PERFECTECH INTERNATIONAL HOLDINGS LIMITED
(威發國際集團有限公司)*

(incorporated in Bermuda with limited liability)
(Stock Code: 765)

Announcement of results
For the year ended 31st December, 2005

RESULTS

The directors of Perfectech International Holdings Limited (the "Company") are pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2005 and the comparative figures in 2004 were as follows:–

CONSOLIDATED INCOME STATEMENT

	NOTES	**2005** **HK$'000**	2004 HK$'000 (restated)
Revenue	*4*	**515,875**	509,820
Cost of sales		**(442,747)**	(420,568)
Gross profit		**73,128**	89,252
Other income		**8,473**	5,674
Distribution costs		**(24,431)**	(24,750)
Administrative expenses		**(41,327)**	(40,733)
Other expenses	*5*	**(1,543)**	(1,249)
Increase in fair value of investment properties		**4,040**	–
Surplus on revaluation of investment properties		**–**	300
Impairment loss on goodwill		**(1,760)**	–
Finance costs	*6*	**(2,115)**	(1,314)
Profit before tax	*7*	**14,465**	27,180
Income tax expenses	*8*	**(2,982)**	(1,884)
Profit for the year		**11,483**	25,296
Attributable to:			
Equity holders of the parent		**10,701**	22,537
Minority interests		**782**	2,759
Profit for the year		**11,483**	25,296
Dividends paid	*9*	**15,345**	13,788
Earnings per share	*10*		
Basic		**3.46 cents**	7.40 cents
Diluted		**N/A**	7.39 cents

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER, 2005

	NOTES	**2005** *HK$'000*	2004 *HK$'000* (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**85,411**	91,846
Prepaid lease payments		**366**	1,013
Investment properties		**8,340**	4,300
Goodwill		**3,882**	321
Deferred tax assets		**1,062**	1,038
		99,061	98,518
CURRENT ASSETS			
Inventories		**93,485**	99,420
Trade and other receivables	*11*	**82,250**	90,900
Prepaid lease payments		**69**	84
Amount due from a minority shareholder of a subsidiary		**200**	200
Tax recoverable		**2,220**	610
Investment in bonds		**629**	–
Investments held-for-trading		**8,451**	–
Investments in securities		**–**	12,375
Derivative financial instruments		**350**	–
Pledged bank deposits		**8,724**	21,264
Bank balances and cash		**32,279**	17,888
		228,657	242,741
CURRENT LIABILITIES			
Trade and other payables	*12*	**49,773**	52,892
Tax liabilities		**820**	1,383
Bank borrowings – due within one year		**6,000**	5,195
Bank overdraft		**–**	561
Obligations under a finance lease – due within one year		**135**	195
		56,728	60,226
NET CURRENT ASSETS		**171,929**	182,515
TOTAL ASSETS LESS CURRENT LIABILITIES		**270,990**	281,033
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,022**	2,441
Bank borrowings – due after one year		**500**	–
Obligations under a finance lease – due after one year		**–**	135
		3,522	2,576
NET ASSETS		**267,468**	278,457
CAPITAL AND RESERVES			
Share capital		**31,054**	30,640
Reserves		**230,341**	230,347
Equity attributable to equity holders of the parent		**261,395**	260,987
Minority interests		**6,073**	17,470
TOTAL EQUITY		**267,468**	278,457

Notes

1. **BASIS OF PREPARATION**

The audited consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. **APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1st January, 2005. In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the transitional provisions in HKFRS 3. On 1st January, 2005, the Group eliminated the carrying amount of the related accumulated amortisation of HK$749,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (Note 3 for the financial impact).

Share-based Payments

In the current year, the Group has applied HKFRS 2 *Share-based Payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st January, 2005 (Note 3 for the financial impact). The Group has no share options granted after 7th November, 2002 but not yet vested on 1st January, 2005.

Financial Instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement*. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for that period. From 1st January, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

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

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

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

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

Prior to HKAS 39, the Group has not recognised any derivative financial instruments. The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from 1st January, 2005 onwards, deemed such derivatives as held for trading. The Group measured its derivative at fair value and HK$1,012,889 was recognised as derivative financial instruments on 1st January, 2005 (Note 3 for the financial impact).

Owner-occupied Leasehold Interest in Land
In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (Note 3 for the financial impact).

Investment Properties
In the current year, the Group has, for the first time, applied HKAS 40 *Investment Property*. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. However, there has been no material effect on how the results are prepared and presented (Note 3 for the financial impact).

Deferred Taxes related to Investment Properties
In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (Note 3 for the financial impact).

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

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

2005

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

Inter-segment sales are charged at prevailing market rates.

2004

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

Inter-segment sales are changed at prevailing market rates.

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

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

5. OTHER EXPENSE

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

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

	2005 *HK$'000*	2004 *HK$'000*
Profit before tax has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	**–**	107
Release of prepaid lease prepayments (included in administrative expenses)	**77**	90
Impairment loss on trade receivables	**321**	1,654
Written down of inventories	**1,996**	1,153
Auditors' remuneration	**1,140**	787
Depreciation of property, plant and equipment	**20,337**	18,635
Foreign exchange losses, net	**2,488**	2,864
Loss on disposals of property, plant and equipment	**–**	210
Staff costs (including directors' emoluments)	**88,611**	88,017
Share-based payments expenses	**1,497**	–
Cost of inventories recognised as an expense	**295,732**	272,442
and after crediting:		
Interest income	**898**	1,876
Dividend income from held-for-trading investments	**363**	–
Dividend income from trading securities	**–**	469
Gain on disposals of property, plant and equipment and prepaid lease payments	**207**	–
Gain on disposals of held-for-trading investments	**2,808**	–
Gain on disposals of trading securities	**–**	58
Reversal of impairment on investment in bonds	**500**	–

8. INCOME TAX EXPENSES

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

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

9. DIVIDENDS PAID

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

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

10. EARNINGS PER SHARE

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

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

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

OTHER INFORMATION

FINAL DIVIDEND

The directors recommend the payment of a final dividend for the year ended 31st December, 2005 of 1.5 cents per share (2004: 4.5 cents per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 24th May, 2006. This dividend together with the interim dividend of 0.5 cent per share (2004: 1 cent per share), will make a total of 2 cents per share for the year (2004: 5.5 cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about 6th June, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 22nd May, 2006 to 24th May, 2006, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong at Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 19th May, 2006.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

During the year, the turnover of the Group increased by approximately 12% to HK$515,875,000, while the net profit for the year was HK$10,701,000 representing a drop of approximately 53%. The gentle growth in turnover was mainly contributed by the former three core segments of the Group, while the turnover of the toys segment dropped quite substantially. The performance of each segment will be further discussed below.

The year of 2005 was a year of challenge for the Group, or even a tough year. First of all, due to the keen competition in various business segments of the Group, it was hard to maintain profitability at a reasonable level as before. Secondly, the prices of various kinds of raw materials had risen continuously during the past two years making it harder for the Group to maintain profitability. Thirdly, the continuing increase in the wages level in the People's Republic of China (the "PRC") led to an ever increasing cost of production in the PRC. Despite our effort in cutting the staff costs for the toys segment, the staff costs of the Group still increased by more than 3% in the PRC.

For the year 2005, the profits of the Group included a revaluation surplus on investment property of approximately HK$4,040,000, and after the deduction of a share related payment on the share options granted to employees of approximately HK$1,497,000, and an impairment loss of goodwill of approximately HK$1,760,000, which arose from the acquisition of the remaining 41% portion of the shareholdings in the toys segment (the "Acquisition"), Perfectech International Manufacturing Limited ("PIML"). The Acquisition has been completed in the first half of 2005, and since then PIML has become a wholly owned subsidiary of the Group.

Finance costs increased by about 61% to approximately HK$2,115,000. This was mainly due to the increase in the interest rate during the year and also the raising of a term loan by the Group as working capital for future expansion and development during the year.

FUTURE PLAN & PROSPECT

Since the Group experienced a tough year in 2005, it signaled that the business of the group stepped into a period of change and challenge. In order to maintain profitability to survive, a number of measures have been implemented, such as the adoption of further cost control, on one hand, both in production plants in the PRC, and in the administrative units in Hong Kong, and on the other hand, to raise the selling price of certain products that are proved to be competitive.

Future capital investment of the Group will only be made in those of the four core business segments that have been proved to be profitable in recent years, while diversification and development of new products are encouraged within the availability and capacity of present equipments.

In view of the performance of the Group in 2005 with the potential risks in the re-positioning of certain business segments of the Group in 2006, although the Directors are prudently confident that the performance of the toys segment will be improved as a result of the effects of synergy and cost control in the toys division, together with growth in the molding division, the Directors are of the view that 2006 will remain a very difficult and challenging year for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT RESULTS

Novelties and decorations

The turnover of this segment for the year remained quite stable and stood at approximately HK$141,656,000, while the segment result decreased by about 43% to approximately HK$8,070,000. The result of the segment dropped substantially due to keen competition, leading to the decrease in the selling price of our finished products, and the increase of production costs as stated above.

For the coming year, it is the Group's policy to raise the selling price to improve profit margin instead of by cutting price to boost the revenue, and to change the ways of production and even the methods of rewarding the labour in order to increase productivity.

Packaging products

The turnover of packaging products to external customers increased slightly by about 4% to HK$150,457,000, while the segment result substantially decreased by about 71% to HK$3,244,000. Such a decrease in segment result was also due to keen competition and increase in labour costs.

In order to improve the segment result, the Group is now undergoing a plan for the repositioning in the product mix. For those products / businesses that are unprofitable, it is the Group's policy to abandon such items no matter how they had contributed to the Group in the past. On the other hand, concentration and efforts will be made on some items that are potentially more profitable.

Trading activities

The turnover of the trading of PVC film and plastic materials further increased by about 32% to HK$109,387,000, as a result of organic growth of the segment since its reorganization in 2003, together with the continuing recovery of both the local and global economies. However, the segment result recorded a loss of approximately HK$714,000 for the year, as a result of decrease in profit margin due to keen competition.

Toy products

The turnover of this segment was approximately HK$114,375,000 representing a decrease of about 19%, while the segment result therefrom was approximately HK$4,370,000, representing a decrease of about 12%. Due to the change of the Chief Executive Officer and shareholding of this the segment as a result of the Acquisition, the operation of the segment was disturbed to a certain degree. Nevertheless, the decrease in contribution being less in proportionate to the decrease in turnover symbolized that the performance had been improved.

Investments

To well utilize the available cash on hand, the Group has invested in the securities of several unlisted companies in different industries as long-term investment. As at 31st December, 2005, the total investment therein was about HK$629,000. All of these investments were held in interest-bearing notes, which ensured the earning of regular income from the investment.

Investment in listed securities is held for short-term purposes for capital gain in the value of the securities. As at the balance sheet date, the market value of investment in securities was approximately HK$8,451,000.

Besides investing in stock markets, the Group may also utilize its cash on hand for foreign currencies cash deposits with local banks in order to earn a higher return of interest income, and also the potential capital gain thereon.

Liquidity and financial resources

As at 31st December, 2005, the long-term finance lease obligation and bank loan of the Group were approximately HK$500,000 (2004: HK$135,000), while the short term bank borrowings were HK$6,135,000 (2004: HK$5,951,000), and the net book value of the Group's plant and machinery of HK$297,000 (2004: HK$412,000) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was 2.54% (2004: 2.33%).

At balance sheet date, the Group had bank balances and cash of approximately HK$41,003,000 (2004: HK$39,152,000).

With cash and other current assets at 31st December, 2005 of HK$229 million as well as available banking facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value
The net asset value of the Group as at 31st December, 2005 was HK$0.84 per share based on the actual number of 310,539,607 shares in issue on that date.

Employees and remuneration policies
As at 31st December, 2005, the Group employed approximately 3,000 full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

Foreign currency exposure
The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar, with some in Renminbi and Euro Dollar. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in the area.

In relation to other currencies, the Group will closely monitor their trends in relation to US Dollar and will engage in exchange rate hedges when necessary.

At the balance sheet date, the Group did not use any financial instrument for hedging purposes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

From accounting periods commencing on or after 1 January 2005, listed companies in Hong Kong are required to comply with the code provisions (the "Code Provisions") set out in the "Code on Corporate Governance Practices" (the "Code") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with one exception regarding the code on internal controls, which comes into effect for accounting periods commencing on or after 1 July 2005. Meanwhile, the rules on the Corporate Governance Report are found in a new Appendix 23 of the Rules Governing the Listing of Securities of the Stock Exchange ("Listing Rules").

Throughout the year ended 31 December 2005, the Company has adopted the Code and has complied with the Code Provisions, save for the following deviation.

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 is taken up by the Managing Director. Mr. Poon Siu Chung is the Chairman and Managing Director of the Company. 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 calibre individuals who meet regularly to discuss issues affecting 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.

Audit Committee
The Company has established an audit committee which comprises all non-executive Directors, Mr. Tong Wui Tung, Mr. Yip Chi Hung, Mr. Lam Yat Cheong and Mr. Ng Siu Yu, Larry. Mr. Ng Siu Yu, Larry is 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 audited financial statements for the year ended 31st December, 2005 of the Company now reported on.

APPRECIATION
Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year.

On behalf of the Board
Poon Siu Chung
Chairman & Managing Director

Hong Kong, 25th April, 2006

The Directors of the Company as at the date of this announcement, are Mr. Poon Siu Chung, Mr. Leung Ying Wai, Charles, Mr. Ip Siu On and Mr. Tsui Yan Lee, Benjamin who are the executive directors of the Company, Mr. Ng Siu Yu, Larry, Mr. Yip Chi Hung, and Mr. Lam Yat Cheong who are the independent non-executive directors of the Company, and Mr. Tong Wui Tung who is the non-executive director of the Company.

Please also refer to the published version of this announcement in The Standard.