



2011

INTERIM REPORT



Perfectech International Holdings Limited
Incorporated in Bermuda with limited liability
Stock Code: 765

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

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

COMPANY SECRETARY

Ms. Pang Siu Yin

AUDITORS

HLM & Co.
Certified Public Accountants
Hong Kong

LEGAL ADVISER

Cheung Tong and Rosa Solicitors

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong)
Limited

HONG KONG BRANCH SHARE REGISTRAR

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

WEBSITE

www.perfectech.com.hk

CONDENSED CONSOLIDATED STATEMENT OF
 COMPREHENSIVE INCOME
 FOR THE SIX MONTHS ENDED 30 JUNE 2011

		(Unaudited) For the six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
	Notes		
Revenue	2 & 3	150,667	138,607
Cost of sales		(132,003)	(118,168)
Gross profit		18,664	20,439
Net other (losses) incomes	4	(791)	454
Distribution costs		(5,154)	(6,302)
Administrative expenses		(19,752)	(12,452)
Finance costs		(159)	(121)
(Loss) profit before tax	5	(7,192)	2,018
Income tax credit (expenses)	6	949	(42)
(Loss) profit for the period		(6,243)	1,976
Other comprehensive income (expenses)			
Exchange differences on translation of overseas operations		208	(24)
Total comprehensive (expenses) income for the period		(6,035)	1,952
(Loss) profit for the period attributable to:			
Owners of the Company		(6,570)	1,231
Non-controlling interests		327	745
(Loss) profit for the period		(6,243)	1,976
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(6,371)	1,207
Non-controlling interests		336	745
Total comprehensive (expenses) income for the period		(6,035)	1,952
Dividends	7	6,756	17,938
(Loss) earnings per share	8		
Basic		(2.41) cents	0.44 cent
Diluted		N/A	0.43 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011 AND 31 DECEMBER 2010

		(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	39,700	38,567
Deferred tax assets		3,518	2,168
		43,218	40,735
CURRENT ASSETS			
Inventories		98,837	57,432
Trade and other receivables	10	86,839	58,944
Prepaid lease payments		-	6
Taxation recoverable		273	370
Investments held-for-trading	12	66,431	72,910
Derivative financial instruments	11	236	248
Pledged bank deposits		4,487	4,818
Bank balances and cash		30,650	72,487
		287,753	267,215
CURRENT LIABILITIES			
Trade and other payables	13	73,738	45,556
Derivative financial instruments	11	2,011	3,009
Tax liabilities		2,756	2,347
Bank borrowings	14	42,383	27,750
		120,888	78,662
NET CURRENT ASSETS		166,865	188,553
TOTAL ASSETS LESS CURRENT LIABILITIES		210,083	229,288
NON CURRENT LIABILITIES			
Deferred tax liabilities		722	827
NET ASSETS		209,361	228,461
CAPITAL AND RESERVES			
Share capital	15	26,614	27,521
Reserves		177,370	191,682
Equity attributable to owners of the Company		203,984	219,203
Non-controlling interests		5,377	9,258
TOTAL EQUITY		209,361	228,461

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(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 2011	27,521	72,962	8,138	2,852	78	107,652	219,203	9,258	228,461
Total comprehensive income for the period	-	-	-	-	199	(6,570)	(6,371)	336	(6,035)
Dividends	-	-	-	-	-	(6,756)	(6,756)	-	(6,756)
Repurchase and cancellation of shares	(907)	(5,864)	907	-	-	(907)	(6,771)	-	(6,771)
Recognition of equity - settled share based payment	-	-	-	5,347	-	-	5,347	-	5,347
Share option lapsed	-	-	-	(247)	-	-	(247)	-	(247)
Acquisition of additional equity interest in a subsidiary	-	-	-	-	-	(421)	(421)	(4,217)	(4,638)
At 30 June 2011	26,614	67,098	9,045	7,952	277	92,998	203,984	5,377	209,361
At 1 January 2010	28,704	83,398	5,905	4,905	(15)	110,747	233,644	9,491	243,135
Total comprehensive income for the period	-	-	-	-	(24)	1,231	1,207	745	1,952
Dividends	-	-	-	-	-	(17,938)	(17,938)	-	(17,938)
Shares issued upon exercise of options	280	1,478	-	(550)	-	-	1,208	-	1,208
Repurchase and cancellation of shares	(1,483)	(12,148)	1,483	-	-	-	(12,148)	-	(12,148)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(8)	(8)
Acquisition of additional equity interest in a subsidiary	-	-	-	-	-	(287)	(287)	(391)	(678)
At 30 June 2010	27,501	72,728	7,388	4,355	(39)	93,753	205,686	9,837	215,523

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)

For the six months
ended 30 June

	2011	2010
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(34,400)	(30,542)
NET CASH USED IN INVESTING ACTIVITIES	(8,578)	(2,903)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,106	(358)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(41,872)	(33,803)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	72,487	77,020
Effect of change in foreign exchange rates	35	(32)
CASH AND CASH EQUIVALENTS AT 30 JUNE	30,650	43,185
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	30,650	43,185

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 2010 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2011 as follows:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Right Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Amendment to HKAS 34 “Interim Financial Reporting” (as part of Improvements to HKFRSs 2010) is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

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

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (Revised in 2011)	Employee Benefits ⁴
HKAS 27 (Revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ⁴
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosures of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to the financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of the changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. HKFRS 10 provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11 “Joint Arrangements” provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). HKFRS 11 addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

HKFRS 12 “Disclosures of Interests in Other Entities” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 “Fair Value Measurement” improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The above-mentioned standards are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. They are required to be applied retrospectively, but if the entity adopted HKFRS 9 prior to 1 January 2012, the entity will be exempt from the requirements to restate prior period comparative information. The Group is presently studying the implications of applying the above-mentioned standards. It is impracticable to quantify their impacts as at the date of publication of these financial statements.

Amendment to HKAS 1 (Revised) “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income” require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. Earlier application is permitted.

The application of the other new and revised Standards, Amendments and Interpretations will have no material impact on the results and financial position of the Group.

2 BUSINESS SEGMENTS

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

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

For the six months ended 30 June 2011 (Unaudited)

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	18,595	27,954	30,056	74,062	-	150,667
Inter-segment sales	-	6,856	715	-	(7,571)	-
Total revenue	<u>18,595</u>	<u>34,810</u>	<u>30,771</u>	<u>74,062</u>	<u>(7,571)</u>	<u>150,667</u>
RESULT						
Segment results	<u>(2,914)</u>	<u>(1,530)</u>	<u>362</u>	<u>5,489</u>	<u>-</u>	1,407
Loss from investments						(3,048)
Unallocated corporate expenses						(5,392)
Finance costs						(159)
Loss before tax						(7,192)
Income tax credit						949
Loss for the period						<u>(6,243)</u>

Inter-segment sales are charged at prevailing market rates.

As at 30 June 2011 (Unaudited)

	Novelties and decorations HK\$'000	Packaging products HK\$'000	PVC films and plastic materials HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	72,482	61,101	26,520	94,906	255,009
Unallocated corporate assets					75,962
Consolidated total assets					330,971
LIABILITIES					
Segment liabilities	62,902	12,020	6,750	36,131	117,803
Unallocated corporate liabilities					3,807
Consolidated total liabilities					121,610

OTHER INFORMATION

For the six months ended 30 June 2011 (Unaudited)

	Novelties and decorations HK\$'000	Packaging products HK\$'000	PVC films and plastic materials HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
Capital additions	308	733	3	4,918	5,962
Depreciation and amortisation	1,121	1,765	20	2,090	4,996
Release of prepaid lease payments	-	-	-	6	6

For the six months ended 30 June 2010 (Unaudited)

	Novelties and decorations 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	19,334	28,774	30,885	59,614	–	138,607
Inter-segment sales	88	8,449	412	–	(8,949)	–
Total revenue	19,422	37,223	31,297	59,614	(8,949)	138,607
RESULT						
Segment results	2,067	(4,501)	583	5,594	–	3,743
Loss from investments						(1,721)
Unallocated corporate income						117
Finance costs						(121)
Profit before tax						2,018
Income tax expenses						(42)
Profit for the period						1,976

Inter-segment sales are charged at prevailing market rates.

As at 31 December 2010 (Audited)

	Novelties and decorations HK\$'000	Packaging products HK\$'000	PVC films and plastic materials HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	63,862	60,305	21,591	77,832	223,590
Unallocated corporate assets					84,360
Consolidated total assets					307,950
LIABILITIES					
Segment liabilities	42,291	6,094	4,167	21,623	74,175
Unallocated corporate liabilities					5,314
Consolidated total liabilities					79,489

OTHER INFORMATION

For the six months ended 30 June 2010 (Unaudited)

	Novelties and decorations HK\$'000	Packaging products HK\$'000	PVC films and plastic materials HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
Capital additions	425	1,006	4	1,745	3,180
Depreciation and amortisation	1,333	2,510	27	2,313	6,183
Release of prepaid lease payments	-	-	-	37	37

Information about major customer

Included in revenues arising from sales of toys products of approximately HK\$74,062,000 (2010: HK\$59,614,000) are revenues of approximately HK\$55,537,000 (2010: HK\$46,528,000) which arose from sales to the Group's largest customer.

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	
	2011	2010
	HK\$'000	HK\$'000
Sales revenue by geographical market:		
Hong Kong	51,465	53,691
Europe	22,167	27,261
America	24,089	15,984
Asia (other than Hong Kong)	49,859	37,879
Others	3,087	3,792
	150,667	138,607

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

	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
Hong Kong	211,104	191,402
The People's Republic of China (the "PRC")	119,867	116,548
	330,971	307,950

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 2011 HK\$'000	2010 HK\$'000
Hong Kong	5	7
The PRC	5,687	3,173
	5,692	3,180

4 NET OTHER (LOSSES) INCOMES

	(Unaudited) For the six months ended 30 June 2011 HK\$'000	2010 HK\$'000
Bad debts recovered	120	165
Rental income	68	28
Interest income	36	32
Dividend income on listed investments	1,386	788
Realised loss on disposal of investments held-for-trading	(3,455)	(856)
Net change in fair value of investments held-for-trading	(1,968)	(5,335)
Net change in fair value of derivative financial instruments	986	3,683
Others	2,036	1,949
	(791)	454

5 (LOSS) PROFIT BEFORE TAX

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

	(Unaudited)	
	For the six months	
	ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	4,996	6,183
Release of prepaid lease payments	6	37
Loss on disposals of property, plant and equipment	1	1,047

6 INCOME TAX CREDIT (EXPENSES)

	(Unaudited)	
	For the six months	
	ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	(505)	(835)
PRC Enterprise Income tax	(1)	–
	(506)	(835)
Deferred taxation:		
Current year	1,455	793
	949	(42)

Hong Kong Profits Tax is stated at 16.5% (2010: 16.5%) of the estimated assessable profits for the period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both years). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7 DIVIDENDS

	(Unaudited)	
	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Final paid:		
HK2.5 cents per share for 2010 (2010: HK6.5 cents per share for 2009)	6,756	17,938

The Directors have resolved to declare an interim dividend of HK1.0 cent (2010: HK1.0 cent) per share.

8 (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the net loss for the period of approximately HK\$6,570,000 (2010: profit of HK\$1,231,000) and the following data:

	(Unaudited)	
	For the six months ended 30 June	
	2011	2010
Weighted average number of ordinary shares for the purposes of basic earnings per share	272,429,540	279,727,122
Effect of dilutive potential ordinary shares: Share options	1,767,625	3,915,719
Weighted average number of ordinary shares for the purposes of diluted earnings per share	274,197,165	283,642,841

No diluted loss per share for the period ended 30 June 2011 is presented as the dilutive potential ordinary shares in respect of outstanding share options are anti-dilutive.

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$5,962,000 (2010: HK\$3,180,000).

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
	2011	2010
	HK\$'000	HK\$'000
0-60 days	66,225	37,384
61-90 days	6,172	6,394
91-120 days	1,800	3,622
Over 120 days	4,713	4,661
	78,910	52,061

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
	2011	2010
	HK\$'000	HK\$'000
0-60 days	10,043	3,723
61-90 days	824	1,138
91-120 days	222	19
Over 120 days	146	37
	11,235	4,917

11 DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2011, the major terms of the listed equity decumulators contracts are as follows:

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$3,487,000	China Construction Bank Corporation	8 July 2011	HK\$7.11
HK\$5,554,000	CNOOC Limited	20 July 2011	HK\$14.89
HK\$5,176,000	Agricultural Bank of China Limited	23 August 2011	HK\$3.98
HK\$5,791,000	Agricultural Bank of China Limited	6 September 2011	HK\$4.20
HK\$4,823,000	Agricultural Bank of China Limited	10 February 2012	HK\$4.17
HK\$3,807,000	Agricultural Bank of China Limited	10 February 2012	HK\$4.18
HK\$4,723,000	Pertochina Company Limited	13 February 2012	HK\$12.00 ^Δ
HK\$5,079,000	China Construction Bank Corporation	13 February 2012	HK\$7.48 ^Δ
HK\$5,441,000	Pertochina Company Limited	5 March 2012	HK\$12.66 ^Δ
HK\$5,874,000	CNOOC Limited	9 May 2012	HK\$21.62 ^Δ
HK\$5,561,000	CNOOC Limited	18 May 2012	HK\$21.56 ^Δ
HK\$5,947,000	CNOOC Limited	28 May 2012	HK\$21.80 ^Δ
HK\$5,370,000	Industrial and Commercial Bank of China Limited	14 June 2012	HK\$6.74 ^Δ
HK\$5,348,000	China Petroleum & Chemical Corporation	20 June 2012	HK\$8.26 ^Δ
HK\$5,723,000	Agricultural Bank of China Limited	22 June 2012	HK\$4.60 ^Δ
HK\$5,556,000	Agricultural Bank of China Limited	25 June 2012	HK\$4.46
HK\$5,693,000	Agricultural Bank of China Limited	25 June 2012	HK\$4.59 ^Δ

As at 30 June 2011, the major terms of the listed equity accumulators contracts are as follows:

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$6,925,000	China Life Insurance Company Limited	9 November 2011	HK\$30.90
HK\$4,785,000	China Life Insurance Company Limited	16 December 2011	HK\$27.45
HK\$4,987,000	China Petroleum & Chemical Corporation	1 February 2012	HK\$7.30
HK\$3,920,000	Pertochina Company Limited	2 April 2012	HK\$9.92
HK\$4,925,000	Pertochina Company Limited	2 April 2012	HK\$10.01
HK\$4,950,000	Pertochina Company Limited	2 April 2012	HK\$10.06
HK\$3,918,000	CNOOC Limited	2 April 2012	HK\$16.59
HK\$3,918,000	CNOOC Limited	2 April 2012	HK\$16.59
HK\$4,641,000	China Petroleum & Chemical Corporation	10 April 2012	HK\$6.71
HK\$4,624,000	CNOOC Limited	10 April 2012	HK\$17.02
HK\$4,748,000	Agricultural Bank of China Limited	10 April 2012	HK\$3.88
HK\$4,835,000	Agricultural Bank of China Limited	11 May 2012	HK\$3.90
HK\$4,605,000	China Construction Bank Corporation	25 May 2012	HK\$6.19
HK\$3,923,000	CNOOC Limited	4 June 2012	HK\$15.82
HK\$4,765,000	Agricultural Bank of China Limited	4 June 2012	HK\$3.71
HK\$3,953,000	Agricultural Bank of China Limited	11 June 2012	HK\$3.45
HK\$4,275,000	Industrial and Commercial Bank of China Limited	13 June 2012	HK\$5.05
HK\$4,690,000	China Construction Bank Corporation	21 June 2012	HK\$5.54
HK\$4,794,000	CNOOC Limited	27 June 2012	HK\$14.81
HK\$4,713,000	Agricultural Bank of China Limited	29 June 2012	HK\$3.38 ^Δ

^Δ Contracts had been knocked out before its maturity date since 1 July 2011 up to the date of this report.

12 INVESTMENTS HELD-FOR-TRADING

All investments held-for-trading are equity securities listed in Hong Kong.

13 TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
0-60 days	37,928	19,870
61-90 days	2,082	979
91-120 days	104	128
Over 120 days	465	355
	40,579	21,332

14 BANK BORROWINGS

	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
Unsecured bank loans classified as current liabilities	23,118	27,750
Unsecured trust receipt loans	19,265	-
	42,383	27,750

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

	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
On demand or within one year	28,529	9,264
More than one year, but not exceeding two years	8,742	9,264
More than two years, but not exceeding five years	5,112	9,222
	42,383	27,750
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(13,854)	(18,486)
	28,529	9,264

15 SHARE CAPITAL

	(Unaudited)			
	Authorised		Issued and fully paid	
	For the six months ended 30 June			
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period	70,000	70,000	27,521	28,704
Issue of shares on exercise of options	-	-	-	280
Share repurchased and cancelled	-	-	(907)	(1,483)
At end of the period	70,000	70,000	26,614	27,501

16 COMMITMENTS

(a) Capital commitments for property, plant and equipment

	(Unaudited)	(Audited)
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Contracted but not provided for	8,767	2,066
Authorised but not contracted for	290	365
	9,057	2,431

(b) Operating lease commitments

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

	(Unaudited)	(Audited)
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Within one year	5,221	5,380
In the second to fifth years inclusive	11,293	10,951
Over five years	44,990	33,252
	61,504	49,583

Operating lease payments represent rental payable by the Group for certain of its office and factory properties. Leases are negotiated for a term from 2 years to 35 years.

17 OTHER COMMITMENTS

At 30 June 2011, the Group carried outstanding forward contracts which entitled a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$88,953,000 and HK\$92,894,000 respectively (31 December 2010: HK\$49,451,000 and HK\$11,098,000) 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 has issued the following guarantees:

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

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

As at 30 June 2011, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees as the probability of default payment for the loans drawn down by the subsidiaries is remote.

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

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	
	2011	2010
	HK\$'000	HK\$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	120	120

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

20 EVENTS AFTER THE REPORTING PERIOD

On 6 July 2011, the Group disposed 18% equity interest of its subsidiary, Mars Technology Limited, with an aggregate consideration of HK\$2,494,998. The unaudited net assets of the subsidiary at the date of disposal were approximately HK\$14,499,000. After the disposal, the Company holds approximately 79.6% equity interest of the subsidiary through its wholly-owned subsidiary.

On 29 July 2011, the Group completed the acquisition of an industrial unit of approximately 2,176 square feet at a consideration of HK\$7,616,000.

21 ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A SUBSIDIARY

On 18 February 2011, the Group acquired 11.8% equity interest in its subsidiary, Fareastern Trade Limited, for an aggregate consideration of HK\$4,638,000. The unaudited net assets of the subsidiary at the date of acquisition were approximately HK\$35,982,000. After the acquisition, the Company holds approximately 88% equity interest of the subsidiary through its wholly-owned subsidiary.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted in the annual general meeting held on 17 May 2002 and will expire on 16 May 2012. The primary purpose of the Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Under the Scheme, the board of Directors may offer to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive director or proposed executive and non-executive director of the Company or any subsidiary options, to subscribe for shares in the Company in accordance with the terms of the Scheme for the consideration of HK\$1 for each lot of share options granted.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of adoption of the Scheme. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of shares of the Company in issue, at any point at time, without prior approval from the Company's shareholders.

Options granted must remain open for acceptance until 5:00 p.m. on the 5th business day following the offer date provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date or after the Scheme has been terminated. Options may be exercised during the period as the Directors may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the options and the board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Total consideration received during the period from the Directors and employees for taking up the options granted during the period is HK\$15 (2010: Nil).

All options were vested on the date of grant.

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

- a) the closing price of shares at the date of grant of a share option;
- 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 in respect of which options had been granted and remained outstanding under the Scheme was 43,696,000, representing approximately 16.42% of the shares of the Company in issue at that date.

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

	Number of options outstanding at 1/1/2011	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 30/6/2011	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
- Ip Siu On	1,000,000	-	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	-	2,700,000	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
- Tsui Yan Lee, Benjamin	1,000,000	-	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	-	2,700,000	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
- Poon Wai Tsun, William	-	2,700,000	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20

	Number of options outstanding at 1/1/2011	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 30/6/2011	Date granted	Exercise price per share HK\$	Exercisable Period
- Yip Chi Hung	-	300,000	-	-	300,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
- Lam Yat Cheong	300,000	-	-	-	300,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	-	300,000	-	-	300,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
- Choy Wing Keung, David	300,000	-	-	-	300,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	-	300,000	-	-	300,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
Employees	4,500,000	-	-	-	4,500,000	24-Mar-06	0.540	24-Apr-06 to 31-Dec-14
	8,200,000	-	-	(1,200,000)	7,000,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	-	2,700,000	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	-	13,196,000	-	-	13,196,000	28-Apr-11	0.770	01-May-11 to 31-Dec-20
	<u>15,300,000</u>	<u>27,596,000</u>	<u>-</u>	<u>(1,200,000)</u>	<u>41,696,000</u>			
Others	1,000,000	-	-	-	1,000,000	05-Jun-02	0.664	05-Jul-02 to 17-May-12
	1,000,000	-	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>			
Grand Total	<u>17,300,000</u>	<u>27,596,000</u>	<u>-</u>	<u>(1,200,000)</u>	<u>43,696,000</u>			

The closing price of the Company's shares on 5 June 2002, 2 February 2005, 24 March 2006, 2 November 2007, 14 October 2008, 20 May 2009, 13 April 2011 and 28 April 2011, the dates of grant of the options, were HK\$0.640, HK\$0.600, HK\$0.520, HK\$0.850, HK\$0.335, HK\$0.375, HK\$0.740 and HK\$0.770 respectively.

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

Date of grant	Number of shares issuable under options granted	Option value	Closing share price at date of grant	Risk free rate (being the yield of 10-year Exchange Fund notes)	Expected volatility note (i)	Expiration of the options	Expected ordinary dividend note (iii)
13 April 2011	14,400,000	HK\$2,721,600	HK\$0.740	2.74%	31.46%	31 December 2020	4.73%
28 April 2011	13,196,000	HK\$2,626,004	HK\$0.770	2.58%	31.53%	31 December 2020	4.55%

- (i) The volatility measured at the standard deviation of the expected share price returns is based on the daily closing prices over the one year immediately preceding the date of grant.
- (ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares on the Stock Exchange.
- (iii) Expected ordinary dividend is based on 2011 prospective dividend yield of the shares as at 13 April 2011 and 28 April 2011 respectively.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 30 June 2011, 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:

(A) Long Positions in interests of the Company

Directors	Capacity	No. of shares held	No. of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Mr. Poon Siu Chung	Beneficial owner	17,164,000	2,700,000 (b)		
	Interest of controlled corporation	101,139,430	-	121,003,430 (a)	45.47
Mr. Ip Siu On	Beneficial owner	6,825,600	3,700,000 (b)	10,525,600	3.95
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	1,111,000	3,700,000 (b)	4,811,000	1.81
Dr. Poon Wai Tsun, William	Beneficial owner	-	2,700,000 (b)	2,700,000	1.01
Mr. Yip Chi Hung	Interest of controlled corporation	2,600,000 (c)	-		
	Beneficial owner	-	300,000 (b)	2,900,000	1.09
Mr. Lam Yat Cheong	Beneficial owner	-	600,000 (b)	600,000	0.23
Mr. Choy Wing Keung, David	Beneficial owner	-	600,000 (b)	600,000	0.23

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 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 respectively.
- (b) These interests represented interest in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, details of which are set out in the section "Share Option Scheme" of this report.
- (c) Mr. Yip Chi Hung was deemed to be interested in 2,600,000 Shares which were held through First Canton Investment Limited, a company incorporated in the British Virgin Islands and 100% beneficially owned by Mr. Yip.

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

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

Notes:

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

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

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2011 as defined in the SFO.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Annual Report 2010, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are that salary packages of two of the executive Directors, Mr. Poon Siu Chung and Dr. Poon Wai Tsun, William were adjusted as follows with effect from 1 May 2011, while other terms of employment remained unchanged:

Director	Annual salaries & allowances	Performance bonus
Mr. Poon Siu Chung	HK\$1,080,000	2% on Group's net profit in excess of HK\$10,000,000
Dr. Poon Wai Tsun, William	HK\$420,000	Discretionary bonus

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

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in the section "Directors' Interests in Shares and Options", as at 30 June 2011, 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:

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	Interest of spouse	17,164,000	2,700,000		
	Interest of controlled corporation	101,139,430	-	121,003,430 (a)	45.47
Mime Limited	Beneficial owner	101,139,430	-	101,139,430 (a)	38.00
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	-	63,097,200 (b)	23.71
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	-	63,097,200 (b)	23.71
Nielsen Limited	Beneficial owner	63,097,200	-	63,097,200 (b)	23.71

Notes:

- (a) Under SFO, Ms. Lau Kwai Ngor was deemed to be interested in 19,864,000 shares of the Company through interests of her spouse, Mr. Poon Siu Chung. Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares of the Company 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.
- (b) Under SFO, Mr. Leung Ying Wai, Charles and his spouse, Ms. Tai Yee Foon were deemed to be interested in 63,097,200 shares of the Company, which were held through Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, Ms. Tai Yee Foon and his family members.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Directors have resolved to declare an interim dividend of HK1.0 cent per share (2010: HK1.0 cent per share) for the six months ended 30 June 2011 payable on or about 6 October 2011 to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 21 September 2011.

Closure of Register of Members

The Register of Members will be closed from 19 September 2011 to 21 September 2011, 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 Share Registrar, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00p.m. on 16 September 2011.

Business Review

During the period under review, the total revenue of the Group stood at approximately HK\$150,667,000 (2010: HK\$138,607,000), representing an increase of about 9%, and recorded a loss attributable to owners of the Company of approximately HK\$6,570,000 (2010: profit of HK\$1,231,000).

For the first half of 2011, the contribution from the core business of the Group recorded a gain of approximately HK\$1,407,000(2010: HK\$3,743,000), representing a decrease of about 62%. Detailed performance of each segment of the core business will be discussed below.

Included in the loss for the period was the loss from investments of approximately HK\$3,048,000 (2010: HK\$1,721,000), details of the loss from investments will be further analysed below. Besides, administrative expenses increased substantially by about 59% to approximately HK\$19,752,000 (2010: HK\$12,452,000). Such an increase was mainly due to the net increase in share-based payments as a result of the options granted during the period of approximately HK\$5,100,000 (2010: nil).

Novelties and decorations

The revenue of the novelties and decorations segment decreased slightly by about 4% amounting to approximately HK\$18,595,000 (2010: HK\$19,334,000), and recorded a loss of approximately HK\$2,914,000 (2010: gain of HK\$2,067,000). No over-provision of discretionary bonus in previous years was written back during the period (2010: HK\$1,800,000). Facing the ever-increasing production costs in China together with seasonal factor of the demand of the products, the segment recorded a negative contribution in the first half of the year again. Nevertheless, it is prudently optimistic that the results of the segment will be improved in the second half of the year when the seasonal trend shipments take place.

Packaging products

The revenue in the packaging segment also dropped slightly by about 3% amounting to HK\$27,954,000 (2010: HK\$28,774,000), and recorded a loss of approximately HK\$1,530,000 (2010: HK\$4,501,000). No over-provision of discretionary bonus in previous years was written back during the period (2010: HK\$1,000,000). The loss from this segment has been narrowed down due to the relocation and merging of its production facilities though the increase of the production costs in PRC is still an issue.

PVC films and plastic materials

The revenue of the segment also dropped slightly by about 3% amounting to approximately HK\$30,056,000 (2010: HK\$30,885,000), and the results of the segment recorded a gain of approximately HK\$362,000 (2010: HK\$583,000), showing a decrease of about 38%. The revenue and results of the segment are tend to be stable as it is the Group's policy to maintain the segment for strategic purposes.

Toy products

The revenue of the segment increased by about 24% amounting to approximately HK\$74,062,000 (2010: HK\$59,614,000), and recorded a profit of HK\$5,489,000 (2010: HK\$5,594,000), representing a slight decrease of about 2%. Nevertheless, the segment continued to be the best performing one within the Group. With its solid customer base, effective cost control and stable production efficiency and techniques of the segment, further improvement in performance in the segment in the second half of the year is expected.

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. During the period, loss from investments from the aforesaid transactions amounted to approximately HK\$3,048,000 (2010: HK\$1,721,000) as a result of the volatility of the stock market and the uncertainty of the global economic growth. Such loss consisted of, among other things, the realized loss on disposal of investments held-for-trading of approximately HK\$3,455,000 (2010: HK\$856,000), the decrease in fair value of investments held-for trading of approximately of HK\$1,968,000 (2010: HK\$5,335,000) and the increase in fair value of derivative financial instruments of approximately HK\$986,000 (2010: HK\$3,683,000).

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 2011, the market value of investment in securities was approximately HK\$66,431,000 (31 December 2010: HK\$72,910,000).

At 30 June 2011, the Group carried outstanding forward contracts which entitled a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$88,953,000 and HK\$92,894,000 respectively (31 December 2010: HK\$49,451,000 and HK\$11,098,000). All listed securities to be disposed of are now held by the Group for trading purposes, which are in the custody of the relevant financial institutions.

Details of the guidelines on investment transactions of the Group are posted on the Company's website, www.perfectech.com.hk.

FUTURE PLAN AND PROSPECT

The commercial environment, financial market and economic atmosphere are still unpredictable as a result of the potential credit risk in Europe and the slowdown of US economic growth. The appreciation of Renminbi further increases the costs of production in China leading to the further decrease of profit margin for manufacturers with production facilities located there. Various measures have been carried out, such as the development of our own brand name and trademark, launching our products in the domestic market and in the mainland market and the developing of new items with more innovative ideas and techniques. However, all these efforts need time to get fruitful results.

With available funds on hand, the Group will continue to search for investment opportunities to enhance the returns to its shareholders.

As usual the Group will continue its policy on cost control and efficiency improvements and with expected improvements of the performance of the core business in the second half of the year, the Directors are prudently confident that shareholders of the Company will enjoy a reasonable return.

Liquidity and financial resources

As at 30 June 2011, the Group had no long-term bank borrowings (31 December 2010: nil), while the short-term bank borrowings were approximately HK\$42,383,000 (31 December 2010: HK\$27,750,000), and none of the Group's plant and machinery (31 December 2010: 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 21% (31 December 2010: 13%).

Finance costs

The Group's finance cost amounted to approximately HK\$159,000 (2010: HK\$121,000).

Pledge of Assets

As at 30 June 2011, 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 of HK\$63,263,000 (31 December 2010: HK\$71,935,000); and
- (ii) Bank balances and cash of approximately HK\$4,487,000 (31 December 2010: HK\$4,818,000).

No margin loan facilities were utilised by the Group as at 30 June 2011. The margin loan facilities were charged at variable market rates.

Net asset value

The net asset value of the Group as at 30 June 2011 was approximately HK\$0.77 (31 December 2010: HK\$0.80) per share based on the actual number of 266,137,607 shares in issue on that date.

Employees and remuneration policies

As at 30 June 2011, the Group employed approximately 2,400 (2010: 2,600) 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.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar. While all the Group's 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, while we will closely monitor the trend of Renminbi to see if any action is required.

As at 30 June 2011, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

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

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

	No. of shares of HK\$0.10 each	Price per share		Aggregate
		Highest HK\$	Lowest HK\$	consideration paid HK\$
Month of repurchase				
April 2011	4,970,000	0.750	0.710	3,627,135
May 2011	1,500,000	0.760	0.760	1,146,725
June 2011	2,600,000	0.770	0.760	1,996,680
	<hr/>			<hr/>
	9,070,000			6,770,540

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance

The Company has adopted the code provisions (the "Code Provisions") set out in the "Code on Corporate Governance Practices" (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange as its own code of corporate governance.

During the period under review, the Company had complied with the Code Provisions except for the following deviations:

Code A.2.1

Code A.2.1 stipulates that the roles of chairman and 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 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 caliber 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.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms not less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code").

After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions during the six months ended 30 June 2011.

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 2011 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 on Corporate Governance contained in Appendix 14 of the Listing Rules.

DIRECTORS OF THE COMPANY

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

On behalf of the Board

Poon Siu Chung

Chairman & Managing Director

Hong Kong, 29 August 2011