

## 1. BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2005 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2006 as follows:

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

The application of these new HKFRSs has had no significant impact on the Group’s result and financial position.

## 2. BUSINESS SEGMENTS

For management purposes, the Group's business is currently divided into four segments, namely manufacture and sale of novelties and decorations, manufacture and sale of packaging products, trading of PVC films and plastic materials and manufacture and sale of toys products forming the basis of the Group's business segments reporting.

*For the six months ended 30th June, 2006 (Unaudited)*

	Novelties and decorations <i>HK\$ '000</i>	Packaging products <i>HK\$ '000</i>	PVC films and plastic materials <i>HK\$ '000</i>	Toys <i>HK\$ '000</i>	Eliminations <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
<b>REVENUE</b>						
External sales	27,835	70,778	37,821	59,797	-	196,231
Inter-segment sales	3	8,442	3,745	-	(12,190)	-
<b>Total revenue</b>	<b><u>27,838</u></b>	<b><u>79,220</u></b>	<b><u>41,566</u></b>	<b><u>59,797</u></b>	<b><u>(12,190)</u></b>	<b><u>196,231</u></b>
<b>RESULT</b>						
Segment result	<u>1,219</u>	<u>(3,175)</u>	<u>1,013</u>	<u>5,117</u>	<u>(863)</u>	3,311
Income from investments						2,508
Unallocated corporate expenses						(1,176)
Finance costs						(321)
<b>Profit before tax</b>						<b>4,322</b>
Income tax expenses						(268)
<b>Profit for the period</b>						<b><u>4,054</u></b>

Inter-segment sales are charged at prevailing market rates.

**BALANCE SHEET***As at 30th June, 2006 (Unaudited)*

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toys <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>					
Segment assets	104,189	115,814	43,250	60,461	323,714
Unallocated corporate assets					<u>42,731</u>
Consolidated total assets					<u><u>366,445</u></u>
<b>LIABILITIES</b>					
Segment liabilities	23,233	24,292	2,265	18,954	68,744
Bank borrowings					28,181
Unallocated corporate liabilities					<u>3,338</u>
Consolidated total liabilities					<u><u>100,263</u></u>

**OTHER INFORMATION***For the six months ended 30th June, 2006 (Unaudited)*

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toys <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	1,440	1,148	84	2,067	4,739
Depreciation of property, plant and equipment	2,594	4,228	32	2,896	9,750
Release of prepaid lease payments	-	-	-	37	37

*For the six months ended 30th June, 2005 (Unaudited)*

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toys <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	25,687	67,946	59,774	44,160	–	197,567
Inter-segment sales	<u>397</u>	<u>8,652</u>	<u>2,139</u>	<u>1,936</u>	<u>(13,124)</u>	<u>–</u>
Total revenue	<u>26,084</u>	<u>76,598</u>	<u>61,913</u>	<u>46,096</u>	<u>(13,124)</u>	<u>197,567</u>
RESULT						
Segment result	<u>(2,572)</u>	<u>(821)</u>	<u>1,063</u>	<u>(813)</u>	<u>(956)</u>	(4,099)
Income from investments						578
Unallocated corporate expenses						(1,337)
Finance costs						<u>(429)</u>
Loss before tax						(5,287)
Income tax expenses						<u>(3)</u>
Loss for the period						<u>(5,290)</u>

Inter-segment sales are charged at prevailing market rates.

**BALANCE SHEET***As at 31st December, 2005 (Audited)*

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

**OTHER INFORMATION***For the six months ended 30th June, 2005 (Unaudited)*

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toys <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	2,825	5,448	16	1,359	9,648
Depreciation of property, plant and equipment	2,735	4,268	29	3,175	10,207
Release of prepaid lease payments	-	-	-	37	37

### 3. GEOGRAPHICAL SEGMENTS

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

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	114,836	135,544
Europe	28,313	13,036
America	21,287	17,843
Asia (other than Hong Kong)	30,567	27,912
Others	1,228	3,232
	<u>196,231</u>	<u>197,567</u>

The following is analysis of the carrying amount of segment assets analysed by geographical areas in which the assets are located:

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30th June,</b>	<b>31st December,</b>
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	146,297	139,807
The People's Republic of China (the "PRC")	220,148	187,911
	<u>366,445</u>	<u>327,718</u>

The following is analysis of the additions to property, plant and equipment analysed by geographical areas in which the assets are located:

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	39	35
The PRC	4,700	9,613
	<u>4,739</u>	<u>9,648</u>

#### 4. OTHER INCOME

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	214	242
Interest income	361	322
Dividend income from investments held-for-trading	84	175
Gain on disposal of investments held-for-trading	3,999	1,720
Gain on disposal of investment in bonds	–	37
Gain on disposal of property, plant and equipment	–	103
Others	1,659	1,336
	<u>6,317</u>	<u>3,935</u>

#### 5. OTHER EXPENSES

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in fair value of investments held-for-trading	1,575	1,322
Exchange loss	–	33
	<u>1,575</u>	<u>1,355</u>

#### 6. PROFIT BEFORE TAX

Profit before tax was stated after charging depreciation of HK\$9,750,000 (2005 : HK\$10,207,000)

#### 7. INCOME TAX EXPENSES

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax charge comprises:		
Hong Kong Profits tax		
Current year	598	274
Deferred taxation	(330)	(271)
	<u>268</u>	<u>3</u>

Hong Kong Profits tax is calculated at 17.5% of the estimated assessable profits for both periods.

## 8. DIVIDENDS PAID

	(Unaudited)	
	For the six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Final paid:		
1.5 cents per share for 2005		
(2005: 4.5 cents per share for 2004)	4,622	13,788
	<u>4,622</u>	<u>13,788</u>

The directors have resolved to declare an interim dividend of 1 cent (2005: 0.5 cent) per share.

## 9. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on profit attributable to equity shareholders of the Company for the period of approximately HK\$3,740,000 (2005 : loss of HK\$5,097,000) and the following data :

	(Unaudited)	
	For the six months ended 30th June,	
	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	308,570,590	306,621,497
Effect of dilutive potential ordinary shares on share options	—	1,072,381
	<u>308,570,590</u>	<u>307,693,878</u>

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 six months ended 30th June, 2006.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$4,739,000 (2005: HK\$9,648,000).

## 11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of the Group's trade receivables at end of the period:

	<b>(Unaudited)</b> <b>30th June,</b> <b>2006</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>31st December,</b> <b>2005</b> <i>HK\$'000</i>
0-60 days	66,495	48,281
61-90 days	12,869	13,147
91-120 days	4,148	10,114
Over 120 days	3,660	6,921
	<u>87,172</u>	<u>78,463</u>

## 12. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at end of the period:

	<b>(Unaudited)</b> <b>30th June,</b> <b>2006</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>31st December,</b> <b>2005</b> <i>HK\$'000</i>
0-60 days	35,887	24,725
61-90 days	3,436	4,367
91-120 days	1,015	632
Over 120 days	968	339
	<u>41,306</u>	<u>30,063</u>

### 13. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	30th June, 2006	31st December, 2005	30th June, 2006	31st December, 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under a finance lease:				
Within one year	34	138	34	135
Less: Future finance charges	—	(3)	—	—
	<u>34</u>	<u>135</u>	<u>34</u>	<u>135</u>
Present value of lease obligations				
	<u>34</u>	<u>135</u>	34	135
Less: Amount due within one year shown under current liabilities			(34)	(135)
Amount due after one year			<u>—</u>	<u>—</u>

It is the Group's policy to lease certain of its plant and equipment under a finance lease. The average lease term is 3 years. For the period ended 30th June, 2006, the average effective borrowing rate was 2.6% (31st December, 2005:2.6%). Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements has been entered into for contingent rental payments.

The Group's obligations under a finance lease are secured by the lessors' charge over the leased assets.

## 14. BANK BORROWINGS

	(Unaudited) 30th June, 2006 <i>HK\$'000</i>	(Audited) 31st December, 2005 <i>HK\$'000</i>
Bank loans	3,500	6,500
Trust receipt loans	24,192	—
	<u>27,692</u>	<u>6,500</u>

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

	(Unaudited) 30th June, 2006 <i>HK\$'000</i>	(Audited) 31st December, 2005 <i>HK\$'000</i>
Within one year	27,692	6,000
In the second year	—	500
	<u>27,692</u>	<u>6,500</u>
Less: Amount due within one year shown under current liabilities	<u>(27,692)</u>	<u>(6,000)</u>
	<u>—</u>	<u>500</u>

During the period, the Group did not obtain any new bank loan (31st December, 2005: HK\$18,000,000).

## 15. SHARE CAPITAL

	(Unaudited)			
	Authorised For the six months ended 30th June,		Issued and fully paid	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each				
At beginning of the period	70,000	70,000	31,054	30,640
Issue of shares on exercise of options	—	—	—	290
Share repurchased and cancelled	—	—	(391)	—
At end of the period	<u>70,000</u>	<u>70,000</u>	<u>30,663</u>	<u>30,930</u>

## 16. COMMITMENTS

### (a) Capital commitments for property, plant and equipment

	(Unaudited) 30th June, 2006 <i>HK\$'000</i>	(Audited) 31st December, 2005 <i>HK\$'000</i>
Contracted but not provided for	335	34
Authorised but not contracted for	14	–
	<u>349</u>	<u>34</u>

### (b) Operating lease commitments

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

	(Unaudited) 30th June, 2006 <i>HK\$'000</i>	(Audited) 31st December, 2005 <i>HK\$'000</i>
Within one year	5,688	4,939
Over 1 year but within 5 years	10,114	7,207
Over five years	35,886	33,198
	<u>51,688</u>	<u>45,344</u>

Operating lease payments represent rental payable by the Group for certain of its office and factory properties. Leases are negotiated for a term from one year to 38 years.

## 17. OTHER COMMITMENTS

At 30th June, 2006, the Group carried outstanding forward contracts which entitled commitments for purchase of listed securities of approximately HK\$50,804,000 (31st December, 2005: HK\$27,963,000). In the opinion of the directors, the commitments will be settled monthly with an amount ranging from HK\$4 million to HK\$7 million. All acquired listed securities are held for trading purposes and will be disposed shortly and the proceeds of which will be mainly used to finance the purchase of listed securities being committed in accordance with the forward contracts. Hence, the commitments are not expected to have a material impact on the overall cash flow of the Group.

## 18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties who are not members of the Group:

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expenses paid to:		
Nice Step Investment Limited ( <i>Note</i> )	585	430
Mr. Poon Siu Chung	84	84
	<u>          </u>	<u>          </u>

*Note:* Mr. Leung Ying Wai, Charles, a director of the Company, has beneficial interest in Nice Step Investment Limited.

The above transactions were determined by the directors by reference to the relevant estimated market values.