



Perfectech

Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability
Stock Code:765

Interim Report **2013**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Poon Siu Chung
(*Chairman and Managing Director*)
Mr. Tsui Yan Lee, Benjamin
Dr. Poon Wai Tsun, William
Mr. Poon Wai Yip, Albert

Independent Non-executive Directors:

Mr. Lam Yat Cheong
Mr. Yip Chi Hung
Mr. Choy Wing Keung, David

COMPANY SECRETARY

Ms. Pang Siu Yin

AUDITORS

HLM CPA Limited
Certified Public Accountants
Hong Kong

LEGAL ADVISER

Cheung Tong and Rosa Solicitors

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7/F, E Tat Factory Building,
4 Heung Yip Road,
Wong Chuk Hang, Aberdeen,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda)
Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Standard Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.perfectech.com.hk

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	(Unaudited)	
		For the six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
Continuing operations			
Revenue	2 & 3	91,815	112,671
Cost of sales		(72,370)	(93,712)
Gross profit		19,445	18,959
Net other (expenses) income	4	(4,495)	10,728
Distribution costs		(3,252)	(3,887)
Administrative expenses		(21,836)	(16,052)
Finance costs		(90)	(194)
(Loss) profit before tax	5	(10,228)	9,554
Income tax credit (expenses)	6	991	(1,489)
(Loss) profit for the period from continuing operations		(9,237)	8,065
Discontinued operation			
Loss for the period from discontinued operation	7	-	(1,491)
(Loss) profit for the period		(9,237)	6,574
Other comprehensive income			
Exchange differences on translation of overseas operations		157	1,668
Total comprehensive (expenses) income for the period		(9,080)	8,242

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND THE SIX MONTHS ENDED 30 JUNE 2012

		(Unaudited)	
		For the six months	
		ended 30 June	
		2013	2012
	Notes	HK\$'000	HK\$'000
(Loss) profit for the period attributable to:			
Owners of the Company			
(Loss) profit from continuing operations		(9,902)	7,227
Loss from discontinued operation		-	(1,490)
		(9,902)	5,737
Non-controlling interests			
Profit from continuing operations		665	838
Loss from discontinued operation		-	(1)
		665	837
(Loss) profit for the period		(9,237)	6,574
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(9,768)	7,308
Non-controlling interests		688	934
Total comprehensive (expenses) income for the period		(9,080)	8,242
Dividends	8	31,880	28,766
(Loss) earnings per share	9		
From continuing and discontinued operations			
Basic		(3.69) cents	2.19 cents
Diluted		N/A	2.18 cents
From continuing operations			
Basic		(3.69) cents	2.75 cents
Diluted		N/A	2.75 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013 AND 31 DECEMBER 2012

		(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	31,486	35,264
Investment property		10,200	10,200
Deferred rental income		7	10
Deferred tax assets		6,295	4,075
		47,988	49,549
CURRENT ASSETS			
Inventories		53,499	39,689
Trade and other receivables	11	39,426	38,741
Deferred rental income		5	5
Amount due from a related company	20	535	527
Tax recoverable		660	771
Investments held-for-trading	13	44,833	59,736
Derivative financial instruments	12	100	354
Pledged bank deposits		2,659	8,281
Bank balances and cash		72,000	75,318
		213,717	223,422
CURRENT LIABILITIES			
Trade and other payables	14	44,564	41,260
Derivative financial instruments	12	2,360	4,508
Tax liabilities		4,953	4,243
Bank borrowings – due within one year	15	18,824	9,221
		70,701	59,232

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2013 AND 31 DECEMBER 2012

		(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
	<i>Notes</i>		
NET CURRENT ASSETS		143,016	164,190
TOTAL ASSETS LESS CURRENT LIABILITIES		191,004	213,739
NON CURRENT LIABILITIES			
Deferred tax liabilities		321	245
NET ASSETS		190,683	213,494
CAPITAL AND RESERVES			
Share capital	16	28,982	26,072
Reserves		150,808	175,259
Equity attributable to owners of the Company		179,790	201,331
Non-controlling interests		10,893	12,163
TOTAL EQUITY		190,683	213,494

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND THE SIX MONTHS ENDED 30 JUNE 2012

(Unaudited)

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Translation reserve	Retained profits	Equity	Non-controlling interests	Total
							attributable to owners of the Company		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	26,072	63,502	10,237	8,339	1,956	91,225	201,331	12,163	213,494
Loss for the period	-	-	-	-	-	(9,902)	(9,902)	665	(9,237)
Other comprehensive income for the period	-	-	-	-	134	-	134	23	157
Total comprehensive income (expenses) for the period	-	-	-	-	134	(9,902)	(9,768)	688	(9,080)
Dividends	-	-	-	-	-	(31,880)	(31,880)	(1,958)	(33,838)
Shares issued upon exercise of options	3,010	23,517	-	(5,507)	-	-	21,020	-	21,020
Repurchase and cancellation of shares	(100)	(813)	100	-	-	(100)	(913)	-	(913)
At 30 June 2013	28,982	86,206	10,337	2,832	2,090	49,343	179,790	10,893	190,683
At 1 January 2012	26,381	65,622	9,578	8,384	388	91,059	201,412	9,223	210,635
Profit for the period	-	-	-	-	-	5,737	5,737	837	6,574
Other comprehensive income for the period	-	-	-	-	1,571	-	1,571	97	1,668
Total comprehensive income for the period	-	-	-	-	1,571	5,737	7,308	934	8,242
Dividends	-	-	-	-	-	(28,766)	(28,766)	(1,070)	(29,836)
Shares issued upon exercise of options	350	2,148	-	(472)	-	-	2,026	-	2,026
Repurchase and cancellation of shares	(580)	(3,768)	580	-	-	(580)	(4,348)	-	(4,348)
Share option granted	-	-	-	1,059	-	-	1,059	-	1,059
Share option lapsed	-	-	-	(965)	-	965	-	-	-
At 30 June 2012	26,151	64,002	10,158	8,006	1,959	68,415	178,691	9,087	187,778

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND THE SIX MONTHS ENDED 30 JUNE 2012

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(10,464)	(3,537)
NET CASH FROM INVESTING ACTIVITIES	11,207	5,616
NET CASH USED IN FINANCING ACTIVITIES	(4,218)	(40,783)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,475)	(38,704)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		
Bank balances and cash	75,318	60,399
Effect of change in foreign exchange rates	157	968
CASH AND CASH EQUIVALENTS AT 30 JUNE	72,000	22,663
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	72,000	22,802
Bank overdrafts	-	(139)
	72,000	22,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (the “HKAS”) 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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 31 December 2012 except as described below.

In the current period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2013 as follows:

HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1
HK (IFRC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The adoption of these new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 10, HKFRS 12 and HKFRS 27 (Amendments)	Investment Entities ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (Continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) – Investment Entities

The amendment to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interest in subsidiaries at fair value through profit or loss.

To qualify as in investment entity, certain criteria have to be met. Specifically, an entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) – Investment Entities (Continued)

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective from annual periods beginning on or after 1 January 2014 with early application permitted. The directors is in the process of assessing the potential impact of the new HKFRSs but is not yet in a position to determine whether the new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 BUSINESS SEGMENTS

For management purposes, the Group's business is currently divided into three segments, namely, manufacture and sale of novelties and decorations, manufacture and sale of packaging products and the manufacture and sale of toy products.

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2013 (Unaudited)

	Novelties and decorations products HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	11,659	8,785	71,371	-	91,815
Inter-segment sales	-	622	-	(622)	-
Total revenue	<u>11,659</u>	<u>9,407</u>	<u>71,371</u>	<u>(622)</u>	<u>91,815</u>
RESULT					
Segment results	<u>(6,371)</u>	<u>(4,458)</u>	<u>7,777</u>	-	(3,052)
Loss from investments					(5,681)
Unallocated corporate expenses					(1,405)
Finance costs					<u>(90)</u>
Loss before tax					(10,228)
Income tax credit					<u>991</u>
Loss for the period					<u>(9,237)</u>

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 BUSINESS SEGMENTS (CONTINUED)

As at 30 June 2013 (Unaudited)

	Novelties and decorations products HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	77,217	23,325	86,459	187,001
Unallocated corporate assets				74,704
Consolidated total assets				261,705
LIABILITIES				
Segment liabilities	33,242	3,335	22,889	59,466
Unallocated corporate liabilities				11,556
Consolidated total liabilities				71,022

OTHER INFORMATION

For the six months ended 30 June 2013 (Unaudited)

	Novelties and decorations products HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	875	-	1,834	-	2,709
Depreciation and amortisation	816	958	1,975	6	3,755
Interest income	9	7	6	1	23

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 BUSINESS SEGMENTS (CONTINUED)

For the six months ended 30 June 2012 (Unaudited) (Restated)

	Novelties and decorations products HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	20,109	16,689	75,873	–	112,671
Inter-segment sales	–	5,369	–	(5,369)	–
Total revenue	20,109	22,058	75,873	(5,369)	112,671
RESULT					
Segment results	(4,185)	(557)	8,979	–	4,237
Profit from investments					7,159
Unallocated corporate expenses					(1,648)
Finance costs					(194)
Profit before tax					9,554
Income tax expenses					(1,489)
Profit for the period					8,065

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 BUSINESS SEGMENTS (CONTINUED)

As at 31 December 2012 (Audited)

	Novelties and decorations products HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	63,898	32,200	93,876	189,974
Unallocated corporate assets				81,344
Assets relating to PVC films and plastic materials operations				1,653
Consolidated total assets				<u>272,971</u>
LIABILITIES				
Segment liabilities	22,638	4,162	25,800	52,600
Unallocated corporate liabilities				6,828
Liabilities relating to PVC films and plastic materials operations				49
Consolidated total liabilities				<u>59,477</u>

OTHER INFORMATION

For the six months ended 30 June 2012 (Unaudited) (Restated)

	Novelties and decorations products HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	595	27	3,377	53	4,052
Depreciation and amortisation	1,055	1,131	2,019	1	4,206
Interest income	14	17	6	1	38

Information about major customer

Included in revenues arising from sales of toys products of approximately HK\$71,371,000 (2012: HK\$75,873,000) are revenues of approximately HK\$41,433,000 (2012: HK\$39,859,000) which arose from sales to the Group's largest customer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 GEOGRAPHICAL SEGMENTS

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

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Sales revenue by geographical market:		
Hong Kong	14,323	13,341
Europe	19,148	17,060
America	13,800	15,471
Asia (other than Hong Kong)	44,095	62,819
Others	449	3,980
	91,815	112,671

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

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Hong Kong	161,509	167,956
The People's Republic of China (the "PRC")	100,196	105,015
	261,705	272,971

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

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong	650	483
The PRC	2,059	3,569
	2,709	4,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 NET OTHER (EXPENSES) INCOME

	(Unaudited)	
	For the six months	
	ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Bad debts recovered	20	–
Dividend income on investments held-for-trading	974	1,991
Exchange gain, net	–	235
Gain on disposal of property, plant and equipment	–	2,018
Interest income	23	38
Net change in fair value of investments held-for-trading	(7,025)	(1,472)
Net change in fair value of derivative financial instruments	1,894	2,240
Rental income	89	–
Realised (loss) gain on disposal of investments held-for-trading	(1,526)	4,400
Others	1,056	1,278
	(4,495)	10,728

5 (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived after charging:

	(Unaudited)	
	For the six months	
	ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,755	4,206
Loss on disposals of property, plant and equipment	851	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 INCOME TAX CREDIT (EXPENSES) (RELATING TO CONTINUING OPERATIONS)

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	(1,023)	(1,680)
PRC Enterprise Income tax	(131)	–
	<u>(1,154)</u>	<u>(1,680)</u>
Over (under) provision in prior years:		
Hong Kong Profits Tax	–	48
PRC Enterprise Income tax	–	(12)
	<u>–</u>	<u>36</u>
Deferred taxation:		
Current year	<u>2,145</u>	155
Total income tax credit (expenses) recognised in profit or loss	<u>991</u>	<u>(1,489)</u>

Hong Kong Profits Tax is stated at 16.5% of the estimated assessable profits for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 DISCONTINUED OPERATION

Termination of the business of PVC films and plastic materials trading segment

The board determined to terminate the business of PVC films and plastic materials trading segment as a result of its continuous poor performance with effect from 31 May 2012.

	(Unaudited) For the six months ended 30 June 2012 HK\$'000
Loss for the period from discontinued operation	
Revenue	9,344
Cost of sales	(9,589)
Net other incomes	8
Expenses	(1,482)
Loss before tax	(1,719)
Income tax credit	228
Loss for the period from discontinued operation	(1,491)
Loss for the period from discontinued operation attributable to	
Owners of the Company	(1,490)
Non-controlling interests	(1)
	(1,491)
Loss for the period has been arrived after charging:	
Depreciation of property, plant and equipment	7
Loss on disposals of property, plant and equipment	10
Cash Flows from discontinued operation	
Net cash from operating activities	945
Net cash from investing activities	1
Net cash used in financing activities	(3,194)
Net decrease in cash and cash equivalents	(2,248)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 DIVIDENDS

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Final and special paid:		
HK11.0 cents per share for 2012 (2012: HK11.0 cents per share for 2011)	31,880	28,766

The Directors have resolved to declare an interim dividend of HK1.0 cent (2012: HK2.0 cents) per share.

9 (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the net loss for the period of approximately HK\$9,902,000 (2012: profit of HK\$5,737,000) and the following data:

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	268,215,981	262,508,157
Effect of dilutive potential ordinary shares:		
Share options	8,818,135	708,738
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	277,034,116	263,216,895

No diluted loss per share for the period ended 30 June 2013 has been presented because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 (LOSS) EARNINGS PER SHARE (CONTINUED)

From continuing operations

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the net loss for the period of approximately HK\$9,902,000 (2012: profit of HK\$7,227,000) and the denominators detailed above.

No diluted loss per share for the period ended 30 June 2013 has been presented because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

From discontinued operation

	(Unaudited) For the six months ended 30 June 2012
Basic	(0.56) cents
Diluted	N/A

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the net loss for the six months ended 30 June 2012 of approximately HK\$1,490,000 and the denominators detailed above.

No diluted loss per share for the six months ended 30 June 2012 has been presented because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

10 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$2,709,000 (2011: HK\$4,052,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 TRADE AND OTHER RECEIVABLES

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

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

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
0-60 days	30,575	31,451
61-90 days	728	1,018
91-120 days	297	171
Over 120 days	1,051	268
	32,651	32,908

Trade receivables disclosed above include amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The following is an aging analysis of the Group's trade receivables that are past due but not impaired at the end of the reporting period:

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
0-60 days	6,067	4,881
61-90 days	472	9
91-120 days	160	-
Over 120 days	448	-
	7,147	4,890

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2013, the major terms of the listed equity decumulators contracts held by the Group are as follows:-

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$5,275,000	China Petroleum & Chemical Corporation	29 July 2013	HK\$5.92
HK\$5,353,000	China Construction Bank Corporation	30 July 2013	HK\$5.75
HK\$5,305,000	Agricultural Bank of China Limited	16 September 2013	HK\$3.38
HK\$5,435,000	Industrial and Commercial Bank of China Limited	16 September 2013	HK\$5.04
HK\$5,221,000	China Construction Bank Corporation	19 September 2013	HK\$5.92
HK\$5,483,000	Agricultural Bank of China Limited	23 September 2013	HK\$3.51
HK\$5,527,000	Industrial and Commercial Bank of China Limited	23 September 2013	HK\$5.15

As at 30 June 2013, the major terms of the listed equity accumulators contracts held by the Group are as follows:-

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$4,115,000	CNOOC Limited	18 February 2014	HK\$13.94
HK\$4,059,000	Agricultural Bank of China Limited	18 February 2014	HK\$3.59
HK\$4,667,000	China Life Insurance Company Limited	19 February 2014	HK\$21.08
HK\$4,773,000	CNOOC Limited	20 February 2014	HK\$13.86
HK\$4,866,000	Agricultural Bank of China Limited	4 March 2014	HK\$3.30
HK\$4,111,000	CNOOC Limited	14 March 2014	HK\$12.66
HK\$4,209,000	CNOOC Limited	7 April 2014	HK\$12.43
HK\$5,101,000	Petrochina Company Limited	14 May 2014	HK\$8.64
HK\$4,690,000	China Petroleum & Chemical Corporation	23 May 2014	HK\$5.62

13 INVESTMENTS HELD-FOR-TRADING

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	30,597	59,736
Debt securities listed outside Hong Kong	6,420	-
Debt securities, unlisted	7,816	-
	44,833	59,736

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 TRADE AND OTHER PAYABLES

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

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
0-60 days	15,434	10,303
61-90 days	3,246	2,667
91-120 days	782	1,361
Over 120 days	682	780
	20,144	15,111

15 BANK BORROWINGS

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Unsecured bank loans classified as current liabilities	5,112	9,221
Unsecured trust receipt loans	6,107	–
Secured bank loans	7,605	–
	18,824	9,221

The unsecured bank loans and unsecured trust receipt loan were secured by corporate guarantee given by the Group. The secured bank loans were secured by the Group's investments held-for-trading.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 BANK BORROWINGS (CONTINUED)

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

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
On demand or within one year	16,424	5,621
More than one year, but not exceeding two years	2,400	2,400
More than two years, but not exceeding five years	-	1,200
	18,824	9,221
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(2,400)	(3,600)
	16,424	5,621

16 SHARE CAPITAL

	(Unaudited)			
	Authorised		Issued and fully paid	
	For the six months ended 30 June			
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period	70,000	70,000	26,072	26,381
Issue of shares on exercise of options	-	-	3,010	350
Share repurchased and cancelled	-	-	(100)	(580)
At end of the period	70,000	70,000	28,982	26,151

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 COMMITMENTS

(a) Capital commitments for property, plant and equipment

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Contracted but not provided for	28,889	695
Authorised but not contracted for	876	185
	29,765	880

(b) Operating lease commitments

The Group as lessee

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) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Within one year	3,722	5,056
In the second to fifth years inclusive	7,763	8,442
Over five years	41,263	42,164
	52,748	55,662

Operating lease payments represent rental payable by the Group for certain of its office and factory properties. Leases are negotiated for a term from 1 to 32 years.

The Group as lessor

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Within one year	178	178
In the second to fifth years inclusive	265	354
	443	532

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 OTHER COMMITMENTS

At 30 June 2013, the Group carried outstanding forward contracts which entitled a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$8,470,000 and HK\$31,128,000 respectively (31 December 2012: HK\$75,164,000 and HK\$5,871,000) as disclosed in note 12.

19 CONTINGENT LIABILITIES

(a) Contingent liability in respect of legal claim

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 have 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 interests and costs. The Directors take the views that the amount of their claims against the Defendants will exceed the Defendants' counterclaims, and accordingly, no provision for any liabilities that may result has been made in the financial statements of the Group.

(b) Financial guarantees issued

As at the end of the reporting period, the Company has issued the following guarantees:

A corporate guarantee to banks in respect of banking facilities granted to its subsidiaries.

The Company is also one of the entities covered by a cross guarantee arrangement issued by the Company and its subsidiaries to banks in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

As at 30 June 2013, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees as the probability of default payment for the loans drawn down by the subsidiaries is remote.

The Company has not recognised any deferred income in respect of the corporate guarantee as its fair value cannot be reliably measured and its transaction price was nil.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 RELATED PARTY TRANSACTIONS

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

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	120	120

	(Unaudited)	
	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Sales to:		
Onwell Headtrade Limited (Note)	724	1,131
	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Amount due from		
Onwell Headtrade Limited (Note)	535	527

Note: The shareholder of the above related company is the factory manager of the subsidiary of the Group.

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

SHARE OPTION SCHEME

A share option scheme (the "Old Scheme") was adopted in the annual general meeting held on 17 May 2002 and expired on 16 May 2012. In view of the expiration of the Old Scheme, a new share option scheme (the "New Scheme") was adopted in the annual general meeting held on 30 May 2012 and will expire on 29 May 2022. The primary purpose of the New 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 New Scheme, the board of Directors 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 New Scheme for the consideration of HK\$1 for each lot of share options granted.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of adoption of the New Scheme. 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 New 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 shareholders.

Options granted must remain open for acceptance until 5:00 p.m. on the 5th business day following the offer date provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date or after the New Scheme has been terminated. Options may be exercised during the period as the Directors 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 options 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 period from the Directors and employees for taking up the options granted during the period is HK\$nil (2012: HK\$8).

SHARE OPTION SCHEME (CONTINUED)

All options were vested on the date of grant.

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

- the closing price of shares at the date of grant of a share option;
- the average closing price of the shares for the five business days immediately preceding the date of grant; and
- the nominal value of a share.

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under all the share option schemes was 27,950,000, representing approximately 9.64% of the shares of the Company in issue at that date.

Details of the movements in the Company's share options during the period are as follows:

	Number of options outstanding at 1/1/2013	Number of options granted during the period	Number of shares issued and exercise of options during the period	Number of options lapsed during the period	Number of options outstanding at 30/6/2013	Date granted	Exercise price per share HK\$	Exercisable Period
Directors								
- Poon Siu Chung	2,700,000	-	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
- Tsui Yan Lee, Benjamin	2,700,000	-	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	1,000,000	-	(1,000,000)	-	-	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
- Poon Wai Tsun, William	2,700,000	-	(2,700,000)	-	-	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	2,500,000	-	(2,500,000)	-	-	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22

SHARE OPTION SCHEME (CONTINUED)

	Number of options outstanding at 1/1/2013	Number of options granted during the period	Number of shares issued and exercise of options during the period	Number of options lapsed during the period	Number of options outstanding at 30/6/2013	Date granted	Exercise price per share HK\$	Exercisable Period
- Poon Wai Yip, Albert	2,700,000	-	(2,700,000)	-	-	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	2,500,000	-	(2,500,000)	-	-	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
- Yip Chi Hung	300,000	-	-	-	300,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	300,000	-	(300,000)	-	-	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
- Lam Yat Cheong	300,000	-	(300,000)	-	-	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	300,000	-	(300,000)	-	-	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	300,000	-	(300,000)	-	-	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
- Choy Wing Keung, David	300,000	-	(300,000)	-	-	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	300,000	-	(300,000)	-	-	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	300,000	-	(300,000)	-	-	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22

SHARE OPTION SCHEME (CONTINUED)

	Number of options outstanding at 1/1/2013	Number of options granted during the period	Number of shares issued and exercise of options during the period	Number of options lapsed during the period	Number of options outstanding at 30/6/2013	Date granted	Exercise price per share HK\$	Exercisable Period
Employees	7,000,000	-	-	-	7,000,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	11,598,000	-	(11,598,000)	-	-	28-Apr-11	0.770	01-May-11 to 31-Dec-20
	5,000,000	-	(5,000,000)	-	-	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
	<u>42,798,000</u>	<u>-</u>	<u>(30,098,000)</u>	<u>-</u>	<u>12,700,000</u>			
Others	1,000,000	-	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>			
Grand Total	<u>43,798,000</u>	<u>-</u>	<u>(30,098,000)</u>	<u>-</u>	<u>13,700,000</u>			

The closing price of the Company's shares on 2 February 2005, 2 November 2007, 13 April 2011, 28 April 2011 and 15 June 2012, the dates of grant of the options, were HK\$0.600, HK\$0.850, HK\$0.740, HK\$0.770 and HK\$0.590 respectively.

Share options were exercised on various dates during the period, the weighted average closing price of the Company's shares immediately before those dates was HK\$1.1184.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 30 June 2013, the interests of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

DIRECTORS' INTERESTS IN SHARES AND OPTIONS (CONTINUED)

(A) Long Positions in interests of the Company

Directors	Capacity	No. of shares held	No. of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Mr. Poon Siu Chung	Beneficial owner	17,164,000	2,700,000 (b)		
	Interest of spouse	9,626,000	-		
	Interest of controlled corporation	101,139,430	-	130,629,430 (a)	45.07
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	611,000	2,700,000 (b)	3,311,000	1.14
Mr. Yip Chi Hung	Interest of controlled corporation	100,000 (c)	-		
	Beneficial owner	300,000	300,000 (b)	700,000	0.24
Mr. Lam Yat Cheong	Beneficial owner	900,000	-	900,000	0.31
Mr. Choy Wing Keung, David	Beneficial owner	900,000	-	900,000	0.31

Notes:

- (a) Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares ("Shares") of the Company and he was deemed to be interested in 9,626,000 Shares and 101,139,430 Shares which were held by his spouse, Ms. Lau Kwai Ngor and through Mime Limited, a limited company incorporated in Hong Kong and was owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor respectively.
- (b) These interests represented interest in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, details of which are set out in the section "Share Option Scheme" of this report.
- (c) Mr. Yip Chi Hung was deemed to be interested in 100,000 Shares which were held through First Canton Investment Limited, a company incorporated in the British Virgin Islands and 100% beneficially owned by Mr. Yip.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS (CONTINUED)

(B) Long Position in shares of associated corporations of Company

Directors	Name of associated corporation	Capacity	No. of shares held	Total	% of issued share capital of associated corporation
Mr. Poon Siu Chung	Perfectech International Limited	Beneficial owner	200		
		Interest of spouse	200	400 (d)	50
	Sunflower Garland Manufactory Limited	Beneficial owner	60,800		
		Interest of spouse	20,800	81,600 (e)	51
Mr. Tsui Yan Lee, Benjamin	Sunflower Garland Manufactory Limited	Beneficial owner	28,800	28,800	18

Notes:

- (d) Mr. Poon Siu Chung was the beneficial owner of 200 non-voting deferred shares ("Perfectech Shares") of HK\$100 each in Perfectech International Limited, a subsidiary of the Company, and was deemed to be interested in 200 Perfectech Shares through interests of his spouse, Ms. Lau Kwai Ngor.
- (e) Mr. Poon Siu Chung was the beneficial owner of 60,800 non-voting deferred shares ("Sunflower Shares") of HK\$1 each in Sunflower Garland Manufactory Limited, a subsidiary of the Company, and was deemed to be interested in 20,800 Sunflower Shares through interests of his spouse, Ms. Lau Kwai Ngor.

Details of the directors, or their associates, interests in the share options of the Company or any of its associated corporations are set out in the "Share Option Scheme" section of this report.

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2013 as defined in the SFO.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Annual Report 2012, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are that salary packages of four of the executive Directors, Mr. Poon Siu Chung, Mr. Tsui Yan Lee, Benjamin, Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert were adjusted as follows with effect from the dates specified below, while other terms of employment remained unchanged:–

Director	Annual salaries & allowances	Performance bonus	Effective date
Mr. Poon Siu Chung	HK\$1,320,000	2.50% on Group's consolidated net profit	1 May 2013
Mr. Tsui Yan Lee, Benjamin	HK\$960,000	6.00% on net profits after tax earned by Novelties and Decorations Products Segment	1 Jun 2013
Dr. Poon Wai Tsun, William	HK\$720,000	0.75% on Group's consolidated net profit	1 May 2013
Mr. Poon Wai Yip, Albert	HK\$696,000	0.75% on Group's consolidated net profit	1 May 2013

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in the section "Directors' Interests in Shares and Options", as at 30 June 2013, the register of substantial shareholders' interests maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the share capital of the Company as follows:

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Long Positions in shares of the Company

Shareholders	Capacity	No. of shares held	No. of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Ms. Lau Kwai Ngor	Beneficial owner	9,626,000	–		
	Interest of spouse	17,164,000	2,700,000		
	Interest of controlled corporation	101,139,430	–	130,629,430 (f)	45.07
Mime Limited	Beneficial owner	101,139,430	–	101,139,430 (f)	34.90
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	–	63,097,200 (g)	21.77
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	–	63,097,200 (g)	21.77
Nielsen Limited	Beneficial owner	63,097,200	–	63,097,200 (g)	21.77

Notes:

- (f) Under SFO, Ms. Lau Kwai Ngor was the beneficial owner of 9,626,000 Shares and was deemed to be interested in 19,864,000 Shares through interests of her spouse, Mr. Poon Siu Chung. Mr. Poon Siu Chung was the beneficial owner of 17,164,000 Shares and he was deemed to be interested in 101,139,430 Shares which were held through Mime Limited, a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor.
- (g) Under SFO, Mr. Leung Ying Wai, Charles and his spouse, Ms. Tai Yee Foon were deemed to be interested in 63,097,200 Shares, which were held through Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, Ms. Tai Yee Foon and his family members.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1.0 cent per share (2012: HK2.0 cents per share) for the six months ended 30 June 2013 payable on 4 October 2013, Friday, to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 19 September 2013, Thursday.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 18 September 2013, Wednesday to 19 September 2013, Thursday, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00p.m. on 17 September 2013, Tuesday.

BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK\$91,815,000 (2012: HK\$112,671,000), representing a decrease of about 19%, and recorded a loss for the period attributable to owners of the Company of approximately HK\$9,902,000 (2012: profit of HK\$5,737,000).

For the first half of 2013, the contribution from the core business of the Group recorded a loss of approximately HK\$3,052,000 (2012: gain of HK\$4,237,000). Detailed performance of each segment of the core business will be discussed below. Included in the loss for the period was the loss from investments of approximately HK\$5,681,000 (2012: profit of HK\$7,159,000), details of the loss from investments will be further analysed below.

In order to save future costs on rental expenses in Hong Kong as the rental costs have been increasing, the Group acquired a premise in April 2013 and the acquisition was completed on 18 July 2013. Details of the acquisition are disclosed in the announcement dated 22 April 2013.

The Group planned to slow down and/or terminate the business of the packaging products segment in light of the segment continual poor performance. Thus the revenue of the Group decreased further during the period under review.

BUSINESS REVIEW (CONTINUED)

Novelties and decorations

The revenue of the novelties and decorations products segment decreased substantially by about 42% amounting to approximately HK\$11,659,000 (2012: HK\$20,109,000), and recorded a loss of approximately HK\$6,371,000 (2012: HK\$4,185,000). The revenue from the segment decreased substantially and the loss increased as relocation of certain production facilities taken place in the first half of the year caused temporary production interruption, production capacities during such period decreased as a result, while related fixed overheads continued. It is still prudently optimistic that the results of the segment will be improved in the second half of the year when seasonal shipments delivered.

Packaging products

The revenue in the packaging segment also dropped substantially by about 47% amounting to HK\$8,785,000 (2012: HK\$16,689,000), and recorded a loss of approximately HK\$4,458,000 (2012: HK\$557,000). The loss from the segment increased substantially as a result of the payment of redundancy for the certain sub-segments amounting to approximately HK\$2,291,000, together with the loss from disposal of fixed assets of approximately HK\$851,000 (2012: gain of HK\$1,985,000). It is the Board's intention to terminate the business of external sales in the near future and the Board is still considering the future positioning of the business of internal sales.

Toy products

The revenue of the segment decreased slightly by about 6% amounting to approximately HK\$71,371,000 (2012: HK\$75,873,000), and recorded a profit of HK\$7,777,000 (2012: HK\$8,979,000), representing a drop of about 13%. The segment continued to be the best performing one within the Group and maintains a stable performance.

Investments

To better utilize the available cash on hand, the Group has invested in securities listed in Hong Kong and their related derivative products, including but not limited to equity linked deposit, and other tradable securities. During the period, loss derived from the aforesaid investments amounted to approximately HK\$5,681,000 (2012: profit of HK\$7,159,000) as a result of the worsening of the stock market since the end of 2012. Such loss was the combined effect of, among other things, the realized loss on disposal of investments held-for-trading of approximately HK\$1,526,000 (2012: gain of HK\$4,400,000), the decrease in fair value of investments held-for trading of approximately of HK\$7,025,000 (2012: HK\$1,472,000) and the increase in fair value of derivative financial instruments of approximately HK\$1,894,000 (2012: HK\$2,240,000).

BUSINESS REVIEW (CONTINUED)

Investments (Continued)

Investments held-for-trading are usually held for short-term purposes for capital gain in the value of the assets held. As at 30 June 2013, the market value of investment in securities was approximately HK\$44,833,000 (31 December 2012: HK\$59,736,000).

As at 30 June 2013, the Group carried outstanding forward contracts with a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$8,470,000 and HK\$31,128,000 respectively (31 December 2012: HK\$75,164,000 and HK\$5,871,000).

FUTURE PLAN AND PROSPECT

As stated in our last annual report, the Group concentrates its resources on profitable manufacturing business only. In view of the results of the first half of the year, the toy products segment is relatively profitable. Nevertheless, it is prudently optimistic that the performance of the novelties and decorations products segment will improve in the second half of the year when the seasonal shipments delivered.

As global stock markets are relatively more volatile, the portion of funds invested in equity securities decreases gradually and the surplus therefrom is used in investing debt securities, which are expected to provide more stable income to the Group.

In view of the expected improvements of the performance of the core business in the second half of the year, the Directors are prudently confident that shareholders of the Company will enjoy a reasonable return at the end of this year.

Liquidity and financial resources

As at 30 June 2013, the Group had no long-term bank borrowings (31 December 2012: nil), while the short-term bank borrowings amounted to approximately HK\$18,824,000, (31 December 2012: HK\$9,221,000), and none of the Group's plant and machinery (31 December 2012: nil) was held under a finance lease. The gearing ratio of the Group, measured by total bank and other borrowings divided by equity attributable to owners of the Company was approximately 10% (31 December 2012: 5%).

Finance costs

The Group's finance cost amounted to approximately HK\$90,000 (2012: HK\$194,000).

FUTURE PLAN AND PROSPECT (CONTINUED)

Pledge of Assets

As at 30 June 2013, the following assets were pledged to secure the margin loan facilities granted to the Group:

- (i) Investments held-for-trading with a carrying value of approximately HK\$43,338,000 (31 December 2012: HK\$59,698,000); and
- (ii) Bank balances and cash of approximately HK\$2,659,000 (31 December 2012: HK\$8,281,000).

At 30 June 2013, the Group has utilised margin loan facilities from financial institutions with an amount of approximately HK\$7,605,000 (31 December 2012: HK\$Nil). The margin loan facilities were charged at variable market rates.

Net asset value

The net asset value of the Group as at 30 June 2013 was approximately HK\$0.66 (31 December 2012: HK\$0.77) per share based on the actual number of 289,815,607 shares in issue on that date.

Employees and remuneration policies

As at 30 June 2013, the Group employed approximately 1,800 (2012: 2,000) full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its employees.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in either Hong Kong Dollar or US Dollar. As all its factories are located in the PRC, expenses incurred there are denominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial foreign currency exchange exposure in this area. The Group however will closely monitor the trend of Renminbi to see if any action is required.

As at 30 June 2013, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, the Company purchased its own shares through the Stock Exchange as follows:

	No. of shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
Month of repurchase				
January 2013	1,000,000	0.910	0.900	912,870
	<u>1,000,000</u>			<u>912,870</u>

The above shares were cancelled upon repurchase. Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance

Throughout the six months ended 30 June 2013, the Company has adopted the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" (the "Code") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its corporate governance code and has complied with the Code Provisions, save for the following deviations.

CORPORATE GOVERNANCE (CONTINUED)

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

While the Company does not have the position of chief executive officer, the responsibilities normally assumed by such a role are taken by the managing director of the Company. Mr. Poon Siu Chung is the chairman of the Board (the "Chairman") and the managing director of the Company (the "Managing Director"). The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Poon and believes that having Mr. Poon performing the roles of Chairman and Managing Director is beneficial to the business prospects of the Company.

Code Provision D.1.4

Code Provision D.1.4 stipulates that all directors should clearly understand delegation arrangements in place. The Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for the independent non-executive directors, namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, as all of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the by-laws of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

CORPORATE GOVERNANCE (CONTINUED)

Code Provision F.1.1

Code Provision F.1.1 stipulates that the company secretary of the Company should be an employee of the Company and have day-to-day knowledge of the Company's affairs.

The company secretary of the Company, Ms. Pang Siu Yin, is a partner of the Company's legal adviser, Cheung Tong & Rosa Solicitors. Ms. Pang has been appointed as the company secretary of the Company since 1 April 1998. The Company has also assigned Mr. Poon Wai Yip, Albert, an executive director of the Company, and Mr. Yuen Che Wai, Victor, the financial controller of the Company, as the contact persons with Ms. Pang. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. Pang through the contact persons assigned. Given the long-term relationship between Ms. Pang and the Group, she is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Pang as the company secretary is beneficial to the Group's compliance of the relevant board procedures, applicable laws, rules and regulations.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct governing the Directors' transactions in securities of the Group on terms no less exacting than the standard set out in Appendix 10 to the Listing Rules (the "Model Code").

Following specific enquiry by the Group, all Directors have confirmed that throughout the six months ended 30 June 2013 they complied with the required standard set out in the Model Code for securities transactions.

Audit Committee

The Company has established an audit committee which comprises all independent non-executive Directors ("INEDs"), Mr. Choy Wing Keung, David, Mr. Yip Chi Hung and Mr. Lam Yat Cheong, who is also the chairman of the audit committee.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 of the Company now reported on.

The committee is governed by its terms of reference, which are in line with the Code.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee

The remuneration committee makes recommendations to the Board on the Company's policy and structure of remuneration for the Directors and senior management.

The committee comprises Mr. Choy Wing Keung, David, Mr. Lam Yat Cheong, Mr. Yip Chi Hung, who is also the chairman of the committee, Mr. Poon Siu Chung, as an executive Director, and Mr. Yuen Che Wai, Victor, the Financial Controller of the Company.

The committee is governed by its terms of reference, which are in line with the Code.

Nomination Committee

The nomination committee is responsible for the selection of and recommending the Board with new directors.

The committee comprises Mr. Lam Yat Cheong, Mr. Yip Chi Hung, Mr. Choy Wing Keung, David, who is also the chairman of the committee, and Mr. Poon Wai Yip, Albert, as an executive Director.

The committee is governed by its terms of reference, which are in line with the Code.

DIRECTORS OF THE COMPANY

As at the date of this report, Mr. Poon Siu Chung, Mr. Tsui Yan Lee, Benjamin, Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert are the executive Directors of the Company, Mr. Yip Chi Hung, Mr. Lam Yat Cheong and Mr. Choy Wing Keung, David are the independent non-executive Directors of the Company.

On behalf of the Board

Poon Siu Chung

Chairman & Managing Director

Hong Kong, 29 August 2013