

Chairman's Statement

RESULTS

The Directors have resolved to announce the audited consolidated results for the year ended 31st December, 2005. Total turnover for the year amounted to HK\$515,875,000 (2004: HK\$509,820,000). The net profit stood at HK\$10,701,000 (2004: HK\$22,590,000). Earnings per share were 3.46 cents (2004: 7.40 cents, as restated).

Chairman's Statement

FINAL DIVIDEND

The Directors recommend the payment of a final dividend for the year ended 31st December, 2005 of 1.5 cents per share (2004: 4.5 cents per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 24th May, 2006. This dividend together with the interim dividend of 0.5 cent per share (2004: 1 cent per share), will make a total of 2.0 cents per share for the year (2004: 5.5 cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about 6th June, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 22nd May, 2006 to 24th May, 2006, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong at Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 19th May, 2006.

BUSINESS REVIEW

During the year, the turnover of the Group increased by approximately 12% to HK\$515,875,000, while the net profit for the year was HK\$10,701,000 representing a drop of approximately 53%. The gentle growth in turnover was mainly contributed by the former three-core segments of the Group, while the turnover of the toys segment dropped quite substantially. The performance of each segment will be further discussed below.

The year of 2005 was a year of challenge for the Group, or even a tough year. First of all, due to the keen competition in various business segments of the Group, it was hard to maintain profitability at a reasonable level as before. Secondly, the prices of various kinds of raw materials had risen continuously during the past two years making it harder for the Group to maintain profitability. Thirdly, the continuing increase in the wages level in the People's Republic of China (the "PRC") led to an ever-increasing cost of production in the PRC. Despite our effort in cutting the staff costs for the toys segment, the staff cost of the Group still increased by more than 3% in the PRC.

For the year 2005, the profits of the Group included a revaluation surplus on investment property of approximately HK\$4,040,000, and after the deduction of a share related payment on the share options granted to employees of approximately HK\$1,497,000, and an impairment loss of goodwill of approximately HK\$1,760,000, which arose from the acquisition of the remaining 41% portion of the shareholdings in the toys segment (the "Acquisition"), Perfectech International Manufacturing Limited ("PIML"). The Acquisition has been completed in the first half of 2005, and since then PIML has become a wholly owned subsidiary of the Group.

Chairman's Statement

Finance costs increased by about 61% to approximately HK\$2,115,000. This was mainly due to the increase in the interest rate during the year and also the raising of a term loan by the Group as working capital for future expansion and development during the year.

FUTURE PLAN & PROSPECT

Since the Group experienced a tough year in 2005, it signaled that the business of the group stepped into a period of change and challenge. In order to maintain profitability to survive, a number of measures have been implemented, such as the adoption of further cost control, on one hand, both in production plants in the PRC, and in the administrative units in Hong Kong, and on the other hand, to raise the selling price of certain products that are proved to be competitive.

Future capital investment in of the Group will only be made in those of the four core business segments that have been proved to be profitable in recent years, while diversification and development of new products are encouraged within the availability and capacity of present equipments.

In view of the performance of the Group in 2005 with the potential risks in the re-positioning of certain business segments of the Group in 2006, although the Directors are prudently confident that the performance of the toys segment will be improved as a results of the effects of synergy and cost control in the toys division, together with growth in the molding division, the Directors are of the view that 2006 will remain a very difficult and challenging year for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT RESULTS

Novelties and decorations

The turnover of this segment for the year remained quite stable and stood at approximately HK\$141,656,000, while the segment result decreased by about 43% to approximately HK\$8,070,000. The result of the segment dropped substantially due to keen competition, leading to the decrease in the selling price of our finished products, and the increase of production costs as stated above.

For the coming year, it is the Group's policy to raise the selling price to improve profit margin instead of by cutting price to boost the revenue, and to change the ways of production and even the methods of rewarding the labour in order to increase productivity.

Chairman's Statement

Packaging products

The turnover of packaging products to external customers increased slightly by about 4% to HK\$150,457,000, while the segment result substantially decreased by about 71% to HK\$3,244,000. Such a decrease in segment result was also due to keen competition and increase in labour costs.

In order to improve the segment result, the Group is now undergoing a plan for the repositioning in the product mix. For those products/businesses that are unprofitable, it is the Group's policy to abandon such items no matter how they had contributed to the Group in the past. On the other hand, concentration and efforts will be made on some items that are potentially more profitable.

Trading activities

The turnover of the trading of PVC film and plastic materials further increased by about 32% to HK\$109,387,000, as a result of organic growth of the segment since its reorganization in 2003, together with the continuing recovery of both the local and global economies. However, the segment result recorded a loss of approximately HK\$714,000 for the year, as a result of decrease in profit margin due to keen competition.

Toy products

The turnover of this segment was approximately HK\$114,375,000 representing a decrease of about 19%, while the segment result therefrom was approximately HK\$4,370,000, representing a decrease of about 12%. Due to the change of the Chief Executive Officer and shareholding of this segments as a result of the Acquisitions, the operation of the segment was disturbed to a certain degree. Nevertheless, the decrease in contribution bring less in proportionate to the decrease in turnover symbolized that the performance had improved.

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 31st December, 2005, the total investment therein was about HK\$629,000. All of these investments were held in interest-bearing notes, which ensured the earning of regular income from the investment.

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\$8,451,000.

Besides investing in stock markets, the Group may also utilize its cash on hand for foreign currencies cash deposits with local banks in order to earn a higher return of interest income, and also the potential capital gain thereon.

Chairman's Statement

Liquidity and financial resources

As at 31st December, 2005, the long-term finance lease obligation and bank loan of the Group were approximately HK\$500,000 (2004: HK\$135,000), while the short term bank borrowings were HK\$6,135,000 (2004: HK\$5,951,000), and the net book value of the Group's plant and machinery of HK\$297,000 (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 2.54% (2004: 2.33%).

At balance sheet date, the Group had bank balances and cash of approximately HK\$41,003,000 (2004: HK\$39,152,000).

With cash and other current assets at 31st December, 2005 of HK\$229 million as well as available banking facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value of the Group as at 31st December, 2005 was HK\$0.84 per share based on the actual number of 310,539,607 shares in issue on that date.

Employees and remuneration policies

As at 31st December, 2005, the Group employed approximately 3,000 full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar, with some in Renminbi and Euro Dollar. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in the area.

In relation to other currencies, the Group will closely monitor their trends in relation to US Dollar and will engage in exchange rate hedges when necessary.

Chairman's Statement

At the balance sheet date, the Group did not use any financial instrument for hedging purposes.

APPRECIATION

Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year.

On behalf of the Board

Poon Siu Chung

Chairman & Managing Director

Hong Kong, 25th April, 2006