Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code: 765

ANNUAL REPORT 2011

CONTENTS

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
Mr. Poon Wai Yip, Albert
(appointed on 06 December 2011)

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

From left: Dr Poon Wai Tsun, William (Executive Director), Mr Poon Siu Chung (Chairman & Managing Director), Mr Poon Wai Yip, Albert (Executive Director)

HAND IN HAND FOR TWENTY YEARS

On behalf of the Board of Directors (the "Board") of Perfectech International Holdings Limited (hereinafter referred to as "Perfectech International" or the "Group"), I would like to announce the annual results for the year ended December 31, 2011. At the same time, I am also pleased to declare that this year is the rejoiceful moment of Perfectech International for celebration of the 20th Anniversary since its listing on the Hong Kong Stock Exchange.

Hong Kong is an international financial center, the development of finance and financial related industries such as securities, real estate has been booming for the past few decades, but the industrial sector is shrinking comparatively. In addition, the business environment in Hong Kong and the Pan-Pearl River Delta is full of challenges in recent years. The rising wages, upward inflation and intense competition have increased the risks of business operators and eroded their profits, particularly for industrial companies which faced more severe business environment. Under such circumstance, I am still upholding my unfading enthusiasm and belief in the manufacturing industry, counteracting any problems arose. The Group has been reforming to cope with changes in the objective environment so that it can survive adverse conditions up to now.

In October 1992, Perfectech International successfully listed on the Hong Kong Stock Exchange. Time flies, it has been twenty years. Two decades reflect only a flashing moment in the torrent of history, but this time period is far and long on the path of business venture and sustainment. Now let us review the development history of the Group.

CHAIRMAN'S STATEMENT

Business management theme: "Honesty, diligence, thrift, wisdom, cautiousness"

"Honesty, diligence, thrift, wisdom, cautiousness" are not only the principles of my attitude of life, but also the key successful factors of Perfectech International. Apart from treating customers with sincerity, Perfectech International is also genuine to our businesses partners and shareholders. Therefore, we have established a profound and long-term cooperation as well as friendly relationship with them, with mutual support from each other for advancement together. Although Perfectech International today has been developed into a corporate group with thousands of employees, all the company's major decisions will be still handled by me personally. Diligence is the prerequisite of a business operator.

Thrift, instead of referring to the attitudes of individual money spending, it directs to the control of enterprises' resources usage. If enterprises cannot control their expenditures effectively, it will result in a wastage of resources, the gross margin will decline, and in more serious cases, enterprises may suffer from heavy financial burdens, and even fall into financial difficulties. The acquisition of a corporate group mainly engaging in toy and mold manufacturing business in 2003 impressed me very much. This company incurred losses at that time and had financial problems. After our acquisition, we reformed aggressively and cut a lot of unnecessary expenditures. After 3 years, the production capacity and the average productivity per staff surged. Now it becomes one of our major sources of profit.

Grasp of opportunities and management of crisis require business wisdom. This is exactly the key element to enable enterprises growing strongly. The ability of the Group in business foresight a few times in the past has facilitated the Group to grow. In the early stage of set-up, Perfectech International mainly engaged in plastic packaging business. By the end of 1970s, Mickey Mouse's performance in Hong Kong had caused an uproar in the city. The Group immediately attempted to produce franchised Disney products. Thereafter, the Group obtained more and more franchised production rights such as Donald Duck, Batman, etc. and this has become the major business of Perfectech International. With regard to the acquisition of toy and mold manufacturing company, it was another turning point to grasp opportunities in business development.

Challenges and opportunities coexist in the future

In future, Hong Kong's industrial business will face greater challenges, but I believe that opportunities exist at the same time. Apart from adhering to our established businesses, we will keep on consolidating our business areas by gradually phasing out businesses of low profit margin such as plastic trade and packaging, and concentrating human and financial resources to expand high profit margin businesses. Therefore, the Group will devote more resources to develop mold business in the future. Meanwhile, the Group also started to get involved in high technology product manufacturing.

Currently, we are producing activated carbon water filters for a famous Japanese brand and we will continue to proceed in this industrial manufacturing sector from now on.

The persistent increase in operating cost is a major problem that entrepreneurs today must resolve. The Group has reduced its cost spending, through all effective measures to streamline its internal structure, to optimize the production process and to improve equipment utilization. Besides, prudent financial policies have enabled the Group to hold substantial cash constantly. In recent years, the Group invested in financial hedging instruments with a view to strike for the greatest profit return under the low-interest environment. But with the reversal of market conditions, the Company has recorded losses before. We will learn from the past experience to adjust our investment strategies at the appropriate time.

Although the profitability of investment business is very unstable, and the objective environment is unable to predict accurately and control, the Board is confident that this business will enhance the Group's net asset value per share in the long run.

"What is taken from society, should be applies back to society". Apart from earning profits, entrepreneurs should always bear in mind to contribute to the community. I usually make use of my personal money to sponsor various social welfare activities in the name of the Company. This approach on the one hand can improve the company's corporate image, and on the other hand will not dilute the profit of shareholders, which is a perfect arrangement for both parties. The Group will keep on invest in social welfare activities by this mode.

CHAIRMAN'S STATEMENT

No matter major or minority shareholders, they are the investors of the Company and they all need to bear the same investment risk, so they all should share the good results of the Company. For that reason, the Group has been adopting high dividend policy and distributing 50% of annual net profit by means of dividends to all shareholders, which was welcomed by minority shareholders. The Group will maintain such dividend policy thereafter.

The path of business career in the past two decades may be rough, but under the concerted efforts of all staff and the dedicated supports from shareholders and investors, we conquer the submits again and again. In the future, we will continue to move forward hand in hand to greet the victory and glory of tomorrow.

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.

Chairman
Poon Siu Chung

Hong Kong, 27 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The board of directors of the Company (the "Board") has resolved to announce the audited consolidated results for the year ended 31 December 2011. Total revenue for the year amounted to approximately HK$382,963,000 (2010: HK$382,779,000). The net loss for the year stood at approximately HK$5,613,000 (2010: profit of HK$20,175,000). Basic loss per share was approximately 2.09 HK cents (2010: earnings of 7.27 HK cents).

BUSINESS REVIEW

The year 2011 was a challenging year to both financial and non-financial sectors of the world due to the default risks of European sovereign debts and the down-grading of US government credit rating. Quantitative easing is one of the expectations for solving the issues. As a result, commodities prices continue to stand at high levels. To the Group, certain of its business lines face the problem of inflating costs together with keen price competition. Two of its four segments recorded negative results before interests and tax. Moreover, since the stock market slumped in Hong Kong and in the PRC, investing activities also recorded both realised and unrealised loss in 2011. Nevertheless, the overall results of the core business remained stable and solid, and the financial position of the Group remained sound.

During the year, the revenue of the Group remained quite stable at approximately HK$382,963,000 (2010: HK$382,779,000), and the Group recorded a net loss attributable to owners of the Company of approximately HK$5,613,000 (2010: profit of HK$20,175,000). The decrease in annual results of the Group was mainly due to loss from investment together with the increase of share-based payments of approximately HK$6,220,000 (2010: HK$Nil) as a result of options granted during the year.

For the year 2011, the loss of the Group included loss on disposal of investments held-for-trading of approximately HK$5,355,000 (2010: gain of HK$53,000), decrease in fair value of investments held-for-trading of approximately HK$13,197,000 (2010: increase of HK$1,967,000) and decrease in fair value of derivative financial instruments of approximately HK$309,000 (2010: increase of HK$60,000). As at 31 December 2011, the closing figure of Hang Seng Index was 18,434.39. Since then, the Hang Seng Index has rebounded substantially, thus the fair value of investments held-for-trading of the Group also increased accordingly.

Besides, administrative expenses increased by about 25% to approximately HK$42,215,000 (2010: HK$33,699,000). Such increase was mainly due to the increase in share-based payments expenses incurred of approximately HK$6,220,000 (2010: HK$Nil) as a result of options granted during the year.

Finance costs decreased slightly further by about 2% to approximately HK$478,000 (2010: HK$488,000) as a result of a continuing low level of interest rates and constant level of gearing of the Group.

FUTURE PLAN & PROSPECT

Looking ahead, the Federal Reserve Board of the United States had announced that low level of interest rates would continue till the end of 2014 together with the efforts of Euro zone countries, the European sovereign debt crisis may hopefully be settled down softly. Global stock market is expected to start to recover in 2012 and the return from the Group's investment is expected to improve.

As an usual policy, with available funds on hand, the Group will continue to search for investment opportunities to enhance the returns to shareholders, and to pay cash dividends to the shareholders.

It is the intention of the Board to slow down the sales and manufacture of packaging products and the trading of plastic materials to external customers as both businesses are no more profitable. Concentration will be made on developing the more profitable segments, such as toy products and be shifted to a more technique-based manufacturing.

In spite of the fact that certain segments/sub-segments of the Group are at the sunset stage being burdens to the performance of the Group, the Board is prudently confident that the Group will continue to bring a reasonable return to its shareholders as a result of the steady and continuous growth in the business of the toys segment together with the healthy financial position of the Group with available funds for investments.

SEGMENT RESULTS

Novelties and decorations

The turnover of this segment for the year showed a drop of about 17% and stood at approximately HK$81,761,000 (2010: HK$97,985,000). Although the segment result increased by about 35% to approximately HK$3,242,000 (2010: HK$2,395,000), it was not at all satisfactory as it remained at the lower end of its record ever achieved. There was no write-back of over-provision of discretionary bonus in previous years (2010: HK$1,800,000).

Packaging products

The revenue of packaging products to external customers decreased further by about 20% to approximately HK$50,309,000 (2010: HK$63,057,000), while the segment result recorded a loss of approximately HK$2,744,000 (2010: gain of HK$436,000). Included in the loss for the year was a gain from disposal of fixed assets of approximately HK$2,317,000 (2010: loss of HK$469,000) and there was no write-back of over-provision of discretionary bonus in previous years (2010: HK$1,000,000). Despite the economies of scales as result of consolidation of certain production facilities within the segment, the segment result recorded a negative figure again since most sub-segments incurred loss as a result of keen competition, rising costs of production and decrease in profit margin. Businesses in this segment seems not to be profitable in the future, and it is the intention of the Board to reduce the business in this segment.

Trading activities

The revenue of the trading of PVC film and plastic materials decreased by about 19% to approximately HK$52,752,000 (2010: HK$65,360,000), and the segment recorded a loss of approximately HK$1,591,000 (2010: gain of HK$1,546,000) for the year. Keen competitions in the market and credit risks of customers were still the major issues faced by the Group in the segment. The continuity of this segment hinges on the overall strategic benefits it can bring to the Group as a whole. It is the intention of the Board to fade out from this business.

Toy products

The turnover of this segment grew further by about 27% to approximately HK$198,141,000 (2010: HK$156,377,000), while the segment result therefrom increased substantially to approximately HK$17,675,000 (2010: HK$10,826,000), representing a growth of about 63%. Increase in contribution was the result of the improvement in efficiency in certain of its sub-segment, even though costs of production had increased.

Investments

To well utilise the available cash on hand, the Group has invested in the securities of various listed companies, which are held for trading purposes for capital gain in the value of the securities. As at 31 December 2011, the market value of investments-held-for-trading was approximately HK$68,025,000 (2010: HK$72,910,000).

In addition, the Group may also utilise its cash on hand by other types of investment with a view to enhance the return to the shareholders. However, that must be done in accordance with the guidelines on investment transactions, details of which are posted on the Company's website, www.perfectech.com.hk.

Foreign currency exposure

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

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

As at 31 December 2011, the Group had not entered into any financial instrument for the hedging of foreign currency exposures.

Liquidity and financial resources

As at 31 December 2011, the long-term finance lease obligation and bank loan of the Group were HK$Nil (2010: HK$Nil), while the short term bank borrowings were approximately HK$25,670,000 (2010: HK$27,750,000), and none of the Group's plant and machinery (2010: HK$Nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity attributable to equity holders of the Company, of the Group was 13% (2010: 13%). As at 31 December 2011, the Group had bank balances and cash of approximately HK$60,399,000 (2010: HK$72,487,000).

With cash and other current assets as at 31 December 2011 of HK$245,375,000 (2010: HK$267,215,000) as well as available banking facilities, the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value of the Group as at 31 December 2011 was approximately HK$0.76 (2010: HK$0.80) per share based on the actual number of 263,807,607 (2010: 275,207,607) shares in issue on that date.

Employees and remuneration policies

As at 31 December 2011, the Group employed approximately 1,600 (2010: 1,700) 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company (the "AGM") will be held at 3:00 p.m. on 30 May 2012, (Wednesday) at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited consolidated financial statements and the reports of the directors of the Company (the "Directors") and the independent auditors of the Company (the "Auditors") for the year ended 31 December 2011.

2. To re-appoint Messrs. HLM & Co. as the Auditors and authorize the board of Directors to fix their remuneration.

3. To approve the declaration of a final dividend of 1.0 HK cent per ordinary share of the Company and a special dividend of 10.0 HK cents per ordinary share of the Company to be paid out of profits to the shareholders of the Company whose names appear on the register of members of the Company on 7 June 2012.

4. To elect the newly appointed Director, Mr. Poon Wai Yip, Albert.

5. To re-elect the retiring Director, Mr. Tsui Yan Lee, Benjamin.

6. To re-elect the Directors, being Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, who hold office until the conclusion of the AGM.

7. To authorize the board of Directors to fix the Directors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without modification) as ordinary resolutions:

8. "**THAT**

    a. a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with unissued shares in the Company (the "Shares") or securities convertible into Shares or options, warrants or similar rights to subscribe for any Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period, in addition to any Shares which may be issued from time to time (a) on a Rights Issue (as hereinafter defined) or (b) upon the exercise of any options under any option scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares or (c) upon the exercise of rights of subscription or conversion attaching to any warrants or convertible bonds issued by the Company or any securities which are convertible into Shares the issue of which warrants and other securities has previously been approved by shareholders of the Company or (d) as any scrip dividend or similar arrangements pursuant to the bye-laws of the Company, not exceeding twenty percent of the issued share capital of the Company as at the date of this resolution; and

b. for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

   i. the conclusion of the next annual general meeting of the Company;

   ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

   iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

   and "Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractions entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognized regulatory body or any stock exchange applicable to the Company)."

9. "**THAT** there be granted to the Directors an unconditional general mandate to repurchase Shares, and that the exercise by the Directors of all powers of the Company to purchase Shares subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved, subject to the following conditions:

   (a) such mandate shall not extend beyond the Relevant Period (as hereinafter defined);

   (b) such mandate shall authorize the Directors to procure the Company to repurchase Shares at such price as the Directors may at their discretion determine;

   (c) the Shares to be repurchased by the Company pursuant to paragraph (a) of this resolution during the Relevant Period shall be no more than ten percent of the Shares in issue at the date of passing this resolution; and

   (d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

      i. the conclusion of the next annual general meeting of the Company;

      ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

      iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

10. "**THAT**, subject to the availability of unissued share capital and conditional upon the resolutions nos. 8 and 9 above being passed, the number of Shares which are repurchased by the Company pursuant to and in accordance with resolution no. 9 above shall be added to the number of Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with resolution no. 8 above."

11. "**THAT** conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares falling to be issued pursuant to the exercise of any options granted under the share option scheme referred to in the circular dispatched to the shareholders of the Company on the same day as this notice, the terms of which are set out in the printed document marked "A" now produced to the Meeting and for the purpose of identification signed by the Chairman hereof ("Share Option Scheme"), the Share Option Scheme be approved and adopted to be the Share Option Scheme of the Company and that the Directors be authorised to grant options thereunder and to allot and issue Shares pursuant to the Share Option Scheme and take all such steps as may be necessary or desirable to implement such Share Option Scheme and with effect from the date of the Share Option Scheme becoming unconditional and coming into effect, the existing share option scheme of the Company which was adopted by the Company on 17 May 2002 be terminated with effect from the date on which such resolution shall become unconditional."

SPECIAL RESOLUTION

To consider and, if thought fit, to pass the following resolution as special resolution:

12. "**THAT**, the bye-laws of the Company ("Bye-Laws"), in the form produced to this meeting and marked "B" and signed by the Chairman of this meeting for identification purpose, be and hereby approved and adopted with immediate effect as the new Bye-Laws in substitution for and to the exclusion of the existing Bye-Laws."

By order of the Board
Poon Siu Chung
Chairman

Hong Kong, 20 April 2012

Notes:

1. A shareholder of the Company who is a holder of two or more Shares, may appoint more than one proxy to attend on the same occasion. A proxy needs not be a shareholders of the Company. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2. A form of proxy for the AGM is enclosed with the Company's circular dated 20 April 2012. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with a valid power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

3. The register of members of the Company will be closed from 29 May 2012, (Tuesday) to 30 May 2012, (Wednesday) (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to attend and vote at the AGM. No transfers of Shares may be registered during the said period. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 28 May 2012, (Monday).

   The register of members of the Company will be closed from 6 June 2012, (Wednesday) to 7 June 2012, (Thursday) (both dates inclusive), for the purpose of determining the entitlements of the members of the Company to the proposed final and special dividends upon passing of relevant resolution. No transfer of Shares may be registered during the said period. In order to qualify for the proposed final and special dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 5 June 2012, (Tuesday).

4. With regard to resolutions no. 8 above, the Directors wish to state that they have no immediate plans to issue any new Shares pursuant to the general mandate to be granted under resolution no. 8 above.

DIRECTORS

Executive Directors

Mr. POON Siu Chung (Mr. Poon), aged 62, is the Chairman and Managing Director of the Company. Mr. Poon is the co-founder of the group and has over 30 years' experience in the plastic industry and toy business. He oversees the Group's operations and is responsible for formulating the Group's overall corporate policies and development plans. Mr. Poon is the father of Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert.

Mr. IP Siu On, aged 58, is primarily responsible for the sales and marketing of the Group's packaging products. Before joining the Group in 1984, Mr. Ip had over 10 years of experience in the field of dye mixing and packaging products.

Mr. TSUI Yan Lee, Benjamin, aged 52, is responsible for the sales and marketing of the Group's novelties and festival decorations. Prior to joining the Group in 1983, he worked in a manufacturing company as a sales executive for over 3 years.

Dr. POON Wai Tsun, William, aged 34, graduated from University of Bristol in the United Kingdom with a Bachelor degree in Mechanical Engineering and a Doctor of Philosophy degree in Engineering. Dr. Poon is a founding member of Hong Kong Institute of Patent Attorneys. Dr. Poon is responsible for the research and development of the Group's products. He joined the Group in 2009 and has more than 5 years' experience in manufacturing industry. Dr. Poon is the eldest son of Mr. Poon Siu Chung and Ms. Lau Kwai Ngor, his mother, is a substantial shareholder of the Company, and is the elder brother of Mr. Poon Wai Yip, Albert.

Mr. POON Wai Yip, Albert (Mr. A. Poon), aged 28, graduated from the University of Nottingham in the United Kingdom with a Bachelor degree of Engineering in Civil Engineering and the Imperial College of Science, Technology and Medicine in the United Kingdom with a Master of Science degree in Management. Mr. A. Poon is the President of the Friends of the University of Nottingham, Hong Kong, a director of Hong Kong United Youth Association and an honourable consultant of Yau Tsim Mong Youths Society. Mr. A. Poon has three years' experience in corporate finance and is responsible for the investment activities and corporate finance function of the Group. Prior to joining the Group in 2011, he worked for the corporate finance division of a licensed corporation registered under the Securities and Futures Ordinance (the "SFO") in Hong Kong and has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganisation, takeover matters and a variety of fund raising exercises. Mr. A. Poon is a licensed person registered under the SFO to carry on type 6 regulated activities on advising corporate finance. Mr. A. Poon is a son of Mr. Poon Siu Chung and Ms. Lau Kwai Ngor, his mother, is a substantial shareholder of the Company, and is the younger brother of Dr. Poon Wai Tsun, William.

Independent non-executive Directors

Mr. LAM Yat Cheong, aged 50, graduated from the Hong Kong Baptist University. Mr. Lam is a Certified Public Accountant and a sole proprietor of an audit firm and has over 20 years of auditing and accounting experience. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Lee's Pharmaceutical Holdings Limited and Wuyi International Pharmaceutical Company Limited, both companies are listed in Hong Kong.

Mr. YIP Chi Hung, aged 53, is experienced in the construction industry. Mr. Yip is a director of Fong Wing Shing Construction Company Limited. He has over 20 years of experience in a variety of building and maintenance projects for both the public and private sectors and is also well versed in the development of properties in Hong Kong and Singapore. He is also the chairman and executive director of PacMOS Technologies Holdings Limited, a company listed in Hong Kong.

Mr. CHOY Wing Keung, David, aged 46, graduated from the Hong Kong Shue Yan University and is the sole proprietor of David Choy & Co., Certified Public Accountants (Practising). He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Certified Chartered Accountants. He has over 20 years of experience in the areas of auditing, accounting, secretarial services and taxation.

SENIOR MANAGEMENT

Mr. YUEN Che Wai, Victor, aged 46, is the Group's financial controller. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is responsible for the overall supervision on the accounting and finance functions of the Group. Mr. Yuen holds a diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University). He joined the Group in 1991 and has more than 10 years of experience in the audit and accounting field.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2011, the Company has adopted 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") as its corporate governance 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 are 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 the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Poon and believes that having Mr. Poon performing the roles of Chairman and Managing Director is beneficial to the business prospects of the Company.

THE BOARD OF DIRECTORS

The Role of the Board

The Board is responsible for formulating strategies and business plans for the Group and is collectively responsible for its success.

The types of decisions taken up by the Board include:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;

- remuneration of Directors and senior management; and

- communication with key stakeholders, including shareholders and regulatory bodies.

The Board has delegated decisions in relation to daily operation and administration responsibilities to management under the supervision of the Managing Director.

Board Composition

The Board comprises 8 Directors, 5 of whom are Executive Directors ("EDs", and each an "ED") and 3 being Independent Non-Executive Directors ("INEDs", and each an "INED"). During the year, save for the appointment of Mr. Poon Wai Yip, Albert, as Executive Director from the Company on 6 December 2011, there is no change to the composition of the Board.

For the biographies of the Directors, please refer to this Annual Report. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board, except the followings:

- Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert are sons of Mr. Poon Siu Chung, Chairman and Managing Director of the Company and their mother, Ms. Lau Kwai Ngor, is a substantial shareholder of the Company; and

- Mr. Poon Siu Chung and Mr. Ip Siu On are both shareholders and directors of a company incorporated in Hong Kong engaging in property investment, which is owned as to 50% by Mr. Poon Siu Chung, as to 25% by Mr. Poon Siu Chung's spouse, Ms. Lau Kwai Ngor and as to 25% by Mr. Ip Siu On. On 28 November 2011, Mr. Poon Siu Chung acquired all the shares of that company held by Mr. Ip Siu On and Mr. Ip Siu On resigned as director of that company effective from 30 November 2011.

As explained earlier, both the roles of the Chairman and Managing Director are taken up by Mr. Poon Siu Chung.

The INEDs of the Company are professionals in different fields, and two of the INEDs have appropriate professional qualifications of accounting or related financial management expertise. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Group as a whole.

Pursuant to Listing Rule 3.13, the Group has received a written confirmation from each INED on his independent status, and the Board considers that they are independent in accordance with the Listing Rules.

Board Process

In addition to Board meetings that are held regularly to discuss and approve the Group's results, additional Board meetings are held from time to time to discuss important matters that require the Board's attention and decision. In 2011, there were 4 regular Board meetings and 30 special Board meetings held, and the attendance of the Directors is set out below:

Directors	Attended/Eligible to attend Regular Board Meeting	Attended/Eligible to attend Special Board Meeting for operational matters
Executive Directors ("EDs")		
Poon Siu Chung *(Chairman)*	4/4	29/30
Ip Siu On	4/4	29/30
Tsui Yan Lee, Benjamin	4/4	29/30
Poon Wai Tsun, William	3/4	9/30
Poon Wai Yip, Albert *(appointed on 6 December 2011)*	0/0	4/5
Independent Non-Executive Directors ("INEDs")		
Yip Chi Hung	3/4	3/30
Lam Yat Cheong	4/4	3/30
Choy Wing Keung, David	4/4	3/30

Regular Board meetings were attended to by a majority of the Directors in person.

Besides the regular Board meetings, special Board meetings are convened from time to time for the Board to discuss major matters that require the Board's attention or decision. Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors attend.

The Chairman of the Board ensures that the Board works effectively and that all important issues are discussed in a timely manner. All Directors are supplied with Board papers and relevant materials within a period of time acceptable to members of the Board prior to every Board meeting. All Directors have access to the Company Secretary for advice on compliance matters, and they have access to management for enquiries and to obtain information. If necessary, they may also take independent professional advice at the expense of the Group.

Nomination, Appointment and Re-election of Directors

The Board has not established a Nomination Committee, and the Board itself is responsible for the selection and approval of new Directors. The Board adopts the procedure and criteria below for nomination of Directors:

During 2011, the Board held two Board meetings to discuss matters related to nomination, appointment and re-election of directors.

On 29 March 2011, a Board meeting was held to discuss the re-election of Lam Yat Cheong, Yip Chi Hung and Choy Wing Keung, David as INEDs. Except for Yip Chi Hung, all the aforesaid EDs and INEDs attended this Board meeting and each of them abstained voting from the resolution in respect of his own re-election.

On 6 December 2011, another Board meeting was held to discuss the appointment of Mr. Poon Wai Yip, Albert as an executive Director of the Company. Except for Dr. Poon Wai Tsun, William, all the Directors attended the Board meeting and the appointment of Mr. Poon as an executive director of the Company was unanimously resolved.

The Board adopted a procedure and criteria for nomination of Directors, the details of which are set out below:

Procedure for Nomination of Directors

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an INED).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Board meeting to discuss and vote on which candidate to nominate or be appointed to the Board.

Criteria for Nomination of Directors

1. Common Criteria for all Directors

   (a) Character and integrity

   (b) The willingness to assume broad fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company

   (e) Significant business or public experience relevant and beneficial to the Board and the Company

   (f) Breadth of knowledge about issues affecting the Company

   (g) Ability to objectively analyse complex business problems and exercise sound business judgment

   (h) Ability and willingness to contribute special competencies to Board activities

   (i) Fit with the Company's culture

2. Criteria Applicable to the Non-Executive Directors ("NEDs")/INEDs

   (a) Willingness and ability to make sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and committee meetings

   (b) Accomplishments of the candidate in his or her field

   (c) Outstanding professional and personal reputation

   (d) The candidate's ability to meet the independence criteria for directors established in the Listing Rules

Appointment, Re-election and Removal

Under Bye-law 99 of the Company's Bye-laws, every director shall be subject to retirement by rotation at the annual general meeting at least once every three years while those retiring directors shall be eligible for re-election.

Under the Code Provision A4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

In accordance with the said provision of the Bye-laws and the Code Provision A4.1, re-election arrangement was made in the annual general meeting held on 25 May 2011, and that all non-executive Directors, being Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung David were re-elected to hold office until the conclusion of the next annual general meeting of the Company, subject to re-election by shareholders; Mr. Poon Siu Chung retired and was re-elected subject to rotation; and Mr. Poon Wai Yip, Albert was re-elected, subject to rotation.

Directors' Securities Transactions

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

Following specific enquiry by the Group, all Directors have confirmed that throughout year 2011 they complied with the required standard set out in the Model Code for securities transactions.

The Directors' interests in shares of the Group as at 31 December 2011 are set out in this Annual Report.

Internal Control

The Board annually conducts a review on the structure and effectiveness of the system of internal control of the Group and the resources put into by the Group in performing the internal control work. In 2011, the Board has indentified no major issues on conducting the aforesaid reviews. Throughout this process, the Board has examined reports on internal control and procedures in place submitted by various factories of the Group.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Remuneration Committee

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

The Committee currently comprises Mr. Yip Chi Hung, who is also the chairman of the Committee, Mr. Lam Yat Cheong and Mr. Choy Wing Keung, David as INEDs, 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 available at the Company's website http://www.perfectech.com.hk.

During 2011, one Committee meeting was held on 6 December 2011 which all the current 5 members attended.

Emolument Policy and Long-Term Incentive Plan

The Company adopts different emolument policies for EDs and NEDs:

Emolument Policy for EDs

1. A proportion of EDs' remuneration should be structured so as to link rewards to corporate and individual performance.

2. The performance-related elements of remuneration should form a significant proportion of the total remuneration package of EDs.

3. The performance-related elements of remuneration should be designed to align the EDs' interests with those of shareholders and to give the Directors keen incentives to perform at the highest levels.

4. Factors for Defining Performance-Based Remuneration:

    (a) Eligibility for annual bonuses and any upper limits

    (b) Annual bonuses should be linked to relevant performance indicators designed to enhance the Company's business

    (c) Eligibility for long-term incentive schemes, e.g. share option schemes, subject to performance criteria which reflect the Company's performance

    (d) Examples of performance indicators:

        (i) share price

        (ii) net earnings figure

Emolument Policy for NEDs

1. Levels of emolument of NEDs should reflect the time commitment and responsibilities of the role.

2. NEDs should have the opportunity to have part of their remuneration in shares on condition that share options should be granted in accordance with the Listing Rules.

Principles of Long-Term Incentive Schemes

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.

2. The link between executive reward and company performance should be strong and clear.

3. Grants under such schemes should be phased rather than awarded in one large block.

The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar positions. The details of the fees and any other reimbursement or emolument payable to the Directors are set out in details in this Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for the integrity of the financial information of the Group. The Directors acknowledge their responsibility for the preparation of the accounts for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Audit Committee

The Audit Committee usually meets twice a year to review and monitor the financial reporting and internal control procedures of the Company.

The Audit Committee is governed by its terms of reference, which are available at the Group's website http://www.perfectech.com.hk.

The Audit Committee currently comprises 3 members, namely Mr. Lam Yat Cheong, who is also the chairman of the Committee, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, who are INEDs. Both Mr. Lam and Mr. Choy have professional qualifications in accounting. The details of the members' attendance in Committee meetings in 2011 are as follows:

Members	**Attended/Eligible to attend**
Lam Yat Cheong	2/2
Yip Chi Hung	1/2
Choy Wing Keung, David	2/2

Other attendees at the Audit Committee meetings include the Financial Controller and the external auditors, for discussion of the audit of the annual results only.

The Audit Committee's work in 2011 includes consideration of the following matters:

- the completeness and accuracy of the 2010 annual and 2011 interim financial statements;
- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- detailed analysis of various aspects of the Company's financial performance; and
- investment policies and possible impact of certain investment transactions.

External Auditors

The Company's external auditor is HLM & Co. The Group will pay HLM & Co. approximately HK$850,000 for their audit services for 2011.

CORPORATE COMMUNICATION

The Group values and strives to provide comprehensive and timely communications to its stakeholders, including its shareholders.

Shareholders' Rights

Further to the Companies Act 1981 of Bermuda and the Company's Bye-Laws, a special general meeting ("SGM") can be convened on requisition.

The most recent shareholders' meeting was the AGM held on 25 May 2011 at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong to discuss and approve the following matters:

- considering and receiving the consolidated audited financial statements and reports for the Directors and auditors for the year ended 31 December 2010;
- declaring the final dividend;
- re-electing certain Directors and authorizing the Board to fix their remunerations;
- appointing the Company's external auditors and authorizing the Board to fix their remunerations;
- passing a general mandate to allow the Directors to allot and issue shares of the Company; and
- passing a general mandate to allow the Directors to repurchase shares of the Company.

REPORT OF THE DIRECTORS

The Directors of the Company present their annual report (the "Report of the Directors") and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 36.

An interim dividend of 1.0 HK cent per share amounting to approximately HK$2,658,000 was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of 1.0 HK cent per share and a special one-off dividend of 10.0 HK cents per share to the shareholders on the register of members on 7 June 2012, amounting to approximately HK$29,019,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 55% of the total revenues of the Group and the largest customer accounted for approximately 40% of the total revenues of the Group.

The five largest suppliers of the Group in aggregate accounted for approximately 36% of the total purchases of the Group and the largest supplier accounted for approximately 15% of the total purchases of the Group.

At no time during the year did a Director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

PROPERTY, PLANT AND EQUIPMENT

The Group continued its replacement policy and expended HK$10,597,000 on property, plant and equipment during the year.

Details of this and other movements during the year in the property, plant and equipment and prepaid lease payments of the Group are set out in note 14 and 15 to the financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$53,881,000 of which HK$29,019,000 has been proposed as final and special dividends for the year. In addition, the Company's share premium account, in the amount of HK$65,622,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Poon Siu Chung *(Chairman and Managing Director)*
Mr. Ip Siu On
Mr. Tsui Yan Lee, Benjamin
Dr. Poon Wai Tsun, William
Mr. Poon Wai Yip, Albert *(appointed on 6 December 2011)*

Independent non-executive Directors

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

Mr. Poon Wai Yip, Albert, who was appointed by the Board as an executive Director effective from 6 December 2011, will be subject to re-election by the shareholders of the Company at the forthcoming annual general meeting of the Company.

In accordance with Bye-law 99 of the Bye-laws and the code of corporate governance of the Company, Mr. Ip Siu On and Mr. Tsui Yan Lee, Benjamin, being executive Directors, shall retire from office by rotation at the conclusion of the forthcoming annual general meeting and Mr. Tsui Yan Lee, Benjamin, being eligible, will offer himself for re-election, while Mr. Ip Siu On, being eligible, will not offer himself for re-election and shall retire from office at the AGM.

Further, Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, all being independent non-executive Directors, will hold office until the conclusion of the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

All independent non-executive Directors have been appointed for a term of approximately one year.

All independent non-executive Directors will hold office until the conclusion of the forthcoming annual general meeting of the Company.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 31 December 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 under Section 352 of Part XV 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 position in the shares of the Company

Director	Capacity	Number of shares held	Number 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)	45.87
Mr. Ip Siu On	Beneficial owner	6,025,600	3,700,000 (b)	9,725,600	3.69
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	1,111,000	3,700,000 (b)	4,811,000	1.82
Dr. Poon Wai Tsun, William	Beneficial owner	–	2,700,000 (b)	2,700,000	1.02
Mr. Poon Wai Yip, Albert	Beneficial owner	–	2,700,000 (b)	2,700,000	1.02
Mr. Yip Chi Hung	Interest of controlled corporation	1,400,000 (c)	300,000 (b)	1,700,000	0.64
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 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) These interests represented interests 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 Options" of this report.

(c) Mr. Yip Chi Hung was deemed to be interested in 1,400,000 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 the shares of the associated corporations of the Company

Director	Name of associated corporation	Capacity	Number of shares held	Total	% of issued share capital of the 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 Options" 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 debenture of the Company or any of its associated corporations as at 31 December 2011.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 34 to the financial statements.

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

	Number of options outstanding 1.1.2011	Number of options granted during the year	Number of options exercised during the year	Number of options lapsed during the year	Number of options outstanding at 31.12.2011	Date granted	Exercise price per share HK$	Exercisable period
Directors								
Poon Siu Chung	–	2,700,000	–	–	2,700,000	13/04/2011	0.740	01/05/2011-31/12/2020
Ip Siu On	1,000,000	–	–	–	1,000,000	02/02/2005	0.608	02/05/2005-31/12/2014
	–	2,700,000	–	–	2,700,000	13/04/2011	0.740	01/05/2011-31/12/2020
Tsui Yan Lee, Benjamin	1,000,000	–	–	–	1,000,000	02/02/2005	0.608	02/05/2005-31/12/2014
	–	2,700,000	–	–	2,700,000	13/04/2011	0.740	01/05/2011-31/12/2020
Poon Wai Tsun, William	–	2,700,000	–	–	2,700,000	13/04/2011	0.740	01/05/2011-31/12/2020
Poon Wai Yip, Albert	–	2,700,000	–	–	2,700,000	13/04/2011	0.740	01/05/2011-31/12/2020
Yip Chi Hung	–	300,000	–	–	300,000	13/04/2011	0.740	01/05/2011-31/12/2020
Lam Yat Cheong	300,000	–	–	–	300,000	02/11/2007	0.850	01/12/2007-31/12/2016
	–	300,000	–	–	300,000	13/04/2011	0.740	01/05/2011-31/12/2020
Choy Wing Keung, David	300,000	–	–	–	300,000	02/11/2007	0.850	01/12/2007-31/12/2016
	–	300,000	–	–	300,000	13/04/2011	0.740	01/05/2011-31/12/2020
Employees	4,500,000	–	(3,000,000)	–	1,500,000	24/03/2006	0.540	24/04/2006-31/12/2014
	8,200,000	–	–	(1,200,000)	7,000,000	02/11/2007	0.850	01/12/2007-31/12/2016
	–	13,196,000	–	–	13,196,000	28/04/2011	0.770	01/05/2011-31/12/2020
Sub-total	15,300,000	27,596,000	(3,000,000)	(1,200,000)	38,696,000			
Others	1,000,000	–	–	–	1,000,000	05/06/2002	0.664	05/07/2002-17/05/2012
	1,000,000	–	–	–	1,000,000	02/02/2005	0.608	02/05/2005-31/12/2014
Sub-total	2,000,000	–	–	–	2,000,000			
Grand Total	17,300,000	27,596,000	(3,000,000)	(1,200,000)	40,696,000			

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.

SHARE OPTIONS *(Cont'd)*

According to the Trinomial Option Pricing Model, the details of the options granted during the year under the option scheme were as follows:

Date of grant	Number of shares issuable under options granted	Option value	Closing share price oat date of grant	Risk free rate	Volatility	Expiration of the options	Dividend yield
13 April 2011	14,400,000	HK$3,194,000	HK$0.740	2.805%	39.699%	31 December 2020	7.635%
28 April 2011	13,196,000	HK$3,026,000	HK$0.770	2.633%	39.761%	31 December 2020	7.649%

Share options were exercised on various dates during the year, the weighted average closing price of the Company's shares immediately before those dates was HK$0.7225.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

(a) On 31 December, 2010, the Group entered into a tenancy agreement with Mr. Poon Siu Chung, a substantial shareholder and director of the Company, in relation to the premises at Nos. 34 and 35 of Xiazha Industrial Street, Jinding Town, Zhuhai, the People's Republic of China, for a monthly rent of HK$20,000 for a period of three years commencing from 1st January, 2011. The said premises are used by the Group as factories. The total rent payable by the Group for the premises for the full period of the tenancy under the aforesaid tenancy agreement will amount to HK$720,000. During the year, the Group paid rent to Mr. Poon Siu Chung totalling HK$240,000.

(b) On 18 February 2011, Perfectech International Manufacturing Limited ("PIML"), an indirect wholly-owned subsidiary of the Company, entered into an agreement as the purchaser with Close Contact Agents Limited as the vendor (the "Vendor") and Mr. Lo Wing Wai as the guarantor (the "Guarantor") to acquire 10,340 shares of US$1.00 each in the issued share capital of Fareastern Trade Limited ("FE"), an indirect non-wholly-owned subsidiary of the Company, representing approximately 11.80% of the entire issued share capital of FE at a consideration of HK$4,638,000 (the "Consideration"). The Consideration was settled by cash on the date of completion, 18 February 2011.

    The Vendor is a substantial shareholder of FE and the Guarantor is a director of each of FE, the Vendor and PIML, and is the ultimate beneficial owner of the Vendor. Therefore, each of the Vendor and the Guarantor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

    Having considered the significant contribution of FE and its subsidiaries to the Group's financial performance since the acquisition of PIML in 2003, the Consideration which represents approximately 4.5 times of the average unaudited profit attributable to the owners of FE for the years ended 31 December 2006, 2007, 2008 and 2009 of approximately HK$8,735,000, and the expected growth of the business of FE and its subsidiaries, the Directors (including independent non-executive Directors) are of the view that the terms of the acquisition are in the interests of the Company and the Shareholders as a whole.

    Details of the transaction are disclosed in the announcement of the Company dated 18 February 2011.

The independent non-executive Directors confirm that the transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) in accordance with the terms of the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and (iii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties.

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in the section "Directors' Interests in Shares", as at 31 December 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 shares capital of the Company as follows:

Long position in the shares of the Company

Shareholder	Capacity	Number of Shares held	Number of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Ms. Lau Kwai Ngor	Interest of spouse	17,164,000	2,700,000		
	Interest of controlled corporation	101,139,430	–	121,003,430(a)	45.87
Mime Limited	Beneficial owner	101,139,430	–	101,139,430(a)	38.34
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	–	63,097,200(b)	23.92
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	–	63,097,200(b)	23.92
Nielsen Limited	Beneficial owner	63,097,200	–	63,097,200(b)	23.92

Notes:

(a) Under the 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 of the Company 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 the SFO, Mr. Leung Ying Wai, Charles and 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report, the Company has adopted throughout the year ended 31 December 2011 with the Code of Corporate Governance Practices ("Code Provision") set out in the Appendix 14 of the Listing Rules.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report in page 16 to 24 of this annual report.

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

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

	Number of shares of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Total amount 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
September 2011	550,000	0.720	0.710	395,903
October 2011	900,000	0.680	0.670	609,832
November 2011	1,600,000	0.720	0.680	1,135,947
December 2011	2,280,000	0.720	0.700	1,628,925
	14,400,000			10,541,147

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set by the Board and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Board and reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2011 and up to the date hereof.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 36 to the financial statements.

AUDITORS

The financial statements for the year have been audited by Messrs. HLM & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Poon Siu Chung
Chairman & Managing Director

Hong Kong, 27 March 2012

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE MEMBERS OF PERFECTECH INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Perfectech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 108 which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Auditors' responsibility *(Cont'd)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants
Hong Kong, 27 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	5 & 6	**382,963**	382,779
Cost of sales		**(324,373)**	(323,020)
Gross profit		**58,590**	59,759
Net other (expenses) income	7	**(9,117)**	10,248
Distribution costs		**(12,919)**	(14,279)
Increase in fair value of an investment property	16	**884**	–
Administrative expenses		**(42,215)**	(33,699)
Finance costs	8	**(478)**	(488)
(Loss) profit before tax	9	**(5,255)**	21,541
Income tax credit (expenses)	11	**1,623**	(154)
(Loss) profit for the year		**(3,632)**	21,387
Other comprehensive income			
Exchange difference on translation of overseas operations		**379**	103
Total comprehensive (expenses) income for the year		**(3,253)**	21,490
(Loss) profit for the year attributable to:			
Owners of the Company		**(5,613)**	20,175
Non-controlling interests		**1,981**	1,212
(Loss) profit for the year		**(3,632)**	21,387
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(5,245)**	20,268
Non-controlling interests		**1,992**	1,222
Total comprehensive (expenses) income for the year		**(3,253)**	21,490
Dividends	12	**9,414**	20,688
(Loss) earnings per share	13		
Basic		**(2.09 Cents)**	7.27 Cents
Diluted		**(2.09 Cents)**	7.15 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**38,330**	38,567
Investment property	16	**8,500**	–
Deferred tax assets	25	**5,984**	2,168
		52,814	40,735
CURRENT ASSETS			
Inventories	17	**60,256**	57,432
Trade and other receivables	18	**53,050**	56,499
Amounts due from a related company	37	**1,161**	2,445
Prepaid lease payments	15	**–**	6
Tax recoverable		**608**	370
Investments held-for-trading	21	**68,025**	72,910
Derivative financial instruments	20	**622**	248
Pledged bank deposits	22	**1,254**	4,818
Bank balances and cash	19	**60,399**	72,487
		245,375	267,215
CURRENT LIABILITIES			
Trade and other payables	23	**55,151**	45,556
Derivative financial instruments	20	**3,692**	3,009
Tax liabilities		**2,373**	2,347
Bank borrowings	24	**25,670**	27,750
		86,886	78,662
NET CURRENT ASSETS		**158,489**	188,553
TOTAL ASSETS LESS CURRENT LIABILITIES		**211,303**	229,288
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**668**	827
NET ASSETS		**210,635**	228,461

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 *(Restated)*
CAPITAL AND RESERVES			
Share capital	26	**26,381**	27,521
Reserves		**175,031**	191,682
Equity attributable to owners of the Company		**201,412**	219,203
Non-controlling interests		**9,223**	9,258
TOTAL EQUITY		**210,635**	228,461

The financial statements on pages 36 to 108 were approved and authorised for issue by the board of directors on 27 March 2012 and are signed on its behalf by:

DIRECTOR DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Translations reserve HK$'000	Retained profits HK$'000	Equity attributable to equity holders of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	28,704	83,398	5,905	4,905	(15)	110,747	233,644	9,491	243,135
Profit for the year	–	–	–	–	–	20,175	20,175	1,212	21,387
Other comprehensive income for the year	–	–	–	–	93	–	93	10	103
Total comprehensive income for the year	–	–	–	–	93	20,175	20,268	1,222	21,490
Share issued upon exercise of options	1,050	5,146	–	(2,053)	–	–	4,143	–	4,143
Dividends (Note 12)	–	–	–	–	–	(20,688)	(20,688)	(1,126)	(21,814)
Repurchase and cancellation of shares	(2,233)	(15,582)	2,233	–	–	(2,233)	(17,815)	–	(17,815)
Acquisition of additional equity interest in an existing subsidiary	–	–	–	–	–	(349)	(349)	(329)	(678)
At 31 December 2010	27,521	72,962	8,138	2,852	78	107,652	219,203	9,258	228,461
At 1 January 2011	27,521	72,962	8,138	2,852	78	107,652	219,203	9,258	228,461
(Loss) profit for the year	–	–	–	–	–	(5,613)	(5,613)	1,981	(3,632)
Other comprehensive income for the year	–	–	–	–	368	–	368	11	379
Total comprehensive (expenses) income for the year	–	–	–	–	368	(5,613)	(5,245)	1,992	(3,253)
Share issued upon exercise of options	300	1,761	–	(441)	–	–	1,620	–	1,620
Dividends (Note 12)	–	–	–	–	–	(9,414)	(9,414)	(315)	(9,729)
Share option lapsed	–	–	–	(247)	–	247	–	–	–
Share option granted	–	–	–	6,220	–	–	6,220	–	6,220
Repurchase and cancellation of shares	(1,440)	(9,101)	1,440	–	–	(1,440)	(10,541)	–	(10,541)
Reserves released upon winding up of a subsidiary	–	–	–	–	(58)	49	(9)	9	–
Disposal of partial equity interest of an existing subsidiary	–	–	–	–	–	(115)	(115)	2,610	2,495
Acquisition of additional equity interest of an existing subsidiary	–	–	–	–	–	(307)	(307)	(4,331)	(4,638)
At 31 December 2011	26,381	65,622	9,578	8,384	388	91,059	201,412	9,223	210,635

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (Restated)
OPERATING ACTIVITIES		
(Loss) profit before tax	**(5,255)**	21,541
Adjustments for:		
Allowance for doubtful debts	**1,325**	55
Depreciation of property, plant and equipment	**10,064**	11,529
Dividend income from investments held-for-trading	**(1,860)**	(2,661)
(Gain) loss on disposal of property, plant and equipment	**(2,676)**	1,258
Loss (gain) on disposal of investments held-for-trading	**5,355**	(53)
Net change in fair value of an investment property	**(884)**	–
Interest expenses	**478**	488
Interest income	**(73)**	(54)
Net change in fair value of derivative financial instruments	**309**	(60)
Net change in fair value of investments held-for-trading	**13,197**	(1,967)
Release of prepaid lease payments	**6**	74
Share-based payment expenses	**6,220**	–
Written down of inventories	**800**	–
Operating cash flows before movements in working capital	**27,006**	30,150
Decrease (increase) in trade and other receivables	**2,124**	(3,681)
Increase in inventories	**(3,624)**	(7,275)
Increase (decrease) in trade and other payables	**9,595**	(2,064)
Decrease (increase) in amounts due from a related company	**1,284**	(184)
Cash generated from operations	**36,385**	16,946
Hong Kong Profits Tax paid, net	**(2,563)**	(4,470)
PRC Enterprise Income Tax paid, net	**(1)**	–
NET CASH FROM OPERATING ACTIVITIES	**33,821**	12,476
INVESTING ACTIVITIES		
Decrease (increase) in pledged bank deposits	**3,564**	(4,025)
Dividends received from investments held-for-trading	**1,860**	2,661
Interest received	**73**	54
Proceeds on disposal of investments held-for-trading	**227,442**	203,053
Proceeds on disposal of property, plant and equipment	**3,620**	2,222
Purchase of investments held-for-trading	**(241,109)**	(180,947)
Purchase of property, plant and equipment	**(10,597)**	(7,413)
Purchase of an investment property	**(7,616)**	–
Acquisition of additional equity interest of an existing subsidiary	**(4,638)**	(678)
Proceeds on disposal of partial equity interest of an existing subsidiary	**2,495**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(24,906)**	14,927

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES		
Dividends paid to owners of the Company	**(9,414)**	(20,688)
Dividends paid to non-controlling interests	**(315)**	(1,126)
Interest paid	**(478)**	(488)
New bank borrowings and trust receipt loans raised	**40,180**	48,421
Payment for repurchase of shares	**(10,541)**	(17,815)
Proceeds received upon share option exercised	**1,620**	4,143
Repayment of bank borrowings and trust receipt loans	**(42,260)**	(44,486)
NET CASH USED IN FINANCING ACTIVITIES	**(21,208)**	(32,039)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(12,293)**	(4,636)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**72,487**	77,020
Effect of change in foreign exchange rates	**205**	103
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**60,399**	72,487
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**60,399**	72,487

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business is 7th Floor, E Tat Factory Building, 4 Heung Yip Road, Wong Chuk Hang, Aberdeen, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are the manufacture and sale of novelties, decorations, packaging and toys products, and the trading of PVC films and plastic materials.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

New and revised HKFRSs applied with no material effects on the consolidated financial statements

The following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised HKFRSs has had no impact on the Group's financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

HKAS 24 Related Party Disclosures (as revised in 2009)	HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The application of the revised Standard has had no effect on the consolidated financial statements of the Group.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

New and revised HKFRSs applied with no material effects on the consolidated financial statements *(Cont'd)*

Amendments to HKAS 32 Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to HKAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.
Amendments to HK (IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement	The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

For the year ended 31 December 2011

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

New and revised HKFRSs applied with no material effects on the consolidated financial statements *(Cont'd)*

HK (IFRIC)-Int 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under HK (IFRIC)-Int 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of HK (IFRIC)-Int 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

Improvements to HKFRSs issued in 2010

The application of Improvements to HKFRSs issued in 2010 has not had any material effect on amounts reported in the Group's consolidated financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency of risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company (the "Directors") anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The Directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The Directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 has not had material effect on the Group's consolidated financial statements because the Group has not operated defined benefit plans for employees.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

Changes in the Group's ownership interests in existing subsidiaries (Cont'd)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

If the initial accounting for a business combination in incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that exited at the acquisition date that, if know, have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Rental income under operating leases is recognised on a straight line basis over the terms of the relevant leases.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Management fee income is recognised where services are rendered.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non- controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that from an integral of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL, of which interest income is included in net gains and losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 21.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from Directors) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Object evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity instruments (Cont'd)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of an identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designed as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 21.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity instruments (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Derecognition (Cont'd)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefit required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Share-based payment arrangements

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation

The Group's net book value of property, plant and equipment as at 31 December 2011 was approximately HK$38,330,000. The Group depreciates the property, plant and equipment, using the straight-line method, at the rate 2% to 30% per annum, commencing from the date the assets is placed into productive use. The estimated useful life and dates that the Group places the assets into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Fair value of investment property

Investment property is carried in the consolidated statement of financial position at 31 December 2011 at its fair value of HK$8,500,000. The fair value of the investment property was determined by reference to valuations conducted on the property by independent firms of property valuers using property valuation techniques which involve certain assumptions. Favourable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment property and corresponding adjustments to the changes in fair value reported in the consolidated income statement and the carrying amount of the property included in the consolidated statement of financial position.

Impairment on trade receivables

The policy for impairment on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group had deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Impairment on inventories

The management of the Group reviews an aging analysis at each reporting period, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides impairment on obsolete items.

Recoverability of deferred tax assets

As at 31 December 2011, a deferred tax asset of HK$5,781,000 in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The recoverability of deferred tax assets requires the Group to estimate the probability of taxable profits expected to arise from future operations. At the end of each reporting period, management evaluates the recoverability of deferred tax assets by way of profit forecast when necessary.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, during the year.

	2011	2010
	HK$'000	HK$'000
Novelties and decorations products	**81,761**	97,985
Packaging products	**50,309**	63,057
PVC films and plastic materials	**52,752**	65,360
Toys products	**198,141**	156,377
	382,963	382,779

For the year ended 31 December 2011

6. SEGMENTS REPORTING

For management purposes, the Group is currently organised into four operating 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.

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

2011

	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	81,761	50,309	52,752	198,141	–	382,963
Inter-segment sales	1	15,728	1,642	–	(17,371)	–
Total revenue	81,762	66,037	54,394	198,141	(17,371)	382,963
RESULT						
Segment result	3,242	(2,744)	(1,591)	17,675	–	16,582
Loss from investments						(16,998)
Increase in fair value of an investment property						884
Unallocated corporate expenses						(5,245)
Finance costs						(478)
Loss before tax						(5,255)
Income tax credit						1,623
Loss for the year						(3,632)

Inter-segment sales are charged at prevailing market rates.

6. SEGMENTS REPORTING *(Cont'd)*

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	54,663	50,557	17,784	92,372	215,376
Unallocated corporate assets					82,813
Consolidated total assets					298,189
LIABILITIES					
Segment liabilities	37,168	8,508	7,295	28,563	81,534
Unallocated corporate liabilities					6,020
Consolidated total liabilities					87,554

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000
Additions of property, plant and equipment	591	739	2	9,265	10,597
Depreciation and amortisation	2,225	3,345	31	4,463	10,064
Interest Income	21	32	2	18	73
Release of prepaid lease payments	–	–	–	6	6

For the year ended 31 December 2011

6. SEGMENTS REPORTING *(Cont'd)*

2010

	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	97,985	63,057	65,360	156,377	–	382,779
Inter-segment sales	88	19,371	1,063	–	(20,522)	–
Total revenue	98,073	82,428	66,423	156,377	(20,522)	382,779
RESULT						
Segment result	2,395	436	1,546	10,826	–	15,203
Income from investments						4,749
Increase in fair value of an investment property						–
Unallocated corporate income						2,077
Finance costs						(488)
Profit before tax						21,541
Income tax expenses						(154)
Profit for the year						21,387

Inter-segment sales are charged at prevailing market rates.

6. SEGMENTS REPORTING *(Cont'd)*

	Novelties and decorations products 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

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000
Additions of property, plant and equipment	705	1,735	7	4,966	7,413
Depreciation and amortisation	2,581	4,304	54	4,590	11,529
Interest Income	30	12	1	11	54
Release of prepaid lease payments	–	–	–	74	74

Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENTS REPORTING *(Cont'd)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than held-for-trading investments, other financial assets, and deferred tax assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than deferred tax liabilities, other financial liabilities and borrowings. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Geographical Information

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

	2011 **HK$'000**	2010 HK$'000
Sales revenue by geographical market:		
Hong Kong	**100,970**	149,726
Europe	**88,803**	93,485
America	**78,661**	63,074
Asia (other than Hong Kong)	**105,368**	62,998
Others	**9,161**	13,496
	382,963	382,779

For the year ended 31 December 2011

6. SEGMENTS REPORTING *(Cont'd)*

Geographical Information *(Cont'd)*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong	**170,322**	191,402	**7,620**	13
The People's Republic of China (the "PRC")	**127,867**	116,548	**2,977**	7,400
	298,189	307,950	**10,597**	7,413

Information about major customer

Included in revenues arising from sales of toy products of approximately HK$198,141,000 (2010: HK$156,377,000) are revenues of approximately HK$152,663,000 (2010: HK$117,702,000) which arose from sales to the Group's largest customer.

7. NET OTHER (EXPENSES) INCOME

	2011 HK$'000	2010 HK$'000
Bad debt recovered	**283**	759
Dividend incomes on investments held-for-trading	**1,860**	2,661
Gain on disposal of property, plant and equipment	**2,676**	–
Interest income	**73**	54
Net change in fair value of investments held-for-trading	**(13,197)**	1,967
Net change in fair value of derivative financial instruments	**(309)**	60
Rental income	**116**	608
Realised (loss) gain on disposal of investments held-for-trading	**(5,355)**	53
Sample sales	**337**	342
Scrap sales	**1,981**	2,242
Others	**2,418**	1,502
	(9,117)	10,248

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**478**	488

9. (LOSS) PROFIT BEFORE TAX

	2011 HK$'000	2010 HK$'000
(Loss) profit before tax has been arrived at after charging:		
Auditors' remuneration	**850**	800
Allowance for doubtful debts	**1,325**	55
Cost of inventories recognised as an expense	**176,937**	191,989
Depreciation of property, plant and equipment	**10,064**	11,529
Foreign exchange losses, net	**4,918**	7,207
Loss on disposal of property, plant and equipment	**–**	1,258
Operating lease rentals in respect of rented premises	**6,188**	5,511
Release of prepaid lease payments	**6**	74
Share-based payment expenses	**6,220**	–
Staff costs (including Directors' emoluments)	**88,967**	85,852
Written down of inventories	**800**	–

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eight Directors in 2011 were as follows:

Emoluments	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Poon Siu Chung	–	1,919	30	1,949
Ip Siu On	–	1,759	30	1,789
Tsui Yan Lee, Benjamin	–	1,759	30	1,789
Poon Wai Tsun, William	–	1,039	12	1,051
Poon Wai Yip, Albert *	–	626	1	627
Choy Wing Keung, David	50	67	–	117
Lam Yat Cheong	50	67	–	117
Yip Chi Hung	50	67	–	117
Total for 2011	150	7,303	103	7,556

* Appointed on 6 December 2011

The emoluments paid or payable to each of the seven Directors in 2010 were as follows:

Emoluments	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Poon Siu Chung	–	1,775	33	1,808
Ip Siu On	–	1,725	30	1,755
Tsui Yan Lee, Benjamin	–	1,725	30	1,755
Poon Wai Tsun, William	–	175	6	181
Choy Wing Keung, David	50	–	–	50
Lam Yat Cheong	50	–	–	50
Yip Chi Hung	50	–	–	50
Total for 2010	150	5,400	99	5,649

For the year ended 31 December 2011

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, three (2010: three) were Directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining two (2010: two) individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**1,382**	1,461
Retirement benefit schemes contributions	**39**	38
	1,421	1,499

Their emoluments were within the following bands:

	2011	2010
	Number of employees	Number of employees
Nil – HK$1,000,000	**2**	2
HK$1,000,001- HK$1,500,000	**–**	–
	2	2

For the year ended 31 December 2011

11. INCOME TAX (CREDIT) EXPENSES

	2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong Profits Tax	**2,351**	2,224
PRC Enterprise Income Tax	**–**	–
	2,351	2,224
Under (over) provision in prior years:		
PRC Enterprise Income Tax	**1**	–
Hong Kong Profits Tax	**–**	(2,149)
	2,352	75
Deferred tax (note 25)		
Current year	**(3,975)**	79
Total income tax (credit) expenses recognised in profit or loss	**(1,623)**	154

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The tax (credit) charge for the year can be reconciled to the (loss) profit before tax as follows:

	2011 HK$'000	2010 HK$'000
(Loss) profit before tax	**(5,255)**	21,541
Tax at Hong Kong Profits Tax of 16.5%	**(867)**	3,554
Tax effect of income not taxable for tax purposes	**(2,193)**	(2,399)
Tax effect of expenses not deductible for tax purposes	**712**	1,258
Tax effect on temporary differences not recognised	**(1)**	(1)
Tax effect on tax losses not recognised	**508**	47
Utilisation of tax losses not previously recognised	**8**	(11)
Under (over) provision in prior year	**1**	(2,149)
Effect of different tax rates of group entities operating in the PRC	**209**	(145)
Tax (credit) charge for the year	**(1,623)**	154

12. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Interim, paid – 1.0 HK cent (2010: 1.0 HK cent) per share	**2,658**	2,750
Final, paid – 2.5 HK cents per share for 2010 (2010: 6.5 HK cents per share for 2009)	**6,756**	17,938
	9,414	20,688

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2011 of 1.0 HK cent (2010: 2.5 HK cents) per share and a special one-off dividend of 10.0 HK cents per share have been proposed by the Directors and is subject to approval by the shareholders in general meeting.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the net loss for the year of approximately HK$5,613,000 (2010: profit of HK$20,175,000) and the following data:

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**268,829,032**	277,627,214
Effect of dilutive potential ordinary shares on share options	**–**	4,671,307
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**268,829,032**	282,298,521

No diluted loss per share has been presented for the year because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

For the year ended 31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings HK$'000	Factory premises HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and moulds HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2010	271	43,888	35,223	223,895	5,079	308,356
Additions	–	549	1,760	5,104	–	7,413
Disposals	–	(6,436)	(4,253)	(26,832)	(252)	(37,773)
At 31 December 2010 and 1 January 2011	271	38,001	32,730	202,167	4,827	277,996
Additions	–	182	445	9,118	852	10,597
Disposals	(271)	–	(597)	(8,277)	(261)	(9,406)
Exchange alignment	–	12	3	195	8	218
At 31 December 2011	–	38,195	32,581	203,203	5,426	279,405
DEPRECIATION AND AMORTISATION						
At 1 January 2010	102	32,605	29,760	195,073	4,653	262,193
Provided for the year	4	2,445	1,141	7,744	195	11,529
Eliminated upon disposals	–	(5,665)	(3,982)	(24,394)	(252)	(34,293)
At 31 December 2010 and 1 January 2011	106	29,385	26,919	178,423	4,596	239,429
Provided for the year	1	2,424	931	6,494	214	10,064
Eliminated upon disposals	(107)	–	(595)	(7,499)	(261)	(8,462)
Exchange alignment	–	3	1	36	4	44
At 31 December 2011	–	31,812	27,256	177,454	4,553	241,075
CARRYING VALUES						
At 31 December 2011	–	6,383	5,325	25,749	873	38,330
At 31 December 2010	165	8,616	5,811	23,744	231	38,567

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2%
Factory premises	5-20%
Furniture, fixtures and office equipment	15-20%
Plant, machinery and moulds	10-20%
Motor vehicles	25-30%

The Group has not obtained Certificate for Housing Ownership in respect of the Group's factory premises with an aggregate net book value of approximately HK$6,383,000 (2010: HK$8,616,000) at 31 December 2011.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2011 HK$'000	2010 HK$'000
Medium-term leasehold land in Hong Kong	**–**	–
Medium-term leasehold land in PRC	**–**	6
	–	6
Analysed for reporting purposes as:		
Current assets	**–**	6
Non-current assets	**–**	–
	–	6

	2011 HK$'000	2010 HK$'000
Net book value at 1 January	**6**	80
Amortisation for the year	**(6)**	(74)
Net book value at 31 December	**–**	6
Current portion of non-current assets	**–**	(6)
Non-current portion	**–**	–

For the year ended 31 December 2011

16. INVESTMENT PROPERTY

	2011 HK$'000	2010 HK$'000
At fair value		
Balance at the beginning of the year	–	–
Additions	7,616	–
Gain on property revaluation	884	–
Balance at the end of the year	8,500	–

The fair value of the Group's investment property at 31 December 2011 have been arrived at on the basis of a valuation carried out at that date by Messrs. Peak Vision Appraisals Limited, independent qualified professional surveyors not connected to the Group. Messrs. Peak Vision Appraisals Limited are members of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of properties in relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The Group's property is vacant but is held to be leased out under one or more operating leases. The property is measured using the fair value model and are classified and accounted for as investment property.

The carrying amounts of investment property shown above comprise:

	2011 HK$'000	2010 HK$'000
Land in Hong Kong:		
Long lease	8,500	–

17. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	36,922	38,043
Work in progress	5,986	6,213
Finished goods	17,348	13,176
	60,256	57,432

Inventories of HK$Nil (2010: HK$Nil) are expected to be recovered after more than twelve months.

18. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000 *(Restated)*
Trade receivables	**60,935**	65,312
Less: impairment loss on trade receivables	**(15,397)**	(15,696)
	45,538	49,616
Prepayment and other receivables	**7,512**	6,883
	53,050	56,499

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 by age, presented based on the invoice date and net of allowance for doubtful debts at the end of the reporting period:

	2011 HK$'000	2010 HK$'000 *(Restated)*
0 – 60 days	**36,506**	34,939
61 – 90 days	**2,998**	6,394
91 – 120 days	**2,044**	3,622
Over 120 days	**3,990**	4,661
	45,538	49,616

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.

18. TRADE AND OTHER RECEIVABLES *(Cont'd)*

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:

	2011 HK$'000	2010 HK$'000
Overdue by:		
0 – 60 days	**6,032**	3,723
61 – 90 days	**293**	1,138
91 – 120 days	**79**	19
Over 120 days	**66**	37
	6,470	4,917

The following is the movement in the allowance for doubtful debts:

	2011 HK$'000	2010 HK$'000
Balance at the beginning of the year	**15,696**	16,778
Allowance for doubtful debts during the year	**1,324**	55
Amounts recovered during the year	**(283)**	(759)
Amounts written off during the year	**(1,340)**	(378)
Balance at the end of the year	**15,397**	15,696

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. The fair value of the Group's trade and other receivables at 31 December 2011 approximates to the corresponding carrying amount.

The following is an aging analysis of the Group's impaired trade receivables:

	2011 HK$'000	2010 HK$'000
Overdue by:		
0 – 60 days	**–**	–
61 – 90 days	**–**	–
91 – 120 days	**–**	–
Over 120 days	**15,397**	15,696
	15,397	15,696

For the year ended 31 December 2011

19. OTHER FINANCIAL ASSETS

Bank balances and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 0.001% to 3.41% (2010: 0.001% to 3.30%) with an original maturity of three months or less. The fair value of these assets at 31 December 2011 approximates to the corresponding carrying amounts.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2011	2010
	HK$'000	HK$'000
Financial assets		
Equity accumulators	**45**	–
Equity decumulators	**577**	248
	622	248
Financial liabilities		
Equity accumulators	**(3,479)**	(239)
Equity decumulators	**(213)**	(2,770)
	(3,692)	(3,009)

	2011	2010
	HK$'000	HK$'000
Financial assets		
Balance at the beginning of the year	**248**	98
Changes in fair value of derivative financial instruments	**374**	150
Balance at the end of the year	**622**	248
Financial liabilities		
Balance at the beginning of the year	**(3,009)**	(2,919)
Change in fair value of derivative financial instruments	**(683)**	(90)
Balance at the end of the year	**(3,692)**	(3,009)

The derivatives are measured at fair value at each reporting date. Their fair values are measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

For the year ended 31 December 2011

20. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

At 31 December 2011, the major terms of the listed equity decumulators/accumulators contracts are as follows:

Nominal Amount	Underlying Securities	Nature	Maturity	Forward Prices
HK$4,987,000	China Petroleum & Chemical Corporation	Accumulator	1 February 2012	HK$7.30
HK$3,920,000	PetroChina Company Limited	Accumulator	2 April 2012	HK$9.92
HK$4,924,000	PetroChina Company Limited	Accumulator	2 April 2012	HK$10.01
HK$4,949,000	PetroChina Company Limited	Accumulator	2 April 2012	HK$10.06
HK$3,917,000	CNOOC Limited	Accumulator	2 April 2012	HK$16.59
HK$3,917,000	CNOOC Limited	Accumulator	2 April 2012	HK$16.59
HK$4,624,000	CNOOC Limited	Accumulator	10 April 2012	HK$17.02
HK$4,748,000	Agricultural Bank of China Limited	Accumulator	10 April 2012	HK$3.88
HK$4,834,000	Agricultural Bank of China Limited	Accumulator	11 May 2012	HK$3.90
HK$4,605,000	China Construction Bank	Accumulator	25 May 2012	HK$6.19
HK$3,923,000	CNOOC Limited	Accumulator	4 June 2012	HK$15.82
HK$4,765,000	Agricultural Bank of China Limited	Accumulator	4 June 2012	HK$3.71
HK$3,952,000	Agricultural Bank of China Limited	Accumulator	11 June 2012	HK$3.45
HK$4,275,000	Industrial and Commercial Bank of China Limited	Accumulator	13 June 2012	HK$5.05
HK$4,690,000	China Construction Bank	Accumulator	21 June 2012	HK$5.54
HK$4,793,000	CNOOC Limited	Accumulator	27 June 2012	HK$14.81
HK$4,004,000	PetroChina Company Limited	Accumulator	26 July 2012	HK$9.46
HK$4,676,000	Agricultural Bank of China Limited	Accumulator	30 July 2012	HK$3.49
HK$5,632,000	PetroChina Company Limited	Decumulator	22 August 2012	HK$11.31
HK$5,539,000	China Petroleum & Chemical Corporation	Decumulator	23 August 2012	HK$8.12
HK$6,148,000	CNOOC Limited	Decumulator	26 September 2012	HK$15.37
HK$5,861,000	China Construction Bank Corporation	Decumulator	4 October 2012	HK$5.91
HK$6,795,000	CNOOC Limited	Decumulator	8 October 2012	HK$17.06
HK$5,831,000	PetroChina Company Limited	Decumulator	8 October 2012	HK$11.71
HK$6,398,000	CNOOC Limited	Decumulator	8 October 2012	HK$16.06
HK$6,366,000	CNOOC Limited	Decumulator	8 October 2012	HK$15.98
HK$5,021,000	Industrial and Commercial Bank of China Limited	Decumulator	8 October 2012	HK$5.04
HK$6,467,000	Agricultural Bank of China Limited	Decumulator	8 October 2012	HK$3.60
HK$6,351,000	Agricultural Bank of China Limited	Decumulator	11 October 2012	HK$3.87
HK$5,703,000	China Petroleum & Chemical Corporation	Decumulator	11 October 2012	HK$8.81
HK$5,721,000	China Life Insurance Company Limited	Decumulator	25 October 2012	HK$23.07
HK$5,859,000	Agricultural Bank of China Limited	Decumulator	25 October 2012	HK$3.94
HK$5,613,000	Agricultural Bank of China Limited	Decumulator	22 November 2012	HK$4.04
HK$5,660,000	China Construction Bank Corporation	Decumulator	26 November 2012	HK$6.34
HK$5,627,000	Industrial and Commercial Bank of China Limited	Decumulator	3 December 2012	HK$5.67
HK$5,900,000	Agricultural Bank of China Limited	Decumulator	21 December 2012	HK$4.10

The analysis of the net cash flow derived from decumulator contracts and accumulator contracts is presented in the section headed "Liquidity risk management" of Note 38 to the consolidated financial statements.

For the year ended 31 December 2011

21. INVESTMENTS HELD-FOR-TRADING

	2011 HK$'000	2010 HK$'000
Equity securities listed in Hong Kong	**68,025**	72,910

The movement of investments held-for-trading during the year:

	2011 HK$'000	2010 HK$'000
Balance at the beginning of the year	**72,910**	92,996
Additions	**241,109**	180,947
Disposals	**(232,797)**	(203,000)
Change in fair values of investments held-for-trading	**(13,197)**	1,967
Balance at the end of the year	**68,025**	72,910

The fair values of the investments held-for-trading are determined based on the quoted market bid prices available on the relevant exchanges.

22. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

The deposits carry variable interest rate ranging from 0.001% to 3.41% (2010: 0.001% to 3.30%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31 December 2011 approximates to the corresponding carrying amount.

23. TRADE AND OTHER PAYABLES

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

	2011 HK$'000	2010 HK$'000
0 – 60 days	**21,705**	19,870
61 – 90 days	**1,621**	979
91 – 120 days	**322**	128
Over 120 days	**544**	355
Trade payable	**24,192**	21,332
Other payable	**30,959**	24,224
	55,151	45,556

The fair value of the Group's trade and other payables at 31 December 2011 approximates to the corresponding carrying amount.

24. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Unsecured bank loans classified as current liabilities	**25,670**	27,750

The unsecured bank loans and unsecured trust receipt loans were secured by corporate cross guarantee given by the Group. The unsecured bank loans and unsecured trust receipt loans will be charged at variable interest rates ranging from 0.60% to 2.65% (2010: 0.62% to 2.35%).

The amounts are repayable as extracted from agreed repayment schedules from financial institutions are as follows:

	2011 HK$'000	2010 HK$'000
On demand or within one year	**16,449**	9,264
More than one year, but not exceeding two years	**9,221**	9,264
More than two year, but not exceeding five years	**–**	9,222
	25,670	27,750
Less: carrying amount of bank loans and trust receipt 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)	**(9,221)**	(18,486)
	16,449	9,264

The Group does not have any new term bank loan (2010: HK$12,000,000). The bank loan was outstanding balance raised in 2008 and 2010. The term loan bears interest at market rate and is repayable in instalments over a period of 5 years. The proceeds are used to finance the working capital of the Group. Loans of approximately HK$9,264,000 (2010: HK$8,065,000) were repaid during the year.

As all the term loans include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause"), according to HK Int 5 which requires the classification of whole term loans containing the repayment on demand clause as current liabilities, all the term loans were classified by the Group as current liabilities. The comparative figures were reclassified retrospectively.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2010	1,182	(2,602)	(1,420)
(Credit) charge to income for the year	(278)	357	79
At 31 December 2010 and 1 January 2011	904	(2,245)	(1,341)
Credit to income for the year	(439)	(3,536)	(3,975)
At 31 December 2011	465	(5,781)	(5,316)

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011 HK$'000	2010 HK$'000
Deferred tax liabilities	**668**	827
Deferred tax assets	**(5,984)**	(2,168)
	(5,316)	(1,341)

At the end of reporting period, the Group has unused tax losses of approximately HK$125,982,000 (2010: HK$92,473,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of approximately HK$35,037,000 (2010: HK$13,608,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$90,945,000 (2010: HK$78,865,000) due to the unpredictability of future profit streams.

For the year ended 31 December 2011

26. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
700,000,000 Ordinary shares of HK$0.10 each				
Balance at the beginning of the year	**70,000**	70,000	**27,521**	28,704
Exercise of share options	**–**	–	**300**	1,050
Share repurchased and cancelled (note 1)	**–**	–	**(1,440)**	(2,233)
Balance at the end of the year	**70,000**	70,000	**26,381**	27,521

Note1: During the year, the Company repurchased its own shares through the Stock Exchange as follows:

	Number of shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Total amount paid
		HK$	HK$	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
September 2011	550,000	0.720	0.710	395,903
October 2011	900,000	0.680	0.670	609,832
November 2011	1,600,000	0.720	0.680	1,135,947
December 2011	2,280,000	0.720	0.700	1,628,925
	14,400,000			10,541,147

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

For the year ended 31 December 2011

27. ACQUISITION OF ADDITIONAL EQUITY INTEREST OF AN EXISTING SUBSIDIARY

On 18 February 2011, the Group acquired 11.8% additional equity interest of its subsidiary, Fareastern Trade Limited, an existing subsidiary of the Group, for a cash consideration of HK$4,638,000. After the acquisition, the Company holds approximately 88% equity interest of the subsidiary through its wholly-owned subsidiary. The acquisition has been accounted for using acquisition method of accounting.

The aggregate net assets acquired in the transaction and the difference arising on the acquisition are as follows:

	HK$000
Total assets acquired:	
Property, plant and equipment	10,765
Amounts due from associates	2,750
Inventories	6,739
Trade and other receivables	9,212
Investment in an associate	2,611
Amounts due from fellow subsidiaries	61,004
Tax recoverable	98
Bank balances and cash	4,013
	97,192
Total liabilities acquired:	
Trade and other payables	9,752
Amounts due to associates	19,129
Amounts due to an inter-mediate holding company	30,830
Amounts due to fellow subsidiaries	4
Deferred tax liabilities	781
	60,496
Net asset acquired	36,696
Consideration transferred	4,638
Additional equity interest acquired (11.8%)	(4,331)
Transferred to shareholders' equity	307
Net cash outflow arising on acquisition of additional interest of an existing subsidiary	
Cash consideration	(4,638)
Less: cash and bank balances acquired	–
	(4,638)

For the year ended 31 December 2011

28. DISPOSAL OF PARTIAL EQUITY INTEREST OF AN EXISTING SUBSIDIARY

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. After the disposal, the Company still holds approximately 79.6% equity interest of the subsidiary indirectly.

The aggregate net assets disposed in the transaction and the difference arising on the acquisition is as follows:

	HK$000
Total assets disposed:	
Property, plant and equipment	5,510
Inventories	18,268
Trade and other receivables	18,223
Deferred tax assets	128
Amounts due from related companies	55,408
Bank balances and cash	6,054
	103,591
Total liabilities disposed:	
Trade and other payables	15,122
Amounts due to an immediate holding company	2,083
Amounts due to fellow subsidiaries	49,865
Accrued expenses	3,496
Provision for taxation	318
Amounts due to an inter-mediate holding company	18,207
	89,091
Net assets disposed of	14,500
Consideration received	2,495
Net assets disposed of (18%)	(2,610)
Transferred to shareholders' equity	(115)
Net cash inflow arising on disposal of partial interest of an existing subsidiary	
Cash consideration	2,495
Less: cash and bank balances disposed of	–
	2,495

For the year ended 31 December 2011

29. PLEDGE OF ASSETS

The following assets were pledged to secure the margin loan facilities granted to the Group:

(i) Investments held-for-trading with a carrying value of approximately HK$67,055,000 (2010: HK$71,935,000); and

(ii) Bank deposits of approximately HK$1,254,000 (2010: HK$4,818,000).

At 31 December 2011, the Group has utilised margin loan facilities from bank with an amount of approximately HK$Nil (2010: HK$Nil).

30. OPERATING LEASES

The Group as lessee

	2011 HK$'000	2010 HK$'000
Minimum lease payments paid under operating leases during the year		
Rented premises	**4,787**	5,906

At 31 December 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**4,796**	5,380
In the second to fifth years inclusive	**9,511**	10,951
Over five years	**43,009**	33,252
	57,316	49,583

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

For the year ended 31 December 2011

31. CAPITAL COMMITMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
Contracted but not provided for	**1,373**	2,066
Authorised for but not contracted for	**74**	365

32. OTHER COMMITMENTS

At 31 December 2011, the Group carried outstanding forward contracts which entailed a commitment for sale and purchase of equity shares of notional amount of approximately HK$88,494,000 and HK$32,939,000 respectively (2010: HK$49,451,000 and HK$11,098,000) as disclosed in note 20.

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

(b) Financial guarantees issued

At the end of 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 31 December 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.

34. SHARE-BASED PAYMENT TRANSACTIONS

The share option scheme (the "Scheme") was adopted 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 of the Company 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.

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 39,196,000 representing approximately 14.90% of the shares of the Company in issue at that date.

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. 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. the 5th business day following the offer date provided that no such offer shall be opened for acceptance after the tenth anniversary of the adoption date or after the Scheme has been terminated. Option may be exercised during the period as the board of Directors of the Company 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 option 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 year from the Directors and employees for taking up the options granted during the year is HK$15 (2010: HK$Nil).

All options were vested on the date of grant.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

The exercise price is determined by the board of Directors of the Company 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.

The following table discloses details of the Company's share options held by employees and movements in such holdings during the year:

		Number of share options							
	Option type	At 1.1.2010	Granted during the year	Exercised during the year	At 31.12.2010 & 1.1.2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.2011
Directors	B	2,000,000	–	–	2,000,000	–	–	–	2,000,000
	D	900,000	–	(300,000)	600,000	–	–	–	600,000
	E	1,000,000	–	(1,000,000)	–	–	–	–	–
	F	1,800,000	–	(1,800,000)	–	–	–	–	–
	G	–	–	–	–	14,400,000	–	–	14,400,000
		5,700,000	–	(3,100,000)	2,600,000	14,400,000	–	–	17,000,000
Employees	C	4,500,000	–	–	4,500,000	–	(3,000,000)	–	1,500,000
	D	8,200,000	–	–	8,200,000	–	–	(1,200,000)	7,000,000
	E	3,500,000	–	(3,500,000)	–	–	–	–	–
	F	3,900,000	–	(3,900,000)	–	–	–	–	–
	H	–	–	–	–	13,196,000	–	–	13,196,000
		20,100,000	–	(7,400,000)	12,700,000	13,196,000	(3,000,000)	(1,200,000)	21,696,000
Others	A	1,000,000	–	–	1,000,000	–	–	–	1,000,000
	B	1,000,000	–	–	1,000,000	–	–	–	1,000,000
		2,000,000	–	–	2,000,000	–	–	–	2,000,000
Total		27,800,000	–	(10,500,000)	17,300,000	27,596,000	(3,000,000)	(1,200,000)	40,696,000

34. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$
A	5 June 2002	5 July 2002 to 17 May 2012	0.664
B	2 February 2005	2 May 2005 to 31 December 2014	0.608
C	24 March 2006	24 April 2006 to 31 December 2014	0.540
D	2 November 2007	1 December 2007 to 31 December 2016	0.850
E	14 October 2008	1 November 2008 to 31 December 2017	0.389
F	20 May 2009	1 June 2009 to 31 December 2018	0.375
G	13 April 2011	1 May 2011 to 31 December 2020	0.740
H	28 April 2011	1 May 2011 to 31 December 2020	0.770

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 being the dates of grant of the respective 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 Trinomial Option Pricing Model, the details of the options granted during the year under the Option 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	Volatility	Expiration of the options	Dividend yield
13 April 2011	14,400,000	HK$3,194,000	HK$0.740	2.805%	39.699%	31 December 2020	7.635%
28 April 2011	13,196,000	HK$3,026,000	HK$0.770	2.633%	39.761%	31 December 2020	7.649%

Share options were exercised on various dates during the year, the weighted average closing price of the Company's shares immediately before those dates was HK$0.7225.

35. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme are required to switch to the MPF Scheme and all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at the rate of 5% the employee's basic salary.

Employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the PRC Government. The Group are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

At the end of reporting period, there was no forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years.

The total cost recognised in the consolidated statement of comprehensive income of approximately HK$492,000 (2010: HK$514,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

36. EVENT AFTER THE REPORTING PERIOD

Subsequent to year end, the Company has purchased 2,200,000 shares of its own shares through the Stock Exchange:

	Number of shares of HK$0.10 each	**Price per share Highest**	**Price per share Lowest**	**Total Amount Paid**
		HK$	HK$	HK$
10 January 2012	1,000,000	0.710	0.710	714,353
18 January 2012	1,200,000	0.710	0.710	857,224
	2,200,000			1,571,577

37. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with related parties who are not members of the Group:

	2011 HK$'000	2010 HK$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	**240**	240

	2011 HK$'000	2010 HK$'000 *(Restated)*
Sales to:		
Onwell Headtrade Limited *(Note a)*	**1,823**	4,586
Amounts due from		
Onwell Headtrade Limited *(Note a)*	**1,161**	2,445

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

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2011 HK$'000	2010 HK$'000 *(Restated)*
Short-term benefits	**4,950**	6,318
Post-employment benefits	**130**	125
Share-based payments	**3,194**	–
	8,274	6,443

The remuneration of Directors and key executives is determined by the Board and reviewed by the remuneration committee having regard to the performance of individuals and market trends.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk management

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. The Group currently has a foreign currency hedging policy and the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting period are as follows:

	Assets 2011 HK$'000	**Liabilities 2011 HK$'000**	Assets 2010 HK$'000	Liabilities 2010 HK$'000
Renminbi ("RMB")	**12,250**	**14,841**	13,722	13,077

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars, the effect in the profit for the year is as follows:

	Impact of RMB 2011 HK$'000	Impact of RMB 2010 HK$'000
Increase/decrease in profit for the year	**130**	32

Besides, at the end of the reporting period, the Group has bank balances of USD2,955,000 approximately, the sensitivity analysis of changing in USD exchange rate is insignificant as the Hong Kong dollars banknotes are fully backed by US dollar held by Exchange Fund at the rate of HK$7.8 to US$1.0.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk management

Internally generated cash flow and bank borrowings are the general sources of funds to finance the operations of the Group. The majority of the Group's banking facilities are subject to floating rates and are renewable annually. The Group liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The maturity profiles of the Group of the Group's financial liabilities at the end of reporting period based on contractual undiscounted payments are summarised below:

2011

	Within 1 year HK$'000	2-5 years HK$'000	Total HK$'000
Trade payables	24,192	–	24,192
Accruals and other payables	30,959	–	30,959
Tax liabilities	2,373	–	2,373
Derivative financial instruments	3,692	–	3,692
Bank borrowings	16,449	9,221	25,670
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,373	–	1,373
Capital commitments in respect of the acquisition of property, plant and equipment authorised but not contracted for in the consolidated financial statements	74	–	74
	79,112	9,221	88,333

For the year ended 31 December 2011

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk management *(Cont'd)*

2010

	Within 1 year HK$'000	2-5 years HK$'000	Total HK$'000
Trade payables	21,332	–	21,332
Accruals and other payables	24,224	–	24,224
Tax liabilities	2,347	–	2,347
Derivative financial instruments	3,009	–	3,009
Bank borrowings	9,264	18,486	27,750
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	2,066	–	2,066
Capital commitments in respect of the acquisition of property, plant and equipment authorised but not contracted for in the consolidated financial statements	365	–	365
	62,607	18,486	81,093

The following table details the Group's liquidity analysis for its derivative instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows from derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows from those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than 1 month HK$'000	**1-3 months** HK$'000	**3 months to 1 year** HK$'000	**Total undiscounted cash flows** HK$'000
2011				
Derivatives – net settlement				
Decumulator contract – inflow	**8,123**	**17,151**	**63,220**	**88,494**
Accumulator contract – outflow	**(5,884)**	**(12,561)**	**(14,116)**	**(32,561)**
	2,239	**4,590**	**49,104**	**55,933**
2010				
Derivatives – net settlement				
Decumulator contract – inflow	8,146	14,512	26,793	49,451
Accumulator contract – outflow	(988)	(1,881)	(8,229)	(11,098)
	7,158	12,631	18,564	38,353

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings which are not significant.

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk management

The Group's investments in equity are listed in Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 5% in the current year as a result of the volatile financial market.

If listed equity prices had been 5% higher/lower (2010: 5% higher/lower), profit for the year ended 31 December 2011 would increase/decrease by HK$3,401,000 (2010: HK$3,646,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values

As at 31 December 2011, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Directors consider that financial assets at fair value through profit or loss are included in the consolidated statement of financial position at amounts approximating to their fair values.

As detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (Highest level): fair values measured are those derived from quoted prices (unadjusted) in active markets for identical financial instruments;

- Level 2: fair values measured are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 (Lowest level): fair values measured are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2011

	Level 1 HK$'000	**Level 2 HK$'000**	**Total HK$'000**
Assets			
Investments held-for-trading – listed	68,025	–	68,025
Derivative financial assets	–	622	622
	68,025	622	68,647
Liabilities			
Derivative financial liabilities	–	3,692	3,692

There were no transfers between Levels 1 and 2 in the current year.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values *(Cont'd)*

The fair values of financial instruments are determined as follows:

- The fair values of financial instruments with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2011, the Group's strategy remained unchanged as compared to that in 2010. The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as total borrowings divided by equity attributable to equity holders of the Company.

The management considers the gearing ratio at the year end was as follows:

	2011 **HK$'000**	2010 HK$'000
Borrowings	**25,670**	27,750
Equity attributable to owners of the Company	**201,412**	219,203
Gearing ratio	**13%**	13%

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Asia Rich (Far East) Limited	Hong Kong	–	79.6%	HK$2	Investment Holding
Benefit International Packing Materials Limited	Hong Kong	–	100%	HK$10,000	Trading of PVC films
Benefit Packing Materials Limited	Hong Kong	–	75%	HK$1,000,000	Trading of PVC films
Beyond Growth International Limited	Hong Kong	–	79.6%	HK$100,000	Manufacture and sales of toys
Dream Creation Limited	Hong Kong	–	79.6%	HK$2	Investment holding and distribution of toys
Fareastern Trade Limited	British Virgin Islands ("BVI")	–	88%	US$87,618	Investment holding
Freshwater Trading Limited	BVI	–	100%	US$1	Investment holding
Golden Enterprise Holdings Limited	Hong Kong	–	100%	HK$2	Distribution of toys
Headfit Paper Bags Trading Limited	Hong Kong	–	100%	HK$10,000	Securities investments and trading of paper bags
iTech Limited	Hong Kong	–	100%	HK$2	Investment holding
Leader Packaging Company Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Leader Stationery Gifts Manufacturing Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture and sales of stationery products
Link Faith Company Limited	Hong Kong	–	100%	HK$100,000	Securities investments
Mars Technology Limited	BVI	–	79.6%	US$10	Investment holding
New Genius Technology Limited	BVI	–	100%	US$1	Investment holding

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Proportion of nominal value of issued/paid up capital held by the Company Indirectly	Paid up ordinary share capital	Principal activities
Onward Packing Manufacturer Limited	Hong Kong	–	100%	HK$320,000	Manufacture of novelties, Festival decorations products
Perfectech Colour Centre Limited	Hong Kong	–	100%	HK$1,000,000	Dye stuff manufacturing
Perfectech Enterprises (B.V.I.) Limited	BVI	–	100%	US$1	Investment holding
Perfectech International (B.V.I.) Limited	BVI	100%	–	US$50	Investment holding
Perfectech International Toys Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Perfectech International Limited	Hong Kong	–	100%	HK$200 HK$80,000 (non-voting deferred shares)	Investment holding
Perfectech International Manufacturing Limited	BVI	–	100%	US$2,457,000	Investment holding
Perfectech International Packaging Products Company Limited	Hong Kong	–	100%	HK$450,000	Manufacture of packaging products
Perfectech International Trading Limited	Hong Kong	–	100%	HK$2	Trading of novelties and festival decorations
Perfectech Paper Products Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture of paper products
Perfectech Plastic Limited	Hong Kong	–	100%	HK$1,000,000	Trading of plastic materials
Perfectech Printing Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture of printing products
Perfectech Rigid (PVC) Pipe Manufacturing Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Shouji Mould Engineering Company Limited	Hong Kong	–	88%	HK$2	Distribution of mould
Shouji Tooling Factory Limited	Hong Kong	–	88%	HK$1,000	Manufacture and sales of moulds
Skyrocket Assets Limited	BVI		100%	US$1	Investment holding
Sunflower Garland Manufactory Limited	Hong Kong	–	100%	HK$2 HK$160,000 (non-voting deferred shares)	Securities investment
Yu-Me (H.K.) Limited	Hong Kong	–	100%	HK$2	Provision of management services
中山市威嘉紙品有限公司	The PRC	–	100%	HK$12,500,000	Manufacture of paper products
東青林模具塑膠(深圳)有限公司	The PRC	–	88%	HK 500,000	Manufacture and sales of moulds
珠海市多發塑膠制品有限公司	The PRC	–	100%	HK 500,000	Manufacture and trading of novelties and festival decorations products
金正利貿易(深圳)有限公司	The PRC	–	100%	HK$1,000,000	Trading of PVC films
江門市安發塑膠制品有限公司	The PRC	–	100%	HK$600,000	Manufacture of novelties and festival decorations products

None of the subsidiaries had any debt securities outstanding at the end of the year.

During the year, "偉發模具塑膠（深圳）有限公司" was voluntarily wound up with net asset value of HK$1,922,892.

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011	2010
	HK$'000	HK$'000
Unlisted investments in subsidiaries	**32,061**	32,061
Bank balances and cash	**75**	2
Other current assets	**132,780**	120,450
Current liability	**(193)**	(773)
Tax liability	**(877)**	(894)
Net assets	**163,846**	150,846
Share capital (note 26)	**26,381**	27,521
Reserves	**137,465**	123,325
Total equity	**163,846**	150,846

Profit of the Company for 2011 amounted to HK$25,116,000 (2010: HK$1,910,000).

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	524,950	514,771	404,606	382,779	**382,963**
(Loss) profit before tax	38,326	(73,805)	45,842	21,541	**(5,255)**
Income tax credit (expenses)	(4,229)	(61)	(7,156)	(154)	**1,623**
(Loss) profit for the year	34,097	(73,866)	38,686	21,387	**(3,632)**
Attributable to:					
Owners of the Company	32,207	(75,855)	37,776	20,175	**(5,613)**
Non-controlling interests	1,890	1,989	910	1,212	**1,981**
(Loss) profit for the year	34,097	(73,866)	38,686	21,387	**(3,632)**

ASSETS AND LIABILITIES

	At 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	389,269	312,108	325,124	307,950	**298,189**
Total liabilities	(89,679)	(97,928)	(81,989)	(79,489)	**(87,554)**
Total equity	299,590	214,180	243,135	228,461	**210,635**
Non-controlling interests	8,365	9,291	9,491	9,258	**9,223**
Equity attributable to owners of the Company	291,225	204,889	233,644	219,203	**201,412**
Total equity	299,590	214,180	243,135	228,461	**210,635**

PARTICULARS OF MAJOR PROPERTIES

INVESTMENT PROPERTIES

Location	Use	Category of lease	Group's interest
Unit 2, 8/F, Sun Hing Industrial Building, No.46 Wong Chuk Hang Road, Hong Kong	Industrial	Long-term	100%