payable with the following ageing analysis:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Within 1 month	**52,433**	30,585
After 1 month but within 3 months	**19,796**	7,496
After 3 months but within 6 months	**1,013**	484
After 6 months but within 1 year	**816**	89
Over 1 year	**981**	1,013
	75,039	39,667

14. Share capital

	No. of shares '000	Amount $'000
Authorised:		
Ordinary shares of US$0.01	5,000,000	390,000
Issued and fully paid:		
At 1 January 2004	658,480	51,235
Shares issued under share option scheme	9,069	707
At 31 December 2004	667,549	51,942
Shares issued under share option scheme	980	77
At 30 June 2005	668,529	52,019

15. Reserves

	Share premium $'000	Capital reserve $'000	General reserve fund $'000	Exchange reserve $'000	Revaluation reserve-Land use rights and buildings $'000	Retained profits $'000	Total $'000
At 1 January 2004							
– as previously reported	165,624	–	14,485	116	627	363,190	544,042
– prior period adjustments in respect of:							
– Leasehold land and buildings held for own use	–	–	–	–	(627)	80	(547)
– Equity settled share-based transactions	–	188	–	–	–	(188)	–
– as restated	165,624	188	14,485	116	–	363,082	543,495
Dividends approved in respect of the previous year	–	–	–	–	–	(40,053)	(40,053)
Transfer between reserves	–	–	501	–	–	(501)	–
Premium on exercise of share options	10,189	–	–	–	–	–	10,189
Exchange differences on translation of financial statements of foreign entities	–	–	–	814	–	–	814
Equity settled share-based transactions	–	1,933	–	–	–	–	1,933
Profit for the period (as restated)	–	–	–	–	–	47,688	47,688
At 30 June 2004 (as restated)	175,813	2,121	14,986	930	–	370,216	564,066

	Share premium $'000	Capital reserve $'000	General reserve fund $'000	Exchange reserve $'000	Revaluation reserve-Land use rights and buildings $'000	Retained profits $'000	Total $'000
At 1 January 2005							
– as previously reported	175,813	–	15,045	5,641	589	355,516	552,604
– prior period adjustments in respect of:							
– Leasehold land and buildings held for own use	–	–	–	–	(589)	32	(557)
– Equity settled share-based transactions	–	4,054	–	–	–	(4,054)	–
– as restated	175,813	4,054	15,045	5,641	–	351,494	552,047
– opening balance adjustments in respect of:							
– Derecognition of negative goodwill	–	–	–	–	–	9,595	9,595
– Financial instruments	–	–	–	–	–	8,274	8,274
– as restated, after opening balance adjustments	175,813	4,054	15,045	5,641	–	369,363	569,916
Dividends approved in respect of the previous year	–	–	–	–	–	(40,111)	(40,111)
Transfer between reserves	–	–	128	–	–	(128)	–
Premium on exercise of share options	1,080	–	–	–	–	–	1,080
Equity settled share-based transactions	–	978	–	–	–	–	978
Exchange differences on translation of financial statements of foreign entities	–	–	–	(149)	–	–	(149)
Loss for the period	–	–	–	–	–	(16,505)	(16,505)
At 30 June 2005	176,893	5,032	15,173	5,492	–	312,619	515,209

16. Commitments

Capital commitments outstanding at 30 June 2005 not provided for in the Group's interim financial report:

	At 30 June 2005 $'000	At 31 December 2004 $'000
Contracted for	**3,846**	680

17. Material related party transactions

During the period, the Group entered into the following transactions with its related parties:

		Six months ended 30 June	
		2005	2004
		$'000	*$'000*
(i)	Sales to:		
	Fellow subsidiaries:		
	– Jung Yoon Textiles (Private) Ltd	**585**	150
	– Gina World Co., Ltd.	**5,719**	4,582
		6,304	4,732
	Associates:		
	– Sung Won Industries Inc.	**–**	8,630
	– Yuan Lin Toys (Suzhou) Co., Ltd.	**1,623**	997
		1,623	9,627
(ii)	Purchases from:		
	Associate:		
	– Yuan Lin Toys (Suzhou) Co., Ltd.	**20,118**	10,886
(iii)	Rentals paid/payable to:		
	The ultimate holding company:		
	– C & H Co., Ltd.	**3,491**	2,399

	Six months ended 30 June	
	2005	2004
	$'000	*$'000*
(iv) Processing fee paid/payable to:		
Associate:		
– Yuan Lin Toys (Suzhou) Co., Ltd.	**2,125**	4,895

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business on normal commercial terms.

18. Ultimate holding company

The directors consider the ultimate holding company at 30 June 2005 to be C & H Co., Ltd., which is incorporated in Republic of Korea.