

The logo for Perfectech, featuring the word "Perfectech" in a bold, yellow, sans-serif font inside a blue rounded rectangle.

Perfectech

Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability
Stock Code:765

The background is a vibrant, colorful collage of various geometric shapes like circles, squares, and triangles, along with illustrations of children's toys including a yellow helicopter, a brown teddy bear, a blue whale, a yellow duck, a green train, and a red drum. The overall theme is playful and child-friendly.

INTERIM REPORT 2015

中期報告



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Poon Siu Chung
(*Chairman and Managing Director*)
Mr. Tsui Yan Lee, Benjamin
(*resigned on 31 January 2015*)
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

AUDITOR

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

Units C & D, 9/F, Sing Teck Factory Building,
44 Wong Chuk Hang Road,
Aberdeen,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.perfectech.com.hk



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	(Unaudited)	
		For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenue	2 & 3	75,311	89,533
Cost of sales		(64,940)	(70,312)
Gross profit		10,371	19,221
Net other income	4	8,600	4,614
Distribution costs		(1,912)	(2,190)
Administrative expenses		(29,960)	(19,352)
Finance costs		(326)	(184)
(Loss) profit before tax	5	(13,227)	2,109
Income tax expenses	6	(219)	(138)
(Loss) profit for the period		(13,446)	1,971
Other comprehensive income (expenses)			
Exchange differences on translation of overseas operations		118	(141)
Total comprehensive (expenses) income for the period		(13,328)	1,830



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

		(Unaudited)	
		For the six months ended 30 June	
		2015	2014
	Notes	HK\$'000	HK\$'000
(Loss) profit for the period attributable to:			
Owners of the Company		(13,440)	1,100
Non-controlling interests		(6)	871
		<u>(13,446)</u>	<u>1,971</u>
(Loss) profit for the period		<u>(13,446)</u>	<u>1,971</u>
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(13,329)	969
Non-controlling interests		1	861
		<u>(13,328)</u>	<u>1,830</u>
Total comprehensive (expenses) income for the period		<u>(13,328)</u>	<u>1,830</u>
(Loss) earnings per share	8		
Basic		<u>(4.48) cents</u>	<u>0.38 cent</u>
Diluted		<u>(4.48) cents</u>	<u>0.37 cent</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION
AS AT 30 JUNE 2015

		(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	63,402	66,991
Investment property		44,700	44,700
Deferred tax assets		4,517	4,640
		112,619	116,331
CURRENT ASSETS			
Inventories		30,762	19,700
Trade and other receivables	10	29,106	27,690
Tax recoverable		3,467	2,422
Investments held-for-trading	12	42,770	46,993
Derivative financial instruments	11	153	45
Pledged bank deposits		5,856	1,895
Bank balances and cash		44,987	49,060
		157,101	147,805
CURRENT LIABILITIES			
Trade and other payables	13	37,930	31,289
Derivative financial instruments	11	2,025	4,156
Tax liabilities		1,040	1,219
Bank borrowings – due within one year	14	27,589	30,255
		68,584	66,919



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (CONTINUED)
AS AT 30 JUNE 2015

		(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
NET CURRENT ASSETS		88,517	80,886
TOTAL ASSETS LESS CURRENT LIABILITIES		201,136	197,217
NON CURRENT LIABILITIES			
Deferred tax liabilities		212	319
NET ASSETS		200,924	196,898
CAPITAL AND RESERVES			
Share capital	15	31,537	29,867
Reserves		156,121	152,434
Equity attributable to owners of the Company		187,658	182,301
Non-controlling interests		13,266	14,597
TOTAL EQUITY		200,924	196,898



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

(Unaudited)

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Translation reserve	Retained profits	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	29,867	92,955	10,337	3,489	1,264	44,389	182,301	14,597	196,898
Loss for the period	-	-	-	-	-	(13,440)	(13,440)	(6)	(13,446)
Other comprehensive income for the period									
Exchange difference on translation of overseas operations	-	-	-	-	111	-	111	7	118
Total comprehensive income (expenses) for the period	-	-	-	-	111	(13,440)	(13,329)	1	(13,328)
Dividends	-	-	-	-	-	(5,989)	(5,989)	(1,332)	(7,321)
Shares issued upon exercise of options	1,670	15,567	-	(3,471)	-	-	13,766	-	13,766
Share option granted	-	-	-	10,909	-	-	10,909	-	10,909
Share option lapsed	-	-	-	(599)	-	599	-	-	-
At 30 June 2015	31,537	108,522	10,337	10,328	1,375	25,559	187,658	13,266	200,924
At 1 January 2014	29,012	86,465	10,337	4,889	1,350	68,856	200,909	13,720	214,629
Profit for the period	-	-	-	-	-	1,100	1,100	871	1,971
Other comprehensive expenses for the period									
Exchange difference on translation of overseas operations	-	-	-	-	(131)	-	(131)	(10)	(141)
Total comprehensive income (expenses) for the period	-	-	-	-	(131)	1,100	969	861	1,830
Dividends	-	-	-	-	-	(29,311)	(29,311)	(1,788)	(31,099)
Shares issued upon exercise of options	300	2,277	-	(447)	-	-	2,130	-	2,130
At 30 June 2014	29,312	88,742	10,337	4,442	1,219	40,645	174,697	12,793	187,490



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015

	(Unaudited)	
	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(12,379)	(10,416)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	4,735	(5,475)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,453	(35,360)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,191)	(51,251)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		
Bank balances and cash	49,060	86,406
Effect of change in foreign exchange rates	118	(141)
CASH AND CASH EQUIVALENTS AT 30 JUNE	44,987	35,014
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	44,987	35,014





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 2014 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 2015 as follows:

- Annual improvements 2010-2012 Cycle
- Annual improvements 2011-2013 Cycle

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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 ³
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ¹
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

⁴ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group as the Group is not a first-time adopter of HKFRSs



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. BUSINESS SEGMENTS

For management purposes, the Group's business is currently divided into two segments, namely, manufacture and sale of (i) novelties and decorations and (ii) toy products.

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

For the six months ended 30 June 2015 (Unaudited)

	Novelties and decorations products	Toy products	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE				
External sales	11,082	64,229	–	75,311
Inter-segment sales	–	–	–	–
Total revenue	11,082	64,229	–	75,311
RESULT				
Segment results	(2,397)	(1,147)	–	(3,544)
Profit from investments				4,299
Unallocated corporate expenses				(13,656)
Finance costs				(326)
Loss before tax				(13,227)
Income tax expenses				(219)
Loss for the period				(13,446)

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 2015 (Unaudited)

	Novelties and decorations products	Toy products	Consolidated
	HK\$'000	HK\$'000	HK\$'000
ASSETS			
Segment assets	43,637	81,043	124,680
Unallocated corporate assets			145,040
Consolidated total assets			269,720
LIABILITIES			
Segment liabilities	20,363	24,174	44,537
Unallocated corporate liabilities			24,259
Consolidated total liabilities			68,796

OTHER INFORMATION

For the six months ended 30 June 2015 (Unaudited)

	Novelties and decorations products	Toy products	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	63	236	1,258	1,557
Depreciation and amortisation	676	2,401	791	3,868
Interest income	14	7	19	40



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. BUSINESS SEGMENTS (CONTINUED)

For the six months ended 30 June 2014 (Unaudited)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	11,649	77,884	–	89,533
Inter-segment sales	–	7	(7)	–
Total revenue	11,649	77,891	(7)	89,533
RESULT				
Segment results	(8,131)	9,191	–	1,060
Profit from investments				2,613
Unallocated corporate expenses				(1,380)
Finance costs				(184)
Profit before tax				2,109
Income tax expenses				(138)
Profit for the period				1,971

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 2014 (Audited)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	39,399	83,598	122,997
Unallocated corporate assets			141,139
Consolidated total assets			<u>264,136</u>
LIABILITIES			
Segment liabilities	19,268	21,703	40,971
Unallocated corporate liabilities			26,267
Consolidated total liabilities			<u>67,238</u>

OTHER INFORMATION

For the six months ended 30 June 2014 (Unaudited)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	503	6,587	–	7,090
Depreciation and amortisation	717	2,092	787	3,596
Interest income	7	8	34	49

Information about major customer

Included in revenues arising from sales of toys products of approximately HK\$64,229,000 (2014: HK\$77,884,000) are revenues of approximately HK\$60,106,000 (2014: HK\$73,697,000) 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	
	2015	2014
	HK\$'000	HK\$'000
<hr/>		
Sales revenue by geographical market:		
Hong Kong	5,143	6,908
Europe	13,797	15,445
America	20,782	17,736
Asia (other than Hong Kong)	35,524	49,311
Others	65	133
	<hr/> 75,311 <hr/>	<hr/> 89,533 <hr/>

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
	2015	2014
	HK\$'000	HK\$'000
<hr/>		
Hong Kong	183,221	185,029
The People's Republic of China (the "PRC")	86,499	79,107
	<hr/> 269,720 <hr/>	<hr/> 264,136 <hr/>

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	
	2015	2014
	HK\$'000	HK\$'000
<hr/>		
Hong Kong	1,258	1,014
The PRC	299	6,076
	<hr/> 1,557 <hr/>	<hr/> 7,090 <hr/>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. NET OTHER INCOME

	(Unaudited)	
	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Bad debts recovered	277	–
Bond interest income	8	152
Dividend income on investments held-for-trading	1,016	1,204
Gain on disposal of property, plant and equipment	2,655	220
Interest income	40	49
Net change in fair value of investments held-for-trading	1,552	585
Net change in fair value of derivative financial instruments	2,239	(64)
Rental income	30	89
Realised (loss) gain on disposal of investments held-for-trading	(519)	776
Realised loss on disposal of financial assets designated as at fair value through profit or loss	–	(47)
Others	1,302	1,650
	8,600	4,614

5. (LOSS) PROFIT BEFORE TAX

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

	(Unaudited)	
	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	3,868	3,596



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INCOME TAX EXPENSES

	(Unaudited)	
	For the six months	
	ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
<hr/>		
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	(105)	(1,844)
PRC Enterprise Income tax	-	(86)
	<hr/>	<hr/>
	(105)	(1,930)
Over (under) provision in prior years:		
Hong Kong Profits Tax	10	7
PRC Enterprise Income tax	(108)	-
	<hr/>	<hr/>
	(98)	7
Deferred tax:		
Current year	(16)	1,785
	<hr/>	<hr/>
Total income tax expenses recognised in profit or loss	(219)	(138)

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. DIVIDENDS

	(Unaudited)	
	For the six months	
	ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Final paid:		
HK2.0 cents per share for 2014 (2014: HK10.0 cents per share for 2013, final and special paid)	5,989	29,311

The Directors have resolved to declare an interim dividend of HK1.0 cent (2014: HK1.0 cent) per share.

8. (LOSS) EARNINGS PER SHARE

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\$13,440,000 (2014: profit of HK\$1,100,000) and the following data:

	(Unaudited)	
	For the six months	
	ended 30 June	
	2015	2014
Weighted average number of ordinary shares for the purposes of basic earnings per share	299,896,270	292,922,237
Effect of dilutive potential ordinary shares:		
Share options	3,376,840	5,601,527
Weighted average number of ordinary shares for the purposes of diluted earnings per share	303,273,110	298,523,764

Diluted loss per share for the period ended 30 June 2015 is the same as basic loss per share 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. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$1,557,000 (2014: HK\$7,090,000).

10. 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
	2015	2014
	HK\$'000	HK\$'000
0-60 days	21,578	18,786
61-90 days	646	2,068
91-120 days	13	444
Over 120 days	8	264
	22,245	21,562

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
	2015	2014
	HK\$'000	HK\$'000
0-60 days	2,146	4,489
61-90 days	13	2,068
91-120 days	-	707
Over 120 days	8	1
	2,167	7,265



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2015, the major terms of the listed equity decumulators contracts held by the Group were as follows:-

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$2,363,000	Agricultural Bank of China Limited	2 July 2015	HK\$3.83
HK\$5,081,000	China Construction Bank Corporation	3 July 2015	HK\$6.05
HK\$5,217,000	China Life Insurance Company Limited	27 July 2015	HK\$24.56
HK\$5,104,000	Agricultural Bank of China Limited	15 September 2015	HK\$3.91
HK\$5,201,000	China Life Insurance Company Limited	3 November 2015	HK\$25.74
HK\$5,154,000	CNOOC Limited	1 April 2016	HK\$12.28
HK\$6,810,000	Petrochina Company Limited	8 April 2016	HK\$10.17
HK\$6,484,000	China Construction Bank Corporation	8 April 2016	HK\$7.26
HK\$4,470,000	China Petroleum & Chemical Corporation	15 June 2016	HK\$7.51
HK\$6,818,000	China Petroleum & Chemical Corporation	17 June 2016	HK\$7.67
HK\$5,346,000	Petrochina Company Limited	20 June 2016	HK\$10.02

As at 30 June 2015, the major terms of the listed equity accumulators contracts held by the Group were as follows:-

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$4,653,000	CNOOC Limited	20 August 2015	HK\$13.36
HK\$6,930,000	China Petroleum & Chemical Corporation	27 August 2015	HK\$7.01
HK\$4,732,000	China Petroleum & Chemical Corporation	15 September 2015	HK\$6.58
HK\$4,676,000	China Construction Bank Corporation	14 April 2016	HK\$6.37
HK\$4,680,000	Agricultural Bank of China Limited	14 April 2016	HK\$3.57
HK\$6,041,000	Agricultural Bank of China Limited	14 April 2016	HK\$3.58
HK\$4,621,000	CNOOC Limited	21 April 2016	HK\$10.96
HK\$5,919,000	Petrochina Company Limited	29 April 2016	HK\$8.52
HK\$4,700,000	China Life Insurance Company Limited	30 May 2016	HK\$32.10



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENTS HELD-FOR-TRADING

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Equity securities listed in Hong Kong	42,770	43,863
Debt securities listed overseas	–	3,130
	42,770	46,993

13. TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
0-60 days	12,408	6,700
61-90 days	2,945	3,251
91-120 days	663	1,153
Over 120 days	631	691
	16,647	11,795

14. BANK BORROWINGS

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Secured mortgage loans	27,589	29,055
Unsecured bank loans classified as current liabilities	–	1,200
	27,589	30,255

The unsecured bank loans were secured by corporate guarantee given by the Group. The secured mortgage loans were secured by a mortgage over the Group's land and buildings and investment properties.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. BANK BORROWINGS (CONTINUED)

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

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
On demand or within one year	12,484	13,649
More than one year, but not exceeding two years (Note)	3,055	3,018
More than two years, but not exceeding five years (Note)	9,609	9,498
More than five years (Note)	2,441	4,090
	27,589	30,255

Note: These bank loans that are not repayable within one year from the end of the reporting period but as these loans include a clause that gives the lender the unconditional right to call the loans at any time, and according to HK Int 5 which requires the classification of the whole term loans containing the repayment on demand clause as current liabilities, all the term loans were classified by the Group as current liabilities.

15. SHARE CAPITAL

	(Unaudited)			
	Authorised		Issued and fully paid	
	For the six months ended 30 June			
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period	70,000	70,000	29,867	29,012
Issue of shares on exercise of options	-	-	1,670	300
At end of the period	70,000	70,000	31,537	29,312



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. COMMITMENTS

(a) Capital commitments for property, plant and equipment

	(Unaudited)	(Audited)
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Contracted but not provided for	3,752	1,663
Authorised but not contracted for	–	–
	3,752	1,663

(b) Operating lease commitments

The Group as lessee

At the 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)	(Audited)
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Within one year	4,105	5,215
In the second to fifth years inclusive	5,692	7,439
Over five years	29,013	34,508
	38,810	47,162

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 30 years.

The Group as lessor

	(Unaudited)	(Audited)
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Within one year	562	–
In the second to fifth years inclusive	563	–
	1,125	–



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. OTHER COMMITMENTS

As at 30 June 2015, the Group carried outstanding forward contracts which entitled a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$36,712,000 and HK\$29,091,000 respectively (31 December 2014: HK\$24,626,000 and HK\$20,493,000) as disclosed in note 11.

18. 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 had 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 2015, the Directors did 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)

19. 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	
	2015	2014
	HK\$'000	HK\$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	60	60

	(Unaudited) For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Sales to:		
Onwell Headtrade Limited (Note)	–	146

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.

20. EVENTS AFTER THE REPORTING PERIOD

On 21 May 2015, the Group entered into a contract for the disposal of an industrial unit of approximately 2,176 square feet at a consideration of HK\$14,500,000 and has been completed on 18 August 2015. Details of the acquisition are stated in the announcement of the Company dated 21 May 2015.



SHARE OPTION SCHEME

A share option scheme (the "Old Scheme") was adopted in the annual general meeting of the Company held on 17 May 2002 and was 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 of the Company held on 30 May 2012 and will expire on 29 May 2022. The primary purpose of both the Old Scheme and 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 them with incentives and to help the Company in retaining its existing employees and recruiting additional employees and to provide the aforesaid eligible participants with a direct economic interest and personal stake in attaining the long term business objectives of the Company.

Under the Old Scheme, the board of Directors may grant options to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive directors or proposed executive and non-executive directors of the Company or its subsidiary, adviser, consultant, agent, contractor, client and supplier of any members of the Group who has contributed to the Group, while under the New Scheme, the board of Directors may grant options to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive directors or proposed executive and non-executive directors of the Company or its subsidiary, adviser, consultant, customer and supplier and/or other person who in the sole discretion of the board of Directors has contributed or may contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the schemes for the consideration of HK\$1 for each lot of share options granted.

The maximum number of shares in respect of which options may be granted under both the Old Scheme and 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 Old Scheme and the New Scheme respectively. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under both the Old Scheme and 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 for the time being in issue without prior approval from the Company's shareholders in general meeting with the aforesaid proposed individual grantee and his associates being abstained from voting in such general meeting.





SHARE OPTION SCHEME (CONTINUED)

No options are open for acceptance under the Old Scheme since its expiry on 16 May 2012, and in relation to the New Scheme, 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, employees and/or other persons for taking up the options granted during the period is HK\$13 (2014: HK\$nil).

All options were vested on the date of grant upon acceptance.

The exercise price is determined by the board of Directors at the time of the grant of the relevant option and will be at least the higher of:

- a) the closing price of shares at the date of grant;
- 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.

At the date of this report, the number of shares available for issue under the Old Scheme and the New Scheme of the Company were 2,700,000 and 22,339,560 respectively, representing approximately 0.85% and 7.02% respectively of the shares of the Company in issue at that date.

At 26 March 2015, date of 2014 annual report of the Company, the number of shares available for issue under the Old Scheme and the New Scheme of the Company were 9,700,000 and 35,011,560 respectively, representing approximately 3.25% and 11.72% respectively of the shares of the Company in issue at that date.



SHARE OPTION SCHEME (CONTINUED)

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

	Number of options outstanding at 1/1/2015	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 30/6/2015	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
	-	2,986,000	-	-	2,986,000	01-Apr-15	0.770	02-Apr-15 to 01-Apr-25
	-	2,986,000 (Note)	-	-	2,986,000	01-Apr-15	0.770	02-Apr-15 to 01-Apr-25
- Tsui Yan Lee, Benjamin (resigned on 31 January 2015)	2,700,000	-	-	(2,700,000)	-	13-Apr-11	0.740	01-May-11 to 31-Dec-20
- Poon Wai Tsun, William	-	2,986,000	(1,000,000)	-	1,986,000	01-Apr-15	0.770	02-Apr-15 to 01-Apr-25
	-	2,986,000 (Note)	-	-	2,986,000	05-May-15	1.460	06-May-15 to 05-May-25
- Poon Wai Yip, Albert	-	2,986,000	(2,000,000)	-	986,000	01-Apr-15	0.770	02-Apr-15 to 01-Apr-25
	-	2,986,000 (Note)	-	-	2,986,000	05-May-15	1.460	06-May-15 to 05-May-25
- Yip Chi Hung	-	500,000	(500,000)	-	-	05-May-15	1.460	06-May-15 to 05-May-25
- Lam Yat Cheong	-	500,000	(500,000)	-	-	05-May-15	1.460	06-May-15 to 05-May-25
- Choy Wing Keung, David	-	500,000	-	-	500,000	05-May-15	1.460	06-May-15 to 05-May-25



SHARE OPTION SCHEME (CONTINUED)

	Number of options outstanding at 1/1/2015	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 30/6/2015	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
	5,700,000	-	(5,700,000)	-	-	23-Jul-13	0.710	24-Jul-13 to 23-Jul-23
	<u>18,100,000</u>	<u>19,416,000</u>	<u>(16,700,000)</u>	<u>(2,700,000)</u>	<u>18,116,000</u>			
Others	-	9,894,000	-	-	9,894,000	05-May-15	1.460	06-May-15 to 05-May-25
	<u>-</u>	<u>9,894,000</u>	<u>-</u>	<u>-</u>	<u>9,894,000</u>			
Grand Total	<u>18,100,000</u>	<u>29,310,000</u>	<u>(16,700,000)</u>	<u>(2,700,000)</u>	<u>28,010,000</u>			

Note: These interests represent share options granted by the Company to the spouse of the respective director.

The closing price of the Company's shares on 2 November 2007, 13 April 2011, 23 July 2013, 1 April 2015 and 5 May 2015, the dates of grant of the options, were HK\$0.850, HK\$0.740, HK\$0.710, HK\$0.770 and HK\$1.460 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\$1.9737.



SHARE OPTION SCHEME (CONTINUED)

According to the Trinomial Option Pricing Model, the details of the options granted during the period under the Scheme were as follows:

Date of grant and measurement	Number of shares issuable under options granted	Option value	Closing share price at date of grant	Risk free rate	Volatility	Expiration of the options	Dividend yield
1 April 2015	11,944,000	HK\$2,848,000	HK\$0.770	1.47%	44.84%	1 April 2025	9.20%
5 May 2015	17,366,000	HK\$8,061,000	HK\$1.460	1.63%	45.81%	5 May 2025	9.20%

- (i) Historical volatilities, instead of implied volatilities, are used because the options would not have an active secondary market, and the historical daily volatilities of the Company have been applied.
- (ii) The historical dividend yield of the Company's stock is used to estimate the future dividend yield of the stock during the option validity period.
- (iii) Risk-free rate was based on the yield of HKD Hong Kong Sovereign Curve.

The values of the options are uncertain and subject to a number of assumptions and the limitation of the model.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 30 June 2015, 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 the shares 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	5,686,000 (b)		
	Interest of spouse	18,554,000	2,986,000 (b)		
	Interest of controlled corporation	101,139,430	-	145,529,430 (a)	46.15
Dr. Poon Wai Tsun, William	Beneficial owner	-	1,986,000 (b)		
	Interest of spouse	-	2,986,000 (b)	4,972,000	1.58
Mr. Poon Wai Yip, Albert	Beneficial owner	520,000	986,000 (b)		
	Interest of spouse	-	2,986,000 (b)	4,492,000	1.42
Mr. Yip Chi Hung	Beneficial owner	300,000	-	300,000	0.10
Mr. Choy Wing Keung, David	Beneficial owner	-	500,000 (b)	500,000	0.16

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 18,554,000 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 of the Company in respect of share options granted by it to these directors and/or their spouses as beneficial owners, details of which are set out in the section "Share Option Scheme" of this report.



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 (c)	50
	Sunflower Garland Manufactory Limited	Beneficial owner	60,800		
		Interest of spouse	20,800	81,600 (d)	51

Notes:

- (c) 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.
- (d) 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 2015 as defined in the SFO.





CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Annual Report 2014, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are the adjustment of salary packages of three executive Directors, namely, Mr. Poon Siu Chung, Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert, as shown below. The said adjustments were effective from the dates specified below, with other terms of employment remained unchanged:–

Director	Annual salaries & allowances	Performance bonus	Effective date
Mr. Poon Siu Chung	HK\$1,440,000	3.00% on Group's consolidated net profit	1 May 2015
Dr. Poon Wai Tsun, William	HK\$780,000	1.25% on Group's consolidated net profit	1 May 2015
Mr. Poon Wai Yip, Albert	HK\$756,000	1.25% on Group's consolidated net profit	1 May 2015

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 as disclosed above in the section "Directors' Interests in Shares and Options", as at 30 June 2015, 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	Total	% of issued share capital of the Company
			under equity derivatives		
Ms. Lau Kwai Ngor	Beneficial owner	18,554,000	2,986,000		
	Interest of spouse	17,164,000	5,686,000		
	Interest of controlled corporation	101,139,430	-	145,529,430 (e)	46.15
Mime Limited	Beneficial owner	101,139,430	-	101,139,430 (e)	32.07
Mr. Leung Ying Wai, Charles	Interest of controlled corporation	62,797,200	-	62,797,200 (f)	19.91
Hong Kong China Development Holdings Limited	Interest of controlled corporation	62,797,200	-	62,797,200 (f)	19.91
Nielsen Limited	Beneficial owner	62,797,200	-	62,797,200 (f)	19.91

Notes:

- (e) Under SFO, Ms. Lau Kwai Ngor was the beneficial owner of 18,554,000 Shares and was deemed to be interested in 17,164,000 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.
- (f) Nielsen Limited held 62,797,200 Shares and Mr. Leung Ying Wai, Charles was deemed to be interested in such Shares since he owned 100% interest in Hong Kong China Development Holdings Ltd. Hong Kong China Development Holdings Limited in turn held 99% of the total issued share capital of Nielsen Limited.





MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1.0 cent per share (2014: HK1.0 cent per share) for the six months ended 30 June 2015 payable on 8 October 2015, Thursday, to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 18 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 17 September 2015 to 18 September 2015, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 16 September 2015.

BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK\$75,311,000 (2014: HK\$89,533,000), representing a decrease of about 16%, and recorded a loss for the period attributable to owners of the Company of approximately HK\$ 13,440,000 (2014: profit of HK\$1,100,000).

For the first half of 2015, the contribution from the core business of the Group recorded a loss of approximately HK\$3,544,000 (2014: gain of HK\$1,060,000). Detailed performance of each segment of the core business will be discussed below. Included in the profit for the period was the profit from investments of approximately HK\$4,299,000 (2014: HK\$2,613,000), details of the profit from investments will be further analysed below.

Distribution costs decreased by about 13% to approximately HK\$1,912,000 (2014: HK\$2,190,000) while administrative expenses increased by about 55% to approximately HK\$ 29,960,000 (2014: HK\$19,352,000) as a result of, among others, the increase in share-based payments, which amounted to approximately HK\$10,909,000 (2014: nil).





BUSINESS REVIEW (CONTINUED)

Novelties and decorations

The revenue of the novelties and decorations products segment decreased by about 5% to approximately HK\$11,082,000 (2014: HK\$11,649,000), while the loss therefrom amounted to approximately HK\$2,397,000 (2014: HK\$8,131,000). Included in the loss was a gain on disposal of property, plant and equipment of approximately HK\$2,692,000 (2014: nil).

Toy products

The revenue of the segment decreased substantially by about 18% to approximately HK\$64,229,000 (2014: HK\$77,884,000), and recorded a loss of HK\$1,147,000 (2014: profit of HK\$9,191,000). One of the sub-segments recorded a substantial decrease in revenue leading to the deterioration of profit margin thereof, as a result, the segment reported a rare negative result for the period.

Investments

To better utilize the available cash on hand, the Group has invested in the securities listed in Hong Kong and their related derivative products, including but not limited to equity linked deposits, and also other tradable securities. During the period under review, profit of investments derived from the aforesaid transactions amounted to approximately HK\$4,299,000 (2014: HK\$2,613,000). Such profit was the combined effect of, among other things, the realized loss on disposal of investments held-for-trading of approximately HK\$519,000 (2014: gain of HK\$776,000), the increase in fair value of investments held-for trading of approximately HK\$1,552,000 (2014: HK\$585,000) and the increase in fair value of derivative financial instruments of approximately HK\$2,239,000 (2014: decrease of HK\$64,000).

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 2015, the market value of investment in securities was approximately HK\$42,770,000 (31 December 2014: HK\$46,993,000).

As at 30 June 2015, the Group carried outstanding forward contracts with a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$36,712,000 and HK\$29,091,000 respectively (31 December 2014: HK\$24,626,000 and HK\$20,493,000).





FUTURE PLAN AND PROSPECT

As global stock markets are still volatile, the Group's funds for investment will be diversified into (i) equity securities and related derivative products; (ii) debt securities; and (iii) investment properties.

In August 2014, the Group acquired further properties for investment purposes, at present, more than half of the units are under leases to earn steady rental income.

As stated in our latest annual report, the ever increasing costs of production in mainland China together with the difficulty in recruiting high caliber staff at reasonable rate lead to the failure of a number of factories in the processing industries. In order to further decrease the costs of production, the Group has started the consolidation of production facilities since few years ago and will continue such action whenever it is necessary and available.

In view of the traditional peak season of the core business of the Company in the second half of the year, the Directors are prudent that the results of the Group will be improved in the second half of the year.

Liquidity and financial resources

As at 30 June 2015, the Group had no long-term bank borrowings (31 December 2014: nil), while the short-term bank borrowings amounted to approximately HK\$27,589,000, (31 December 2014: HK\$30,255,000), and none of the Group's plant and machinery (31 December 2014: 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 15% (31 December 2014: 17%).

Finance costs

The Group's finance costs amounted to approximately HK\$326,000 (2014: HK\$184,000).



FUTURE PLAN AND PROSPECT (CONTINUED)

Pledge of Assets

As at 30 June 2015, 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\$42,770,000 (31 December 2014: HK\$46,993,000); and
- (ii) Bank deposits of approximately HK\$5,856,000 (31 December 2014: HK\$1,895,000).

At 30 June 2015, the Group had utilised no margin loan facilities from financial institutions (31 December 2014: HK\$nil). The margin loan facilities were charged at variable market rates.

In addition to the margin loan facilities, the Group had also pledged the following assets to secure a mortgage loan:

- (i) Leasehold land and buildings with a carrying value of approximately HK\$29,761,000 (31 December 2014: HK\$31,016,000); and
- (ii) Investment properties of approximately HK\$44,700,000 (31 December 2014: HK\$44,700,000).

Net asset value

The net asset value of the Group as at 30 June 2015 was approximately HK\$0.60 (31 December 2014: HK\$0.61) per share based on the actual number of 315,365,607 (31 December 2014: 298,665,607) shares in issue on that date.

Employees and remuneration policies

As at 30 June 2015, the Group employed approximately 1,450 (2014: 1,600) 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.





FUTURE PLAN AND PROSPECT (CONTINUED)

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 2015, 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, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance

Throughout the six months ended 30 June 2015, 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 A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by him, Mr. Yip Chi Hung, being the independent non-executive director of the Company, was not present at the annual general meeting of the Company held on 27 May 2015. However, Mr. Lam Yat Cheong and Mr. Choy Wing Keung, David, both of whom being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.





CORPORATE GOVERNANCE (CONTINUED)

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.

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.



CORPORATE GOVERNANCE (CONTINUED)

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 2015 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 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 2015 of the Company now reported on.

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, 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, 26 August 2015