

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.

Due to keen competition in various business segments of the Group, the Group encountered a very tough period for the first half of the year 2005. The ever increasing price of petroleum, which is a major raw material of the Group's products, has made the Group even harder to improve the profit margin of the business. Further, the annual increase in the minimum wages in the PRC has increased pressure on the Group to raise the wages of its PRC employees. As a result, there was an increase of approximately 20% in labour costs.

In addition, following the implementation of the new accounting rules, share options granted to eligible participants represented an expense of approximately of HK\$1,956,000 recognised by the Group.

The turnover of the novelties and decoration segment dropped by about 23%, and thus recorded a loss of approximately HK\$2,572,000. The decrease in the turnover of the segment was mainly due to the further delay of shipment of finished goods as requested by customers. As a result, fixed costs incurred in the first half of the year cut the profit out.

The turnover in the packaging segment remained steady. However, due to keen competition profit margin dropped and as a result the segment recorded a loss of approximately of HK\$821,000. Despite that, it is still the Group's strategy to maintain its leading position in the supply of packaging products.

The price of oil and petroleum has recently increased substantially and the price for both PVC film and plastic materials stand at a high level. The segment always faces with keen competition and low profit margins, since the ultimate customers of consumer products always request a very low price for their consumption. However, despite the adverse factors mentioned above, the segment recorded a growth of approximately 67% in turnover and made a contribution of approximately HK\$1,063,000 to the Group.

In June 2005, the Group completed the acquisition of the remaining interests of 41% of the holding company of the toys segment, Perfectech International Manufacturing Limited ("PIML"). Since then, PIML became the wholly owned subsidiary of the Group. For the details of the acquisition, please refer to the Company's announcement dated 6th May, 2005. Due to time and effort required for consolidation of the business after taking over the turnover of the segment dropped by approximately 26%, and the segment recorded a loss of approximately HK\$813,000.

To the Group, the finance cost amounted to approximately HK\$429,000 (2004: HK\$606,000). Utilisation of banking facilities enhance the Group a better way of utilisation of its funds.

Investments

To well utilize the available cash on hand, the Group has invested in the securities of several unlisted companies in different industries as long-term investment. As at 30th June, 2005, the total investment therein was approximately HK\$1,006,000 (31st December, 2004: HK\$2,239,000). All of these investments were held in convertible notes or preferred shares, which provided a regular income for the Group.

Investment in listed securities is held for short-term purposes for capital gain in the value of the securities. As at the balance sheet date, the market value of investment in securities was approximately HK\$12,340,000 (31st December, 2004: HK\$10,136,000).

As at 30th June, 2005, the Group carried outstanding forward contracts which entailed a commitment for purchase of listed securities of notional amount of approximately HK\$49,016,000 (31st December, 2004: HK\$64,300,000). The commitment will be settled monthly with an amount ranging from HK\$4 million to HK\$8 million. Usually the securities acquired will be disposed shortly, so the commitment is not expected to have a material adverse impact on cash flow.

FUTURE PLAN AND PROSPECT

After the completion of the acquisition of the remaining interests of the toys segment in June 2005, the Group currently further consolidate the four core businesses in order to enhance the synergy effects arising therefrom.

In view of the present unclear global and local economic atmospheres, the ever increasing price of petroleum and the keen competition the Group faces, the improvement of financial performance of the Group in the second half of the year 2005 remains a challenge to the Group.

Liquidity and financial resources

As at 30th June, 2005, the long-term finance lease obligations and bank borrowings of the Group were approximately HK\$11,534,000 (31st December, 2004: HK\$135,000), while the short term bank borrowings were approximately HK\$53,315,000 (31st December, 2004: HK\$5,951,000), and the net book value of the Group's plant and machinery of approximately HK\$355,000 (31st December, 2004: HK\$412,000) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was approximately 26.41% (31st December, 2004: 2.33%).