Notes to the Financial Statements

For the year ended 31st December, 2005

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business is 3rd Floor, Perfectech Centre, 64 Wong Chuk Hang Road, Aberdeen, Hong Kong.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are the manufacture and sale of novelties, decorations, packaging and toys products, and the trading of PVC films and plastic materials.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, 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 (the "HKICPA") 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 consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. 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 and prior accounting years are prepared and presented:

Business Combinations

In the current year, 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. In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the transitional provisions in HKFRS 3. On 1st January, 2005, the Group eliminated the carrying amount of the related accumulated amortisation of HK$749,000 with a corresponding decrease in the cost of goodwill (Note 18). The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. 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 year. Comparative figures for 2004 have not been restated (Note 2A for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Share-based Payments

In the current year, 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 the expensing of the fair value of share options granted to directors and employees 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 chooses not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st January, 2005 (Note 2A for the financial impact). The Group has no share options granted after 7th November, 2002 but not yet vested on 1st January 2005.

Financial Instruments

In the current year, 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 the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the 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 alternative treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for that period. From 1st January, 2005 onwards, the Group has classified and measured 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". "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. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

Furthermore, HKAS 39 requires derivatives embedded in a non-derivative host contract to be accounted for separately when the economic risks and characteristics are not closely related to the host contract and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in income statement (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

On 1st January, 2005, the Group classified investment in listed securities amounted to HK$10,136,000 as held for trading investments, and the debt element of the investment in convertible bonds amounted to HK$2,239,000 as loans and receivables. The fair value of the embedded options of the investment in bonds has not been separated from the debt element as the amount involved is insignificant.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 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". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Derivatives and hedging

From 1st January, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Prior to HKAS 39, the Group has not recognised any derivative financial instruments. The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from 1st January, 2005 onwards, deemed such derivatives as held for trading. The Group measured its derivative at fair value and HK$1,012,889 was recognised as derivative financial instruments on 1st January, 2005 (Note 2A for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (Note 2A for the financial impact).

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. However, there has been no material effect on how the results are prepared and presented (Note 2A for the financial impact).

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (Note 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005	2004
	HK$'000	*HK$'000*
Non-amortisation of goodwill	**266**	–
Loss arising from changes in fair value of derivatives	**(663)**	–
Increase in changes in fair value of investment properties	**2,606**	–
Increase in deferred taxes relating to investment properties	**(707)**	(53)
Recognition of share based payments as expenses	**(1,497)**	–
Increase (decrease) in profit for the year	**5**	(53)

Analysis of increase in profit for the year by line items presented according to their function.

	2005	2004
	HK$'000	*HK$'000*
Increase in administrative expense	**(1,894)**	–
Increase in fair value of investment properties	**2,606**	–
Increase in income tax expense	**(707)**	(53)
Increase (decrease) in profit for the year	**5**	(53)

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The cumulative effects of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (originally stated)	Retrospective adjustments			As at 31st December, 2004 (restated)	Prospective adjustments	As at 1st January, 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		HKAS 1	**HKAS 17**	**HK(SIC)–INT 21**		**HKAS 39**	
Balance sheet items							
Property, plant and equipment	92,502	–	(656)	–	91,846	–	91,846
Prepaid lease payments	–	–	1,097	–	1,097	–	1,097
Long term prepayments	441	–	(441)	–	–	–	–
Held-for-trading investments	–	–	–	–	–	10,136	10,136
Investment in bonds	–	–	–	–	–	2,239	2,239
Investment in securities	12,375	–	–	–	12,375	(12,375)	–
Deferred tax assets	860	–	–	178	1,038	–	1,038
Derivative financial instruments	–	–	–	–	–	1,013	1,013
Deferred tax liabilities	(2,513)	–	–	72	(2,441)	–	(2,441)
Other net assets	174,542	–	–	–	174,542	–	174,542
Total effects on assets and liabilities	278,207	–	–	250	278,457	1,013	279,470
Share capital	30,640	–	–	–	30,640	–	30,640
Retained profits	152,883	–	–	250	153,133	1,013	154,146
Other reserves	77,214	–	–	–	77,214	–	77,214
Minority interests	–	17,470	–	–	17,470	–	17,470
Total effects on equity	260,737	17,470	–	250	278,457	1,013	279,470
Minority interests	17,470	(17,470)	–	–	–	–	–

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The financial effects of the application of the new HKFRSs to the Group's equity on 1st January, 2004 are summarised below:

	As originally stated	HKAS 1	HK(SIC)– INT 21	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share capital	28,170	–	–	28,170
Retained profits	144,081	–	303	144,384
Other reserves	63,486	–	–	63,486
Minority interests	–	14,711	–	14,711
Total effects on equity	235,737	14,711	303	250,751

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no or any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st January, 2006.

[3] Effective for annual periods beginning on or after 1st December, 2005.

[4] Effective for annual periods beginning on or after 1st March, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the new Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or associate at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment propriety is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets as held for trading and those designated at fair value through profit or loss on initial recognition. The Group classified certain financial assets as held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including bank balances pledged bank deposits, trade and other receivables, amount due from a minority shareholder of a subsidiary and investment in convertible notes) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities

Financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily forward contracts) to hedge its exposure against price risk on held-for-trading investments. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Impairment losses (other than goodwill – see the accounting policies in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 3, management has made the following judgment that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Depreciation

The Group's net book value of property, plant and equipment as at 31st December, 2005 was HK$85,411,000. The Group depreciates the property, plant and equipment, using the straight-line method, at the rate 5% to 30% per annum or over the term of the lease, commencing from the date the assets is placed into productive use. The estimated useful life and dates that the Group places the assets into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

Impairment on trade receivables

The policy for impairment on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and future discounted cash flow. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Impairment on inventories

The management of the Group reviews an aging analysis at each balance sheet date, and identified obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and provide impairment on obsolete items.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December, 2005, the carrying amount of goodwill is HK$3,882,000. Details of the recoverable amount calculation are disclosed in note 19.

Income taxes

As at 31st December, 2005, a deferred tax asset of HK$2,449,000 in relation to unused tax losses has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other receivables, amount due from a minority shareholder of a subsidiary, bank balances, obligations and a finance lese, and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

The Group is exposed to both cash flow interest rate risk and fair value interest rate risk through the impact of rate changes on interest bearing bank borrowings and obligations under finance leases respectively. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The interest rate and terms of repayment of bank borrowings and obligations under finance leases of the Group are disclosed in notes 29 and 30 respectively.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Liquidity risk

Internally generated cash flow and bank borrowings are the general sources of funds to finance the operations of the Group. Majority of the Group's banking facilities are subject to floating interest rate and are renewable annually. The Group liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

6. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, during the year.

	2005	2004
	HK$'000	*HK$'000*
Novelties and decorations products	**141,656**	140,412
Packaging products	**150,457**	145,074
PVC films and plastic materials	**109,387**	83,012
Toys products	**114,375**	141,322
	515,875	509,820

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into four business segments, namely the manufacture and sale of novelties and decorations products, the manufacture and sale of packaging products, the trading of PVC films and plastic materials and the manufacture and sale of toy products. These business segments are the basis on which the Group reports its primary segment information.

2005

	Novelties and decorations products	Packaging products	PVC films and plastic materials	Toy products	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	141,656	150,457	109,387	114,375	–	515,875
Inter-segment sales	533	32,397	4,884	3,058	(40,872)	–
Total revenue	142,189	182,854	114,271	117,433	(40,872)	515,875
RESULT						
Segment result	8,070	3,244	(714)	4,370	(1,474)	13,496
Income from investments						4,256
Unallocated corporate expenses						(1,172)
Finance costs						(2,115)
Profit before tax						14,465
Income tax expenses						(2,982)
Profit for the year						11,483

Inter-segment sales are charged at prevailing market rates.

Notes to the Financial Statements

For the year ended 31st December, 2005

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

BALANCE SHEET

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	79,419	107,724	45,572	58,821	291,536
Unallocated corporate assets					36,182
Consolidated total assets					327,718
LIABILITIES					
Segment liabilities	10,149	20,237	1,132	16,824	48,342
Bank borrowings					6,500
Unallocated corporate liabilities					5,408
Consolidated total liabilities					60,250

OTHER INFORMATION

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Others HK$'000	Con-solidated HK$'000
Capital additions	4,097	7,563	20	3,689	–	15,369
Depreciation of property, plant and equipment	5,363	7,936	46	6,982	10	20,337
Release of prepaid lease payments	-	-	-	77	–	77

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

2004

	Novelties and decorations products	Packaging products	PVC films and plastic materials	Toy products	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(restated)
REVENUE						
External sales	140,412	145,074	83,012	141,322	–	509,820
Inter-segment sales	354	32,682	4,157	911	(38,104)	–
Total revenue	140,766	177,756	87,169	142,233	(38,104)	509,820
RESULT						
Segment result	14,181	11,133	3,190	4,963	(3,013)	30,454
Income from investments						2,403
Unallocated corporate expenses						(4,363)
Finance costs						(1,314)
Profit before tax						27,180
Income tax expenses						(1,884)
Profit for the year						25,296

Inter-segment sales are charged at prevailing market rates.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments *(Continued)*

BALANCE SHEET

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000 (restated)
ASSETS					
Segment assets	85,609	110,651	38,677	62,835	297,772
Unallocated corporate assets					43,487
Consolidated total assets					341,259
LIABILITIES					
Segment liabilities	9,575	17,262	3,383	20,365	50,585
Bank borrowings					5,756
Unallocated corporate liabilities					6,461
Consolidated total liabilities					62,802

OTHER INFORMATION

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	5,159	10,621	219	5,720	–	21,719
Depreciation of property plants and equipment	5,344	6,332	28	6,875	56	18,635
Amortisation of goodwill	–	–	–	–	107	107
Release of prepaid lease payments	–	–	–	90	–	90

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(b) Geographical segments

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

	2005	2004
	HK$'000	HK$'000
Sales revenue by geographical market:		
Hong Kong	316,879	231,029
Europe	110,738	114,828
America	46,016	87,850
Asia (other than Hong Kong)	39,100	74,809
Others	3,142	1,304
	515,875	509,820

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	139,807	145,147	476	584
The People's Republic of China (the "PRC")	187,911	196,112	14,893	21,135
	327,718	341,259	15,369	21,719

Notes to the Financial Statements

For the year ended 31st December, 2005

8. OTHER EXPENSE

	2005	2004
	HK$'000	*HK$'000*
Decrease in fair value of held-for-trading investments	**880**	–
Unrealised holding loss on trading securities	**–**	749
Impairment loss recognised in respect of other securities	**–**	500
Decrease in fair value of derivatives	**663**	–
	1,543	1,249

9. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**1,864**	1,141
Other borrowings wholly repayable within five years	**239**	152
Finance lease wholly repayable within five years	**12**	21
	2,115	1,314

10. PROFIT BEFORE TAX

	2005	2004
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	–	107
Release of prepaid lease prepayments (included in administrative expenses)	77	90
Impairment loss on trade receivables	321	1,654
Written down of inventories	1,996	1,153
Auditors' remuneration	1,140	787
Depreciation of property, plant and equipment	20,337	18,635
Foreign exchange losses, net	2,488	2,864
Loss on disposals of property, plant and equipment	–	210
Staff costs (including directors' emoluments)	88,611	88,017
Share-based payments expenses	1,497	–
Cost of inventories recognsied as an expense	295,732	272,442
and after crediting:		
Interest income	878	1,876
Dividend income from investments held-for-trading	363	–
Dividend income from trading securities	–	469
Gain on disposals of property, plant and equipment and prepaid lease payments	207	–
Gain on disposals of investments held-for-trading	2,808	–
Gain on disposals of trading securities	–	58
Reversal of impairment loss on investment in bonds	500	–

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eight directors for the year ended 31st December, 2005 were as follows:

		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Poon Siu Chung	**–**	**1,792**	**38**	**1,830**
Mr. Leung Ying Wai, Charles	**–**	**–**	**–**	**–**
Mr. Ip Siu On	**–**	**2,162**	**19**	**2,181**
Mr. Tsui Yan Lee, Benjamin	**–**	**2,203**	**18**	**2,221**
Mr. Tong Wui Tung	**100**	**–**	**–**	**100**
Mr. Ng Siu Yu, Larry	**100**	**–**	**–**	**100**
Mr. Lam Yat Cheong	**50**	**–**	**–**	**50**
Mr. Yip Chi Hung	**100**	**–**	**–**	**100**
Total for 2005	**350**	**6,157**	**75**	**6,582**

The emoluments paid or payable to each of the eight directors for the year ended 31st December, 2004 were as follows:

		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Poon Siu Chung	–	1,752	38	1,790
Mr. Leung Ying Wai, Charles	–	–	–	–
Mr. Ip Siu On	–	1,617	19	1,636
Mr. Tsui Yan Lee, Benjamin	–	1,614	18	1,632
Mr. Tong Wui Tung	100	–	–	100
Mr. Ng Siu Yu, Larry	100	–	–	100
Mr. Lam Yat Cheong	–	–	–	–
Mr. Yip Chi Hung	–	–	–	–
Total for 2004	200	4,983	75	5,258

No emoluments were paid by the Group to the directors as a discretionary bonus or inducement to join or upon joining the Group or as a compensation for loss of office for both years.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, three (2004: three) were directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining two (2004: two) individuals were as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other benefits	**1,419**	2,541
Retirement benefit schemes contributions	**16**	27
	1,435	2,568

Their emoluments were within the following bands:

	2005	2004
	Number of employees	Number of employees
Nil – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**–**	2
	2	2

12. INCOME TAX EXPENSES

	2005	2004
	HK$'000	HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	1,033	1,916
Underprovision in prior years	1,392	–
	2,425	1,916
Deferred tax (note 31)		
Current year	557	(32)
	2,982	1,884

Hong Kong Profit Tax is calculated at 17.5% of the estimated assessable profit for both years.

The tax charge for the year can be reconciled to the profit before taxation as follow:

	2005	2004
	HK$'000	HK$'000
Profit before tax	14,465	27,180
Tax at Hong Kong Profits Tax rate of 17.5%	2,531	4,756
Tax effect of income not taxable for tax purposes	(3,300)	(4,082)
Tax effect of expenses not deductible for tax purposes	2,532	1,393
Utilisation of tax losses not previously recognised	(552)	(33)
Tax effect on tax losses not recognised	40	(150)
Underprovision in prior year	1,392	–
Others	339	–
Tax charge for the year	2,982	1,884

13. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Interim, paid – 0.5 cent (2004: 1 cent) per share	**1,557**	3,064
Final, paid – 4.5 cents per share for 2004 (2004: 3.5 cents per share for 2003)	**13,788**	10,724
	15,345	13,788

The final dividend of 1.5 cents (2004: 4.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on profit attributable to equity shareholders of the Company for the year of approximately HK$10,701,000 (2004: HK$22,537,000) and the following data:

	2005	2004
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**308,833,859**	304,716,361
Effect of dilutive potential ordinary shares on share options	**–**	308,689
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**308,833,859**	305,025,050

No diluted earnings per share has been presented because the exercise prices of the Company's options were higher than the average market prices of the shares for the year ended 31st December, 2005.

Notes to the Financial Statements

For the year ended 31st December, 2005

14. EARNINGS PER SHARE *(Continued)*

The following table summarises the impact on basic and diluted earnings per share as a result of:

	Impact on basic earnings per share 2005	Impact on basic earnings per share 2004	Impact on diluted earnings per share 2004
	cents	*cents*	*cents*
Reported figures before adjustments	**3.46**	7.41	7.41
Adjustments arising from changes in accounting policies (Note 2A)	**–**	(0.01)	(0.02)
As adjusted/restated	**3.46**	7.40	7.39

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Factory premises	Furniture, fixtures and office equipment	Plant, machinery and moulds	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
As 1st January, 2004						
– As originally stated	3,019	36,852	28,379	187,351	4,111	259,712
– Effect of changes in accounting policies	(854)	–	–	–	–	(854)
– As restated	2,165	36,852	28,379	187,351	4,111	258,858
Additions	–	1,155	3,293	16,470	801	21,369
Disposals	–	–	(1,369)	–	(333)	(1,702)
At 31st December, 2004 and 1st January, 2005	2,165	38,007	30,303	203,821	4,579	278,875
Additions	–	942	1,532	11,986	909	15,369
Reclassification	(173)	173	775	(775)	–	–
Disposals	(1,802)	–	–	(163)	(973)	(2,938)
As 31st December, 2005	190	39,122	32,610	214,869	4,515	291,306
DEPRECIATION AND AMORTISATION						
At 1st January, 2004						
– As originally stated	623	18,251	16,785	130,823	3,452	169,934
– Effect of changes in accounting policies	(181)	–	–	–	–	(181)
– As restated	442	18,251	16,785	130,823	3,452	169,753
Provided for the year	40	1,862	4,760	11,365	608	18,635
Eliminated on disposals	–	–	(1,026)	–	(333)	(1,359)
At 31st December, 2004 and 1st January, 2005	482	20,113	20,519	142,188	3,727	187,029
Provided for the year	24	1,872	3,822	14,028	591	20,337
Eliminated on disposals	(439)	–	–	(89)	(943)	(1,471)
At 31st December, 2005	67	21,985	24,341	156,127	3,375	205,895
CARRYING VALUES						
At 31st December, 2005	123	17,137	8,269	58,742	1,140	85,411
At 31st December, 2004	1,683	17,894	9,784	61,633	852	91,846

Notes to the Financial Statements

For the year ended 31st December, 2005

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	50 years
Factory premises	5%
Furniture, fixtures and office equipment	15-20%
Plant, machinery and moulds	10-20%
Motor vehicles	25-30%

The Group has not obtained Certificate for Housing Ownership in respect of the Group's factory premises with an aggregate net book value of approximately HK$17,137,000 (2004: HK$17,894,000) at 31st December, 2005.

The carrying value of plant and machinery includes an amount of approximately HK$297,000 (2004: HK$412,000) in respect of assets held under a finance lease.

16. PREPAID LEASE PAYMENTS

	2005	2004
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in Hong Kong	**61**	655
Medium-term leasehold land in PRC	**374**	442
	435	1,097
Analysed for reporting purposes as:		
Current asset	**69**	84
Non-current asset	**366**	1,013
	435	1,097

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2004	4,000
Revaluation surplus	300
At 31st December, 2004 and 1st January, 2005	4,300
Increase in fair value recognised in the income statement	4,040
At 31st December, 2005	8,340

The fair value of the Group's investment properties at 31st December, 2005 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. BMI Appraisals Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Notes to the Financial Statements

For the year ended 31st December, 2005

17. INVESTMENT PROPERTIES *(Continued)*

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. As at 31st December, 2005, the carrying amount of such property interests amounted to HK$8,340,000 (31st December, 2004: HK$4,300,000).

All of the Group's investment properties are situated in Hong Kong and are held under medium-term leases.

18. GOODWILL

	HK$'000
COST	
At 1st January, 2004, 31st December, 2004 and 1st January, 2005	1,070
Elimination of accumulated amortisation upon the application of HKFRS 3 (Note 2A)	(749)
Arising on acquisition of a subsidiary (Note 33)	5,321
At 31st December, 2005	5,642
IMPAIRMENT	
Impairment loss recongised for the year and balance at 31st December, 2005	1,760
AMORTISATION	
At 1st January, 2004	642
Charge for the year	107
At 31st December, 2004 and 1st January, 2005	749
Elimination of accumulated amortisation upon the application of HKFRS 3 (Note 2A)	(749)
At 31st December, 2005	–
CARRYING VALUES	
At 31st December, 2005	3,882
At 31st December, 2004	321

Particulars regarding impairment testing on goodwill are disclosed in note 19.

Until 31st December, 2004, goodwill had been amortised over its estimated useful life for 10 years.

19. IMPAIRMENT TESTING ON GOODWILL

As explained in Note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out in note 18 have been allocated to three individual cash generating units ("CGUs"). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31st December, 2005 allocated to these units are as follows:

	Goodwill
	HK$'000
Packaging products segment	
– Perfectech Paper Products Company Limited ("Paper")	321
Toys Products Segment	
– Perfectech International Manufacturing Limited	
• Toys Sub-segment ("Toy")	1,927
(including Beyond Growth International Limited, Dream Creation Limited, Golden Enterprise Holding Limited and Yu-Me (H.K.) Limited)	
• Moulds Sub-segment ("Moulds")	1,634
(Shouji Tooling Factory Limited)	
	3,882

Paper and moulds

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. All value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, assuming at a growth rate of 10% per annum, and a discount rate of 6%. Cash flows beyond the 5-years period are extrapolated using a steady 5% growth rate, based on management estimation. Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

Toys

The recoverable amount of Toys has been determined based on a value on use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10 year period, and discount rate of 6%. Cash flow projections during the budget period for the CGU is based on expected gross margins and expected expenditure during the budget period. Since a shortfall of HK$1,760,000 is expected from the calculation, impairment loss is recognised in profit and loss for the year.

Notes to the Financial Statements

For the year ended 31st December, 2005

20. INVENTORIES

	2005	2004
	HK$'000	*HK$'000*
Raw materials	**56,279**	68,946
Work in progress	**4,100**	5,254
Finished goods	**33,106**	25,220
	93,485	99,420

21. TRADE AND OTHER RECEIVABLES

	2005	2004
	HK$'000	*HK$'000*
Trade receivables	**89,387**	92,771
Less: impairment loss on trade receivables	**(10,924)**	(10,606)
	78,463	82,165
Prepayment and other receivables	**3,787**	8,735
	82,250	90,900

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 the balance sheet date:

	2005	2004
	HK$'000	*HK$'000*
0 – 60 days	**48,281**	47,425
61 – 90 days	**13,147**	12,317
91 – 120 days	**10,114**	9,936
Over 120 days	**6,921**	12,487
	78,463	82,165

The fair value of the Group's trade and other receivables at 31st December, 2005 approximate to the corresponding carrying amount.

22. OTHER FINANCIAL ASSETS

Amount due from a minority shareholder of a subsidiary

The amount is non-interest bearing, unsecured and repayable on demand. The fair value of the balance at 31st December, 2005 approximate its corresponding carrying amounts.

Bank balances and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 1.75% to 3.85% (2004: 1.55% to 1.75%) with an original maturity of three months or less. The fair value of these assets at 31st December, 2005 approximates to the corresponding carrying amounts.

23. INVESTMENT IN BONDS

Investment in bonds represents debt element of the unlisted bonds. The bonds are redeemable on 31st March, 2006 and carry interest at 7.5% per annum on the outstanding amount of principal of the bond and the interest is payable monthly by the issuer. The conversion right of the bond was waived in March 2005.

24. INVESTMENTS HELD-FOR-TRADING

Held-for-trading investments as at 31st December, 2005 represent equity securities listed in Hong Kong. The fair values of the held-for-trading investments are determined based on the quoted market bid prices available on the relevant exchanges.

25. INVESTMENTS IN SECURITIES

Investment securities as at 31st December, 2004 are set out below. Upon the application of HKAS 39 on 1st January, 2005, investment securities were reclassified to appropriate categories under HKAS 39 (Note 2 for details).

	Trading securities	**Other securities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Equity securities:			
Listed in Hong Kong	10,136	–	10,136
Debt securities:			
Unlisted	–	2,239	2,239
Total:			
Listed in Hong Kong	10,136	–	10,136
Unlisted	–	2,239	2,239
	10,136	2,239	12,375
Market value of listed securities	10,136	N/A	10,136
Carrying amount analysed for reporting purposes as:			
Non-current	–	–	–
Current	10,136	2,239	12,375
	10,136	2,239	12,375

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2005
	HK$'000
Forward contracts of listed equity securities	350

At 31st December, 2005, the major terms of the listed equity forward contracts are as follows:

Notional amount	**Underlying securities**	**Maturity**	**Forward Price**
HK$3,284,400	Huaneng Power Int'l Inc – H Shares	12th April, 2006	HK$5.36
HK$7,650,000	Hang Lung Properties Ltd	15th August, 2006	HK$11.54
HK$2,956,800	China Telecom Corp Ltd	17th August, 2006	HK$2.83
HK$2,141,400	Petrochina Co Ltd – H Shares	1st September, 2006	HK$5.73
HK$3,012,600	Sun Hung Kai Properties Ltd	5th October, 2006	HK$72.21
HK$3,753,420	Hutchison Whampoa Ltd	11th December, 2006	HK$65.05
HK$5,164,800	Cathay Pacific Airways Ltd	18th December, 2006	HK$12.24

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

27. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

The deposits carry variable interest rate ranging from 1.75% to 3.85% (2004: 1.55% to 3.6%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31st December, 2005 approximates to the corresponding carrying amount.

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28. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2005	2004
	HK$'000	*HK$'000*
0 – 60 days	**24,725**	20,504
61 – 90 days	**4,367**	7,496
91 – 120 days	**632**	2,591
Over 120 days	**339**	1,843
	30,063	32,434

The fair value of the Group's trade and other payables at 31st December, 2005 approximates to the corresponding carrying amount.

29. BANK BORROWINGS

The amounts are unsecured and bear interest at prevailing market rates and are repayable as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**6,000**	5,195
In the second year	**500**	–
	6,500	5,195
Less: Amount due within one year shown under current liabilities	**(6,000)**	(5,195)
	500	–

The bank loans are variable-rate borrowings which carry interest ranging from 4.44% to 7.75% (2004: 2.39% to 7.00% per annum).

The bank overdrafts are at variable-rate interest rate which carry interest at Hong Kong Prime Rate plus 0.5%.

During the year, the Group obtained new loans in the amount of HK$18,000,000 (2004: HK$6,510,000). The loan of HK$11,500,000 was repaid during the year.

29. BANK BORROWINGS *(Continued)*

The directors consider that the carrying amount of bank borrowings and bank overdraft approximates their fair value.

30. OBLIGATIONS UNDER A FINANCE LEASE

It is the Company's policy to lease certain of its equipment under a finance lease. The average lease term is 3 years. For the year ended 31st December, 2005, the average effective borrowing rate was 2.6% (2004: 2.6%). Interest rates are fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Amounts payable under a finance lease:				
Within one year	**138**	207	**135**	195
In more than one year but not more than two years	**–**	138	**–**	135
	138	345	**135**	330
Less: Future finance charges	**(3)**	(15)	**–**	–
Present value of lease obligations	**135**	330	**135**	330
Less: Amount due for settlement within 12 months			**(135)**	(195)
Amount due for settlement after 12 months			**–**	135

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The directors consider that the fair value of the Group's obligations under a finance lease at 31st December, 2005 was approximate to its corresponding carrying value.

31. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004, as originally stated	2,362	–	(624)	1,738
Effect of changes in accounting policies	–	(303)	–	(303)
At 1st January, 2004, as restated	2,362	(303)	(624)	1,435
Charge (credit) to income for the year	1,581	53	(1,666)	(32)
At 31st December, 2004 and 1st January, 2005	3,943	(250)	(2,290)	1,403
Charge (credit) to income for the year	9	707	(159)	557
At 31st December, 2005	3,952	457	(2,449)	1,960

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005	2004
	HK$'000	*HK$'000*
Deferred tax liabilities	**3,022**	2,441
Deferred tax assets	**(1,062)**	(1,038)
	1,960	1,403

At the balance sheet date, the Group has unused tax losses of approximately HK$27,079,000 (2004: HK$29,463,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$13,994,000 (2004: HK$13,086,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$13,085,000 (2004: HK$16,377,000) due to the unpredictability of future profit streams.

32. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.10 each				
At beginning of the year	**700,000**	70,000	**30,640**	28,170
Issue of new shares *(note 1)*	**–**	–	**–**	2,100
Exercise of share options *(note 2)*	**–**	–	**490**	370
Share repurchased and cancelled *(note 3)*	**–**	–	**(76)**	–
At end of the year	**700,000**	70,000	**31,054**	30,640

note 1: During the year ended 31st December, 2004, the Company issued and allotted 21,000,000 shares of HK$0.10 each for cash at the placement price of HK$0.68 per share pursuant to the Placement Agreement dated 5th January, 2004.

note 2: During the year, 4,900,000 shares in the Company of HK$0.10 each were issued upon the exercise of 4,900,000 share options at subscription prices of HK$0.608 per share.

In 2004, 3,700,00 shares in the Company of the HK$0.10 each were issued upon the exercise of 3,700,000 share options at subscription price of HK$0.638 per share.

note 3: During the year, the Company repurchased its own shares through the Stock Exchange as follows:

	No. of shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
Month of repurchase				
November 2005	322,000	0.59	0.56	187,804
December 2005	440,000	0.58	0.55	249,202
	762,000			437,006

The new shares rank pari passu with the then existing shares in all respects.

33. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 10th June, 2005, the Group acquired an additional 41% equity interest in Perfectech International Manufacturing Limited ("PIML"), which has various subsidiaries, at a consideration of HK$17,083,000. The acquisition was accounted for using the purchase method of accounting. The amount of goodwill arising from the acquisition was approximately HK$5,321,000.

Upon the completion of the above acquisition, the Group increased its equity interest in PIML from 59% to 100%. Since the date of acquisition of addition interest, PIML had contributed a further profit of approximately HK$2,763,000 to the Group's profit attributable to the equity holders of the parent.

34. PLEDGE OF ASSETS

The following assets were pledged to secure the margin loan facilities granted to the Group:

(i) Investment held-for-trading with a carrying value of approximately HK$2,915,000 (2004: investment in securities with a carrying value of approximately HK$1,527,000) ; and

(ii) Bank balances and cash of approximately HK$8,724,000 (2004: HK$21,264,000).

The margin loan facilities utilised by the Group at the balance sheet date amounted to approximately HK$1,329,000 at interest rate of Hong Kong Prime Rate plus 1%, which was included in other payables.

35. OPERATING LEASES

The Group as lessee

	2005	2004
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year		
Rented premises	**10,713**	7,918
Plant and machinery	**–**	162
	10,713	8,080

35. OPERATING LEASES *(Continued)*

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	4,939	4,971
In the second to fifth years inclusive	7,207	8,537
Over five years	33,198	34,461
	45,344	47,969

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for a term from 2 to 38 years.

The Group as lessor

Property rental income earned from investment properties of the Group during the year was approximately HK$378,000 (2004: HK$378,000), less negligible outgoings.

At 31st December, 2005, the Group had contracted with tenants for future minimum lease receipts, expiring within one year, amounting to approximately Nil (2004: HK$378,000).

36. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	34	1,407

37. OTHER COMMITMENTS

At 31st December, 2005, the Group carried outstanding forward contracts which entailed a commitment for purchase of equity shares of notional amount of approximately HK$27,963,000 (2004: HK$64,300,000) as disclosed in note 26.

In the opinion of the directors, the commitments will be settled monthly with an amount ranging from approximately HK$3 million to HK$5 million. All acquired listed securities are for trading purposes and will be disposed shortly and the proceeds of which will mainly be 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.

38. CONTINGENT LIABILITY

A subsidiary of the Group (the "Subsidiary") has served a writ and claimed against three former employees of the Subsidiary (the "Defendants"). The claim related to the misconduct of the Defendants during their employment with the Subsidiary. The Defendants has filed a defence and counterclaim against the Subsidiary for wages and other payments allegedly payable upon their termination of employment with the Subsidiary amounting to approximately HK$419,000 together with interest and costs. The directors of the Company take the view that the amount of their claims against the Defendants well exceed the Defendants' claims, and accordingly, no provision for any liabilities that may result has been made in the financial statements of the Group.

39. SHARE-BASED PAYMENT TRANSACTIONS

The share option scheme (the "Scheme") was adopted on 17th May, 2002 and will expire on 16th May, 2012. The primary purpose of the Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Under the Scheme, the board of directors of the Company may offer to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive director or proposed executive and non-executive director of the Company or any subsidiary options to subscribe for shares in the Company in accordance with the terms of the Scheme for the consideration of HK$1 for each lot of share options granted.

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 8,000,000, representing approximately 2.6% of the shares of the Company in issue at that date.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of shares of the Company in issue, at any point at time, without prior approval from the Company's shareholder.

Options granted must remain open for acceptance until 5:00 p.m. the 5th business day following the offer date provided that no such offer shall be opened for acceptance after the tenth anniversary of the adoption date or after the Scheme has been terminated. Option may be exercised during the period as the board of directors of the Company may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and the board of directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Total consideration received during the year from a director and employees for taking up the options granted during the year is HK$2,979,000 (2004: HK$2,361,000).

All options were vested on the date of grant.

The exercise price is determined by the board of directors of the Company and will be at least the highest of the followings:

a) the closing price of shares at the date of grant of a share option;

b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

c) the nominal value of a share.

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39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The followings table discloses details of the Company's share options held by employees and movements in such holdings during the year:

	Option type	At 1.1.2004	Exercised during the year	At 31.12.2004	Granted during the year	Exercised during the year	At 31.12.2005
				Number of share options			
Directors	C	–	–	–	6,000,000	–	6,000,000
Employees	B	3,700,000	(3,700,000)	–	–	–	–
	C	–	–	–	4,900,000	(4,900,000)	–
		3,700,000	(3,700,000)	–	4,900,000	(4,900,000)	–
Others	A	1,000,000	–	1,000,000	–	–	1,000,000
	C	–	–	–	1,000,000	–	1,000,000
		1,000,000	–	1,000,000	1,000,000	–	2,000,000
Total		4,700,000	(3,700,000)	1,000,000	11,900,000	(4,900,000)	8,000,000

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price *HK$*
A	5th June, 2002	5th July, 2002 – 17th May, 2012	0.664
B	22nd July, 2003	22nd August, 2003 – 31st December, 2011	0.638
C	2nd February, 2005	2nd May, 2005 – 31st December, 2014	0.608

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The closing prices of the Company's shares on 5th June, 2002, 22nd July, 2003 and 22nd February, 2005, the dates of grant of the options, were HK$0.66, HK$0.63 and HK$0.60 respectively.

Share options were exercised on various date from 13th June, 2005 to 18th July, 2005. The weighted average closing prices of the Company's shares on the dates on which the share options exercised was HK$0.618. In 2004, share options were exercised on various dates on 20th February, 2004 to 2nd April, 2004. The weighted average closing prices of the Company's share immediately before the dates on which the share options were exercised during the period ranged from HK$0.82 to HK$0.99.

During the year ended 31st December, 2005, options were granted on 2nd February, 2005. The estimated fair values of the options granted on those dates are HK$0.1258.

The fair values were calculated using the Binomial Option pricing model. The inputs into the model were as follows:

Exercise price	HK$0.608
Expected volatility	37.82%
Expected life	5 years
Risk-free rate	2.811%
Expected dividend yield	8.33%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 260 days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$1,497,000 for the year ended 31st December, 2005 (2004: Nil) in relation to share options granted by the Company.

40. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme are required to switch to the MPF Scheme and all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rate of 5% the employee's basic salary.

Employees of the Group in the PRC are members of the state-sponsored pension operated by the PRC Government. The Group are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years, was approximately HK$5,000 (2004: HK$10,000).

The total cost charged to income of approximately HK$687,000 (2004: HK$795,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

41. POST BALANCE SHEET EVENT

Subsequent to year end, the Company has repurchased 2,372,000 shares of its own shares through the Stock Exchange as follows:

Month of purchase	No. of shares of HK$ 0.10 cash	Price per share Highest	Price per share Lowest	Aggregate Consideration paid
		HK$	HK$	HK$'000
January 2006	350,000	0.54	0.53	189
February 2006	430,000	0.53	0.51	227
March 2006	1,592,000	0.53	0.48	806
	2,372,000			1,222

42. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with related parties who are not members of the Group:

	2005	2004
	HK$'000	*HK$'000*
Rental expenses paid to:		
Nice Step Investment Limited (Note a)	**999**	860
Mr. Poon Siu Chung	**168**	168
Printing fees paid to Run All Limited (Note b)	**–**	128

Notes:

(a) Mr. Leung Ying Wai, Charles, a substantial shareholder and director of the Company, has beneficial interest in Nice Step Investment Limited.

(b) Mr. Ng Siu Yu, Larry, an independent non-executive director of the Company, has beneficial interest in Run All Limited.

42. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	HK$'000	*HK$'000*
Short-term benefits	**6,918**	6,256
Post-employment benefits	**120**	118
Share-based payments	**969**	–
	8,007	6,374

The remuneration of directors and key executives is determined by the Board and reviewed by the remuneration committee having regard to the performance of individuals and market trends.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/registered capital held by the Company		Paid up issued/ registered ordinary share capital	Principal activities
		Directly	Indirectly		
Benefit International Packing Materials Limited	Hong Kong	–	100%	HK$10,000	Trading of PVC films
Benefit Packing Materials Limited	Hong Kong	–	75%	HK$1,000,000	Trading of PVC films
Beyond Growth International Limited	Hong Kong	–	100%	HK$100,000	Manufacture and sales of toys
Dream Creation Limited	Hong Kong	–	100%	HK$2	Investment holding and distribution of toys
Golden Enterprise Holdings Limited	Hong Kong	–	100%	HK$2	Distribution of toys
珠海市多發塑膠制品有限公司	The PRC	–	100%	RMB530,600	Trading of novelties and festival decorations products
iTech Limited	Hong Kong	–	100%	HK$2	Investment holding
Leader Stationery & Gifs Manufacturing Company Limited	Hong Kong	–	80%	HK$1,000,000	Manufacturing of stationery products
Link Faith Company Limited	Hong Kong	–	100%	HK$100,000	Securities investments

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Paid up issued/ registered ordinary share capital	Principal activities
Onward Packing Manufacturer Limited	Hong Kong	–	100%	HK$320,000	Manufacture of novelties, festival decorations and packaging products
Perfectech Colour Centre Limited	Hong Kong	–	100%	HK$1,000,000	Dye stuff manufacturing
Perfectech Enterprises (B.V.I.) Limited	British Virgin Islands ("BVI")	–	100%	US$1	Investment holding
Perfectech International (B.V.I.) Limited	BVI	100%	–	US$50	Investment holding
Perfectech International Limited	Hong Kong	–	100%	HK$200 HK$80,000 (non-voting deferred shares)	Investment holding
Perfectech International Manufacturing Limited	BVI	–	100%	US$2,457,000	Investment holding
Perfectech International Packaging Products Company Limited	Hong Kong	–	100%	HK$450,000	Manufacture of PVC blister and box
Perfectech International Trading Limited	Hong Kong	–	100%	HK$2	Trading of novelties, festival decorations and packaging products

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Paid up issued/ registered ordinary share capital	Principal activities
Perfectech Paper Products Company Limited	Hong Kong	–	99%	HK$1,000,000	Manufacture of paper products
Perfectech Plastics Limited	Hong Kong	–	100%	HK$1,000,000	Trading of plastic materials
Perfectech Printing Company Limited	Hong Kong	–	90%	HK$1,000,000	Printing
Shouji Tooling Factory Limited	Hong Kong	–	76.2%	HK$1,000	Manufacture and sales of moulds
Sunflower Garland Manufactory Limited	Hong Kong	–	100%	HK$2 HK$160,000 (non-voting deferred shares)	Property investment
Yu-Me (H.K.) Limited	Hong Kong	–	100%	HK$2	Provision of management services

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

珠海市多發塑膠制品有限公司 is a wholly foreign owned subsidiary registered under PRC law and all principal activities of subsidiaries are carried out in Hong Kong and the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year.

44. BALANCE SHEET INFORMATION OF THE COMPANY

Balance sheet information of the Company at the balance sheet date includes:

	2005	2004
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**32,061**	32,061
Deferred tax assets	**424**	117
	32,485	32,178
CURRENT ASSETS		
Amounts due from subsidiaries	**132,788**	146,076
Prepayment and other receivables	**243**	227
Band balance	**70**	6
	133,101	146,309
CURRENT LIABILITY		
Accrued charges	**100**	570
NET CURRENT ASSETS	**133,001**	145,739
	165,486	177,917
CAPITAL AND RESERVES		
Share capital	**31,054**	30,640
Reserves	**134,432**	147,277
	165,486	177,917

Loss of the Company for the year ended 31st December, 2005 amounted to HK$1.1 million (2004: HK$0.1 million).