

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company's 2005 Annual Report.

These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company and were approved by the board of directors on 7 August 2006.

2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue and results for the Group's business segments.

	Toys		Decorative gift items		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	18,188	11,488	15,103	8,811	33,291	20,299
Segment results	1,081	(3,090)	(4,110)	(1,890)	(3,029)	(4,980)
Interest, rental income and unallocated gains					1,131	4,039
Unallocated expenses					(983)	(1,214)
Operating loss					(2,881)	(2,155)
Finance costs					(1,338)	(2,429)
Share of loss of a jointly controlled entity					–	(869)
Share of loss of an associate					–	(335)
Loss before taxation					(4,219)	(5,788)
Taxation					(163)	(31)
Loss for the period					(4,382)	(5,819)

(b) **Geographical segments**

The following tables present revenue and results for the Group's geographical segments.

	The PRC (including Hong Kong)		North America		European Union		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	2,473	1,984	26,139	13,933	3,299	3,940	1,380	442	33,291	20,299
Segment results	(241)	(438)	(2,332)	(3,516)	(333)	(916)	(123)	(110)	(3,029)	(4,980)

3. **REVENUE AND OTHER INCOME**

Revenue represents the total invoiced value of goods sold, net of allowances for returns and trade discounts.

An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Revenue – sale of goods	33,291	20,299
Other income		
Bank interest income	130	118
Other interest income	571	–
Rental income, net	13	13
Exchange gains, net	59	–
Sale of moulds	143	226
Gain on disposal of subsidiaries	–	2,740
Others	215	942
	1,131	4,039

4. OPERATING LOSS

The Group's operating loss is arrived at after charging:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	3,831	2,532
Amortisation of prepaid land lease payments	76	78
Exchange loss, net	-	28
Unrealised loss on financial assets at fair value through profit or loss	-	20
Staff costs	7,921	7,465

5. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and trust receipt loans wholly repayable within five years	1,331	1,096
Interest on bank loans not wholly repayable within five years	-	62
Interest on finance leases	7	47
Interest on capital contribution payable to a jointly controlled entity	-	1,224
	1,338	2,429

6. TAXATION

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Income tax provision for the period:		
Hong Kong	106	31
Elsewhere	-	-
	106	31
Deferred tax	57	-
	163	31

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

7. INTERIM DIVIDENDS

The Board has resolved not to pay any interim dividend for the period (2005: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of HK\$4,382,000 (2005: HK\$5,819,000) and the weighted average of 2,213,820,000 (2005: 2,213,820,000) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2006 is not presented because the result of the exercise of potential ordinary shares during the period would be anti-dilutive. Diluted loss per share for the period ended 30 June 2005 is not presented as there was no potential dilutive ordinary shares in existence for the period.

9. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2006 are analysed as follows:

	(Unaudited) <i>HK\$'000</i>
At 1 January 2006	66,369
Additions	403
Depreciation	(3,831)
At 30 June 2006	62,941

10. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An ageing analysis of trade and bills receivables, net of provision, is as follows:

	As at 30 June 2006 (Unaudited) <i>HK\$'000</i>	As at 31 December 2005 (Audited) <i>HK\$'000</i>
0-30 days	9,918	6,679
31-90 days	1,433	5,990
91-180 days	161	80
181-360 days	304	–
	11,816	12,749

11. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables is as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
0-30 days	5,830	2,728
31-90 days	6,794	5,595
91-180 days	1,579	2,196
181-360 days	290	308
Over 360 days	22	31
	14,515	10,858

12. SHARE CAPITAL

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.02 each	100,000	100,000
	Number of ordinary shares of HK\$0.02 each	Par value HK\$'000
Issued and fully paid:		
At 1 January and 30 June 2006	2,213,820,000	44,277

Share options

The Company operates a share option scheme for eligible participants to subscribe for new shares of the Company. A summary of the terms of the share option scheme was disclosed in the Company's 2005 annual report.

During the period, the Company has granted 94,500,000 share options under its share option scheme, which enable the option holders to subscribe for 94,500,000 shares of the Company at an exercise price of HK\$0.13 per share during the period from 1 January 2007 to 18 June 2016. All such share options remain unexercised and outstanding as at 30 June 2006.

Pursuant to an announcement made by the Company on 6 July 2006, the Company has resolved to issue 774,837,000 offer shares at a price of HK\$0.05 per offer share by way of open offer of new shares. In accordance with the terms of the Company's share option scheme, adjustments to the outstanding share options are required to be made due to the issue of the offer shares and upon the open offer becoming unconditional. Such adjustments will be set out in the Company's announcement of the results of the open offer in due course.