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 ("Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

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, 2004 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combinations

In the current period, the Group has applied HKFRS 3, Business Combinations, which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually/in the financial year in which the acquisition takes place.

Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Share-based Payments

In the current period, the Group has applied HKFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005.

In relation to share options granted before 1st January, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st January, 2005 in accordance with the relevant transitional provisions.

Financial Instruments

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. No adjustment to retained earnings at 1st January, 2005 was made.

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, 2005

	(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	**25,687**	**67,946**	**59,774**	**44,160**	**–**	**197,567**
Inter-segment sales	**397**	**8,652**	**2,139**	**1,936**	**(13,124)**	**–**
Total revenue	**26,084**	**76,598**	**61,913**	**46,096**	**(13,124)**	**197,567**
RESULT						
Segment results	**(2,572)**	**(821)**	**1,063**	**(813)**	**(956)**	**(4,099)**
Profit from investments						**578**
Unallocated corporate expenses						**(1,337)**
Loss from operations						**(4,858)**
Finance costs						**(429)**
Loss before taxation						**(5,287)**
Taxation						**(3)**
Loss after taxation						**(5,290)**

For the six months ended 30th June, 2004

	Novelties and decorations	Packaging products	PVC films and plastic materials	Toys	Eliminations	Consolidated
	(Unaudited)					
	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

3. GEOGRAPHICAL SEGMENTS

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

	(Unaudited) Turnover For the six months ended 30th June, 2005	**2004**
	HK$'000	*HK$'000*
By geographical market:		
Hong Kong	135,544	104,972
Europe	13,036	28,955
America	17,843	44,575
Asia (other than Hong Kong)	27,912	14,707
Others	3,232	1,053
	197,567	194,262

4. OTHER OPERATING INCOME

	(Unaudited) For the six months ended 30th June, 2005 *HK$'000*	2004 *HK$'000*
Rental income	242	313
Interest income	322	1,011
Dividend income	175	205
Exchange gain	–	698
Gain on disposal of trading securities	1,720	–
Gain on disposal of other securities	37	3
Gain on disposal of fixed assets	103	–
Others	1,336	837
	3,935	3,067

5. OTHER OPERATING EXPENSES

	(Unaudited) For the six months ended 30th June, 2005 *HK$'000*	2004 *HK$'000*
Unrealised loss on trading securities	1,322	924
Loss on disposal of trading securities	–	1,421
Exchange loss	33	–
	1,355	2,345

6. (LOSS) PROFIT FROM OPERATIONS

(Loss) profit from operations was stated after charging depreciation of HK$10,207,000 (2004: HK$10,012,000) and amortisation of goodwill of HK$ NIL (2004: HK$53,000).

7. TAXATION

	(Unaudited) For the six months ended 30th June, 2005 *HK$'000*	2004 *HK$'000*
Tax charge comprises:		
Hong Kong Profits tax		
Current year	274	22
Deferred taxation	(271)	1,147
	3	1,169

Hong Kong Profits tax is stated at 17.5% (2004: 17.5%) of the estimated assessable profits for the period.

8. DIVIDENDS

	(Unaudited) For the six months ended 30th June, 2005 *HK$'000*	2004 *HK$'000*
Final paid:		
4.5 cents per share for 2004 (2004: 3.5 cents per share for 2003)	13,788	10,724

The directors have resolved to declare an interim dividend of 0.5 cent (2004: 1 cent) per share.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the loss for the period of approximately HK$5,097,000 (2004: profit of HK$7,155,000) and the following data:

	(Unaudited) For the six months ended 30th June, 2005	2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	306,621,497	303,012,596
Effect of dilutive potential ordinary shares:		
Share options	1,072,381	523,381
Weighted average number of ordinary shares for the purposes of diluted earnings per share	307,693,878	303,535,977

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK$9,648,000 (2004: HK$8,051,000).

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, 2005 *HK$'000*	(Audited) 31st December, 2004 *HK$'000*
0-60 days	63,516	47,425
61-90 days	17,250	12,317
91-120 days	11,427	9,936
Over 120 days	3,163	12,487
	95,356	82,165

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, 2005 *HK$'000*	(Audited) 31st December, 2004 *HK$'000*
0-60 days	28,922	20,504
61-90 days	6,432	7,496
91-120 days	3,501	2,591
Over 120 days	358	1,843
	39,213	32,434

13. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	30th June, 2005 *HK$'000*	31st December, 2004 *HK$'000*	30th June, 2005 *HK$'000*	31st December, 2004 *HK$'000*
Amount payable under a finance lease:				
Within one year	207	207	200	195
More than one year, but not exceeding two years	34	138	34	135
	241	345	234	330
Less: Future finance charges	(7)	(15)	–	–
Present value of lease obligations	234	330	234	330
Less: Amount due within one year shown under current liabilities			(200)	(195)
Amount due after one year			34	135

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 year ended 30th June, 2005, the average effective borrowing rate was 2.6% (31st December, 2004: 2.6%). 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. BANK BORROWINGS

	(Unaudited) 30th June, 2005 *HK$'000*	(Audited) 31st December, 2004 *HK$'000*
Bank overdrafts, unsecured	2,455	561
Bank loans, unsecured	6,000	–
Trust receipt loans, unsecured	44,660	5,195
	53,115	5,756

During the period, the Group obtained a new bank loan of HK$18,000,000. The loan bears interest at market rate and is repayable in instalments over a period of 3 years. The proceeds are used to finance the working capital of the Group.

15. SHARE CAPITAL

	(Unaudited)			
	Authorised		Issued and fully paid	
	For the six months ended 30th June,			
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ordinary shares of HK$0.1 each				
At beginning of the period	70,000	70,000	30,640	28,170
Issue of new shares			–	2,100
Issue of shares on exercise of options	–	–	290	370
At end of the period	70,000	70,000	30,930	30,640

16. COMMITMENTS

(a) Capital commitments for property, plant and equipment

	(Unaudited) 30th June, 2005 *HK$'000*	(Audited) 31st December, 2004 *HK$'000*
Contracted but not provided for	2,424	1,407
Authorised but not contracted for	242	–
	2,666	1,407

(b) Operating lease commitments

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

	(Unaudited) 30th June, 2005	(Audited) 31st December, 2004
	HK$'000	*HK$'000*
Within one year	7,797	4,971
Over 1 year but within 5 years	12,314	8,537
Over five years	37,687	34,461
	57,798	47,969

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.

17. OTHER COMMITMENTS

At 30th June, 2005, the Group carried outstanding forward contracts which entitled commitments for purchase of listed securities of approximately HK$49,016,000 (31st December, 2004: HK$64,300,000). In the opinion of the directors, the commitments will be settled monthly with an amount ranging from HK$4 million to HK$8 million. All acquired listed securities are held for trading purposes and will be disposed shortly and the proceeds of which will be mainly used to finance the purchase of listed securities being committed in accordance with the forward contracts. Hence, the commitments are not expected to have a material impact on the overall cash flow of the Group.

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, 2005	2004
	HK$'000	*HK$'000*
Rental expenses paid to:		
Nice Step Investment Limited *(Note a)*	430	430
Mr. Poon Siu Chung	84	84
Professional fees paid to		
Messrs. Cheung, Tong & Rosa *(Note b)*	129	101
Printing fees paid to Run All Limited *(Note c)*	–	254

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, a 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 extent of such facilities utilised by its non-wholly-owned subsidiaries were HK$789,000 at 30th June, 2005 (at 31st December, 2004: HK$7,300,000).

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The directors have resolved to declare an interim dividend for the six months ended 30th June, 2005 of 0.5 cent (2004: 1 cent) per share payable on or about 3rd November, 2005 to shareholders on the register of members of the Company (the "Register of Members") on 26th October, 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 25th October, 2005 to 26th October, 2005, 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 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 24th October, 2005.

BUSINESS REVIEW

Core businesses

During the period, the total turnover of the Group slightly increased by about 2% to approximately HK$197,567,000, and recorded a loss for the period of approximately HK$5,097,000.