

The logo consists of the word "Perfectech" in a bold, black, sans-serif font, centered within a yellow rectangular box with rounded corners. This yellow box is set against a dark blue background that also has rounded corners.

# Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability  
Stock Code:765

The background is a vibrant, abstract composition of overlapping, semi-transparent shapes in shades of blue, purple, orange, and red. In the lower-middle section, there are silhouettes of several people in various dynamic poses, suggesting a group performance or celebration. The overall effect is one of energy and modernity.

INTERIM REPORT **2012**



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors:*

Mr. Poon Siu Chung  
(*Chairman and Managing Director*)  
Mr. Ip Siu On (*resigned on 22 May 2012*)  
Mr. Tsui Yan Lee, Benjamin  
Dr. Poon Wai Tsun, William  
Mr. Poon Wai Yip, Albert

#### *Independent Non-executive Directors:*

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

### COMPANY SECRETARY

Ms. Pang Siu Yin

### AUDITORS

HLM & 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

### 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](http://www.perfectech.com.hk)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012 AND THE SIX MONTHS ENDED 30 JUNE 2011

		<b>(Unaudited)</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2012</b>	2011
	Notes	<b>HK\$'000</b>	HK\$'000
			(Restated)
<b>Continuing operations</b>			
Revenue	2 & 3	<b>112,671</b>	120,611
Cost of sales		<b>(93,712)</b>	(104,101)
Gross profit		<b>18,959</b>	16,510
Net other incomes (losses)	4	<b>10,728</b>	(793)
Distribution costs		<b>(3,887)</b>	(4,473)
Administrative expenses		<b>(16,052)</b>	(18,939)
Finance costs		<b>(194)</b>	(154)
Profit (loss) before tax	5	<b>9,554</b>	(7,849)
Income tax (expenses) credit	6	<b>(1,489)</b>	1,022
Profit (loss) for the period from continuing operations		<b>8,065</b>	(6,827)
<b>Discontinued operation</b>			
(Loss) profit for the period from discontinued operation	7	<b>(1,491)</b>	584
Profit (loss) for the period		<b>6,574</b>	(6,243)
Other comprehensive income			
Exchange differences on translation of overseas operations		<b>1,668</b>	208
Total comprehensive income (expenses) for the period		<b>8,242</b>	(6,035)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2012 AND THE SIX MONTHS ENDED 30 JUNE 2011

		<b>(Unaudited)</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2012</b>	2011
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
			(Restated)
Profit (loss) for the period attributable to:			
Owners of the Company			
Profit (loss) from continuing operations		<b>7,227</b>	(7,154)
(Loss) profit from discontinued operation		<b>(1,490)</b>	584
		<b>5,737</b>	(6,570)
Non-controlling interests			
Profit from continuing operations		<b>838</b>	327
Loss from discontinued operation		<b>(1)</b>	–
		<b>837</b>	327
Profit (loss) for the period		<b>6,574</b>	(6,243)
Total comprehensive income (expenses)			
for the period attributable to:			
Owners of the Company		<b>7,308</b>	(6,371)
Non-controlling interests		<b>934</b>	336
Total comprehensive income (expenses)		<b>8,242</b>	(6,035)
Dividends	8	<b>28,766</b>	6,756
Earnings (loss) per share	9		
From continuing and discontinued operations			
Basic		<b>2.19 cents</b>	(2.41) cents
Diluted		<b>2.18 cents</b>	N/A
From continuing operations			
Basic		<b>2.75 cents</b>	(2.63) cents
Diluted		<b>2.75 cents</b>	N/A



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012 AND 31 DECEMBER 2011

		(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>38,589</b>	38,330
Investment property		<b>8,500</b>	8,500
Deferred tax assets		<b>5,968</b>	5,984
		<b>53,057</b>	52,814
<b>CURRENT ASSETS</b>			
Inventories		<b>70,299</b>	60,256
Trade and other receivables	11	<b>48,950</b>	53,050
Amount due from a related company	21	<b>586</b>	1,161
Tax recoverable		<b>608</b>	608
Investments held-for-trading	13	<b>63,628</b>	68,025
Derivative financial instruments	12	<b>1,085</b>	622
Pledged bank deposits		<b>1,691</b>	1,254
Bank balances and cash		<b>21,643</b>	60,399
		<b>208,490</b>	245,375
Assets classified as held for sale	14	<b>2,898</b>	–
		<b>211,388</b>	245,375
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<b>52,972</b>	55,151
Derivative financial instruments	12	<b>1,915</b>	3,692
Tax liabilities		<b>4,005</b>	2,373
Bank borrowings – due within one year	16	<b>15,860</b>	25,670
Bank overdraft		<b>139</b>	–
		<b>74,891</b>	86,886

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2012 AND 31 DECEMBER 2011

		<b>(Unaudited)</b> <b>30 June</b> <b>2012</b> <b>HK\$'000</b>	(Audited) 31 December 2011 HK\$'000
Liabilities directly associated with assets classified as held for sale	14	<b>1,507</b>	–
		<b>76,398</b>	86,886
NET CURRENT ASSETS		<b>134,990</b>	158,489
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>188,047</b>	211,303
NON CURRENT LIABILITIES			
Deferred tax liabilities		<b>269</b>	668
NET ASSETS		<b>187,778</b>	210,635
CAPITAL AND RESERVES			
Share capital	17	<b>26,151</b>	26,381
Reserves		<b>152,540</b>	175,031
Equity attributable to owners of the Company		<b>178,691</b>	201,412
Non-controlling interests		<b>9,087</b>	9,223
TOTAL EQUITY		<b>187,778</b>	210,635

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012 AND THE SIX MONTHS ENDED 30 JUNE 2011

(Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Equity attributable to owners of the Company		Non-controlling interests HK\$'000	Total HK\$'000
							Company	Non-controlling interests		
At 1 January 2012	26,381	65,622	9,578	8,384	388	91,059	201,412	9,223	210,635	
Profit for the period	-	-	-	-	-	5,737	5,737	837	6,574	
Other comprehensive income for the period	-	-	-	-	1,571	-	1,571	97	1,668	
Total comprehensive income for the period	-	-	-	-	1,571	5,737	7,308	934	8,242	
Dividends	-	-	-	-	-	(28,766)	(28,766)	(1,070)	(29,836)	
Shares issued upon exercise of options	350	2,148	-	(472)	-	-	2,026	-	2,026	
Repurchase and cancellation of shares	(580)	(3,768)	580	-	-	(580)	(4,348)	-	(4,348)	
Share option granted	-	-	-	1,059	-	-	1,059	-	1,059	
Share option lapsed	-	-	-	(965)	-	965	-	-	-	
At 30 June 2012	26,151	64,002	10,158	8,006	1,959	68,415	178,691	9,087	187,778	
(Restated)										
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 period	-	-	-	-	-	(6,570)	(6,570)	327	(6,243)	
Other comprehensive income for the period	-	-	-	-	199	-	199	9	208	
Total comprehensive income (expenses) for the period	-	-	-	-	199	(6,570)	(6,371)	336	(6,035)	
Dividends	-	-	-	-	-	(6,756)	(6,756)	-	(6,756)	
Repurchase and cancellation of shares	(907)	(5,864)	907	-	-	(907)	(6,771)	-	(6,771)	
Share option granted	-	-	-	5,347	-	-	5,347	-	5,347	
Share option lapsed	-	-	-	(247)	-	-	(247)	-	(247)	
Acquisition of additional equity interest of an existing subsidiary	-	-	-	-	-	(421)	(421)	(4,217)	(4,638)	
At 30 June 2011	26,614	67,098	9,045	7,952	277	92,998	203,984	5,377	209,361	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
 FOR THE SIX MONTHS ENDED 30 JUNE 2012 AND THE SIX MONTHS ENDED 30 JUNE 2011

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	<b>(3,537)</b>	(34,400)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<b>5,616</b>	(8,578)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<b>(40,783)</b>	1,106
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(38,704)</b>	(41,872)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		
Bank balances and cash	<b>60,399</b>	72,487
Effect of change in foreign exchange rates	<b>968</b>	35
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>22,663</b>	30,650
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash (Note)	<b>22,802</b>	30,650
Bank overdrafts	<b>(139)</b>	–
	<b>22,663</b>	30,650
<i>Note:</i>		
Bank balances and cash	<b>21,643</b>	30,650
Bank balances and cash included in assets classified as held for sale	<b>1,159</b>	–
	<b>22,802</b>	30,650





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard (the “HKAS”) 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2012 as follows:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Amendments to HKAS 1 HKAS 19 (Revised 2011) HKAS 27 (Revised 2011) HKAS 28 (Revised 2011) HKFRS 9 HKFRS 10 HKFRS 11 HKFRS 12 HKFRS 13 Amendments to HKFRS 7	Presentation of Items of Other Comprehensive Income <sup>1</sup> Employee Benefits <sup>2</sup> Separate Financial Statements <sup>2</sup> Investments in Associates and Joint Ventures <sup>2</sup> Financial Instruments <sup>4</sup> Consolidated Financial Statements <sup>2</sup> Joint Arrangements <sup>2</sup> Disclosures of Interests in Other Entities <sup>2</sup> Fair Value Measurement <sup>2</sup> Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
Amendments to HKAS 32 HK(IFRIC)-Int 20	Offsetting Financial Assets and Financial Liabilities <sup>3</sup> Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

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

Key requirements of HKFRS 9 are described as follows:

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- 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.

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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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.

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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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 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 recognized immediately through other comprehensive income in order for the net pension asset or liability recognized 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 BUSINESS SEGMENTS

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

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

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

	Continuing operations			Discontinued operation			Group HK\$'000
	Novelties and decorations HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Total HK\$'000	PVC films and plastic materials HK\$'000	Eliminations HK\$'000	
<b>REVENUE</b>							
External sales	20,109	16,689	75,873	112,671	9,344	-	122,015
Inter-segment sales	-	5,369	-	5,369	2,285	(7,654)	-
Total revenue	<u>20,109</u>	<u>22,058</u>	<u>75,873</u>	<u>118,040</u>	<u>11,629</u>	<u>(7,654)</u>	<u>122,015</u>
<b>RESULT</b>							
Segment results	<u>(4,185)</u>	<u>(557)</u>	<u>8,979</u>	4,237	(1,669)	-	2,568
Profit from investments				7,159	-	-	7,159
Unallocated corporate expenses				(1,648)	-	-	(1,648)
Finance costs				(194)	(50)	-	(244)
Profit (loss) before tax				<u>9,554</u>	<u>(1,719)</u>	-	<u>7,835</u>
Income tax (expenses) credit				(1,489)	228	-	(1,261)
Profit (loss) for the period				<u>8,065</u>	<u>(1,491)</u>	-	<u>6,574</u>

Inter-segment sales are charged at prevailing market rates.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 BUSINESS SEGMENTS (CONTINUED)

As at 30 June 2012 (Unaudited)

	Continuing operations				Discontinued operation	
	Novelties and decorations HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Total HK\$'000	PVC films and plastic materials	Group HK\$'000
					HK\$'000	
ASSETS						
Segment assets	64,517	42,674	73,642	180,833	821	181,654
Assets classified as held for sale					2,898	2,898
Unallocated corporate assets					-	79,893
Consolidated total assets					<u>3,719</u>	<u>264,445</u>
LIABILITIES						
Segment liabilities	41,368	4,224	24,505	70,097	-	70,097
Liabilities directly associated with assets classified as held for sale					1,507	1,507
Unallocated corporate liabilities					-	5,063
Consolidated total liabilities					<u>1,507</u>	<u>76,667</u>

### OTHER INFORMATION

For the six months ended 30 June 2012 (Unaudited)

	Continuing operations					Discontinued operation	
	Novelties and decorations HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Others HK\$'000	Total HK\$'000	PVC films and plastic materials	Group HK\$'000
						HK\$'000	
Capital additions	595	27	3,377	53	4,052	-	4,052
Depreciation and amortisation	1,055	1,131	2,019	1	4,206	7	4,213
Interest income	14	17	6	1	38	1	39

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 BUSINESS SEGMENTS (CONTINUED)

For the six months ended 30 June 2011 (Unaudited) (Restated)

	Continuing operations			Discontinued operation			Group HK\$'000
	Novelties and decorations	Packaging products	Toy products	Total	PVC films and plastic materials	Eliminations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>REVENUE</b>							
External sales	18,595	27,954	74,062	120,611	30,056	-	150,667
Inter-segment sales	-	6,856	-	6,856	715	(7,571)	-
<b>Total revenue</b>	<b>18,595</b>	<b>34,810</b>	<b>74,062</b>	<b>127,467</b>	<b>30,771</b>	<b>(7,571)</b>	<b>150,667</b>
<b>RESULT</b>							
Segment results	(3,214)	(1,530)	5,489	745	662	-	1,407
Loss from investments				(3,048)	-	-	(3,048)
Unallocated corporate expenses				(5,392)	-	-	(5,392)
Finance costs				(154)	(5)	-	(159)
(Loss) profit before tax				(7,849)	657	-	(7,192)
Income tax credit (expenses)				1,022	(73)	-	949
(Loss) profit for the period				(6,827)	584	-	(6,243)

Inter-segment sales are charged at prevailing market rates.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 BUSINESS SEGMENTS (CONTINUED)

As at 31 December 2011 (Audited)

	Continuing operations				Discontinued operation	Group HK\$'000
	Novelties and decorations HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Total HK\$'000	PVC films and plastic materials HK\$'000	
<b>ASSETS</b>						
Segment assets	54,663	50,557	92,372	197,592	17,784	215,376
Unallocated corporate assets						82,813
Consolidated total assets						<u>298,189</u>
<b>LIABILITIES</b>						
Segment liabilities	37,168	8,508	28,563	74,239	7,295	81,534
Unallocated corporate liabilities						6,020
Consolidated total liabilities						<u>87,554</u>

## OTHER INFORMATION

For the six months ended 30 June 2011 (Unaudited) (Restated)

	Continuing operations				Discontinued operation	Group HK\$'000	
	Novelties and decorations HK\$'000	Packaging products HK\$'000	Toy products HK\$'000	Others HK\$'000	Total HK\$'000		PVC films and plastic materials HK\$'000
Capital additions	308	733	4,918	–	5,959	3	5,962
Depreciation and amortisation	1,121	1,765	2,090	–	4,976	20	4,996
Interest income	11	15	8	–	34	2	36
Release of prepaid lease payments	–	–	6	–	6	–	6

### Information about major customer

Included in revenues arising from sales of toys products of approximately HK\$75,873,000 (2011: HK\$74,062,000) are revenues of approximately HK\$39,859,000 (2011: HK\$55,537,000) which arose from sales to the Group's largest customer.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 GEOGRAPHICAL SEGMENTS

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

	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Sales revenue by geographical market:		
Hong Kong	<b>13,341</b>	22,213
Europe	<b>17,060</b>	22,167
America	<b>15,471</b>	24,089
Asia (other than Hong Kong)	<b>62,819</b>	49,055
Others	<b>3,980</b>	3,087
	<b>112,671</b>	120,611

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

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>131,593</b>	170,322
The People's Republic of China (the "PRC")	<b>132,852</b>	127,867
	<b>264,445</b>	298,189

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

	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Hong Kong	<b>483</b>	2
The PRC	<b>3,569</b>	5,957
	<b>4,052</b>	5,959

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 NET OTHER INCOMES (LOSSES)

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Bad debts recovered	–	120
Dividend income on listed investments	<b>1,991</b>	1,386
Exchange gain, net	<b>235</b>	–
Gain on disposal of property, plant and equipment	<b>2,018</b>	–
Interest income	<b>38</b>	34
Net change in fair value of investments held-for-trading	<b>(1,472)</b>	(1,968)
Net change in fair value of derivative financial instruments	<b>2,240</b>	986
Rental income	–	68
Realised (loss) gain on disposal of investments held-for-trading	<b>4,400</b>	(3,455)
Others	<b>1,278</b>	2,036
	<b>10,728</b>	(793)

## 5 PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived after charging:

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Depreciation of property, plant and equipment	<b>4,206</b>	4,976
Release of prepaid lease payments	–	6
Loss on disposals of property, plant and equipment	–	1

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	<b>(1,680)</b>	(432)
Over (under) provision in prior years:		
Hong Kong Profits Tax	<b>48</b>	–
PRC Enterprise Income Tax	<b>(12)</b>	(1)
	<b>36</b>	(1)
Deferred taxation:		
Current year	<b>155</b>	1,455
Total income tax (expenses) credit recognised in profit or loss	<b>(1,489)</b>	1,022

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7 DISCONTINUED OPERATION

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

The board determined to terminate the business of PVC films and plastic materials trading segment as a result of its continuous poor performance with effect from 31 May 2012. Details of the assets and liabilities to be disposed of are disclosed in note 14.

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
(Loss) profit for the period from discontinued operation		
Revenue	<b>9,344</b>	30,056
Cost of sales	<b>(9,589)</b>	(27,902)
Net other incomes	<b>8</b>	2
Expenses	<b>(1,482)</b>	(1,499)
(Loss) profit before tax	<b>(1,719)</b>	657
Income tax credit (expenses)	<b>228</b>	(73)
(Loss) profit for the period from discontinued operation	<b>(1,491)</b>	584
(Loss) profit for the period from discontinued operation attributable to		
Owners of the Company	<b>(1,490)</b>	584
Non-controlling interests	<b>(1)</b>	–
(Loss) profit for the period from discontinued operation	<b>(1,491)</b>	584
(Loss) profit for the period has been arrived after charging:		
Depreciation of property, plant and equipment	<b>7</b>	20
Loss on disposals of property, plant and equipment	<b>10</b>	–
Cash Flows from discontinued operation		
Net cash from (used in) operating activities	<b>945</b>	(3,171)
Net cash from (used in) investing activities	<b>1</b>	(1)
Net cash (used in) from financing activities	<b>(3,194)</b>	532
Net decrease in cash and cash equivalents	<b>(2,248)</b>	(2,640)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8 DIVIDENDS

	(Unaudited) For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Final and special paid:		
HK11.0 cents per share for 2011 (2011: HK2.5 cents per share for 2010)	<b>28,766</b>	6,756

The Directors have resolved to declare an interim dividend of HK2.0 cents (2011: HK1.0 cent) per share.

## 9 EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the net profit for the period of approximately HK\$5,737,000 (2011: loss of HK\$6,570,000) and the following data:

	(Unaudited) For the six months ended 30 June	
	2012	2011
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>262,508,157</b>	272,429,540
Effect of dilutive potential ordinary shares:		
Share options	<b>708,738</b>	1,767,625
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>263,216,895</b>	274,197,165

### From continuing operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the net profit for the period of approximately HK\$7,227,000 (2011: loss of HK\$7,154,000) and the denominators detailed above.

No diluted loss per share for the period ended 30 June 2011 has been presented because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9 EARNINGS (LOSS) PER SHARE (CONTINUED)

### From discontinued operation

	(Unaudited)	
	For the six months ended 30 June	
	2012	2011
Basic	(0.56) cents	0.22 cents
Diluted	N/A	0.21 cents

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the net loss for the period of approximately HK\$1,490,000 (2011: profit of HK\$584,000) and the denominators detailed above.

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

## 10 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$4,052,000 (2011: HK\$5,959,000).

## 11 TRADE AND OTHER RECEIVABLES

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

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

	(Unaudited)	(Audited)
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
0-60 days	36,148	36,506
61-90 days	2,294	2,998
91-120 days	709	2,044
Over 120 days	2,375	3,990
	<b>41,526</b>	<b>45,538</b>

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
0-60 days	6,440	6,032
61-90 days	333	293
91-120 days	-	79
Over 120 days	69	66
	<b>6,842</b>	<b>6,470</b>

## 12 DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2012, the major terms of the listed equity decumulators contracts held by the Group are as follows:

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$5,632,000	Petrochina Company Limited	22 August 2012	HK\$11.31
HK\$5,540,000	China Petroleum & Chemical Corporation	23 August 2012	HK\$8.12
HK\$6,148,000	CNOOC Limited	26 September 2012	HK\$15.37
HK\$5,862,000	China Construction Bank Corporation	4 October 2012	HK\$5.91
HK\$5,832,000	Petrochina Company Limited	8 October 2012	HK\$11.71
HK\$6,366,000	CNOOC Limited	8 October 2012	HK\$15.98
HK\$6,398,000	CNOOC Limited	8 October 2012	HK\$16.06
HK\$6,796,000	CNOOC Limited	8 October 2012	HK\$17.06
HK\$5,022,000	Industrial and Commercial Bank of China Limited	8 October 2012	HK\$5.04
HK\$6,467,000	Agricultural Bank of China Limited	8 October 2012	HK\$3.60
HK\$6,352,000	Agricultural Bank of China Limited	11 October 2012	HK\$3.87
HK\$5,660,000	China Construction Bank Corporation	26 November 2012	HK\$6.34
HK\$5,088,000	Petrochina Company Limited	5 June 2013	HK\$11.49
HK\$5,264,000	CNOOC Limited	5 June 2013	HK\$16.46
HK\$5,258,000	China Petroleum & Chemical Corporation	7 June 2013	HK\$8.22
HK\$5,413,000	Petrochina Company Limited	7 June 2013	HK\$11.83
HK\$5,414,000	CNOOC Limited	7 June 2013	HK\$16.93
HK\$5,526,000	CNOOC Limited	11 June 2013	HK\$17.28
HK\$5,571,000	CNOOC Limited	13 June 2013	HK\$17.49
HK\$5,529,000	Agricultural Bank of China Limited	13 June 2013	HK\$3.47
HK\$5,682,000	China Life Insurance Company Limited	13 June 2013	HK\$23.19
HK\$5,376,000	Agricultural Bank of China Limited	18 June 2013	HK\$3.66
HK\$5,274,000	China Construction Bank Corporation	2 July 2013	HK\$5.98
HK\$5,473,000	Agricultural Bank of China Limited	2 July 2013	HK\$3.60



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2012, the major terms of the listed equity accumulators contracts held by the Group are as follows:

<b>Nominal Amount</b>	<b>Underlying Securities</b>	<b>Maturity</b>	<b>Forward Prices</b>
HK\$4,676,000	Agricultural Bank of China Limited	30 July 2012	HK\$3.49
HK\$3,946,000	China Petroleum & Chemical Corporation	8 February 2013	HK\$7.86
HK\$3,809,000	Petrochina Company Limited	14 February 2013	HK\$9.60
HK\$3,730,000	CNOOC Limited	18 February 2013	HK\$14.19
HK\$4,744,000	CNOOC Limited	13 March 2013	HK\$13.72
HK\$4,179,000	China Petroleum & Chemical Corporation	2 April 2013	HK\$7.05
HK\$4,036,000	Industrial and Commercial Bank of China Limited	15 April 2013	HK\$4.30
HK\$5,057,000	Agricultural Bank of China Limited	26 April 2013	HK\$2.93
HK\$4,856,000	Petrochina Company Limited	2 May 2013	HK\$9.83
HK\$3,912,000	Industrial and Commercial Bank of China Limited	2 May 2013	HK\$4.40
HK\$4,705,000	China Petroleum & Chemical Corporation	15 May 2013	HK\$6.35
HK\$3,839,000	Petrochina Company Limited	15 May 2013	HK\$8.54
HK\$3,806,000	China Petroleum & Chemical Corporation	10 June 2013	HK\$5.73
HK\$4,638,000	Industrial and Commercial Bank of China Limited	13 June 2013	HK\$3.37
HK\$4,740,000	CNOOC Limited	14 June 2013	HK\$11.38
HK\$4,733,000	China Construction Bank Corporation	14 June 2013	HK\$4.20
HK\$4,618,000	CNOOC Limited	19 June 2013	HK\$12.24
HK\$4,616,000	Agricultural Bank of China Limited	19 June 2013	HK\$2.48

## 13 INVESTMENTS HELD-FOR-TRADING

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 ASSETS CLASSIFIED AS HELD FOR SALE

As disclosed in note 7 above, the board determined to terminate the business of PVC films and plastic materials trading segment with effect from 31 May 2012. The major classes of assets and liabilities of the segment at the end of the reporting period are as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2012</b> <b>HK\$'000</b>
Trade and other receivables	<b>1,739</b>
Bank balances and cash	<b>1,159</b>
Assets classified as held for sale	<b>2,898</b>
Trade and other payables	<b>78</b>
Bank borrowings – due within one year	<b>1,429</b>
Liabilities directly associated with assets classified as held for sale	<b>1,507</b>
Net assets classified as held for sale	<b>1,391</b>

### 15 TRADE AND OTHER PAYABLES

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

	<b>(Unaudited)</b> <b>30 June</b> <b>2012</b> <b>HK\$'000</b>	(Audited) 31 December 2011 HK\$'000
0-60 days	<b>20,207</b>	21,705
61-90 days	<b>2,858</b>	1,621
91-120 days	<b>1,239</b>	322
Over 120 days	<b>438</b>	544
	<b>24,742</b>	24,192

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 16 BANK BORROWINGS

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Unsecured bank loans classified as current liabilities	<b>15,860</b>	25,670

The unsecured bank loans and unsecured trust receipt loan were secured by corporate guarantee given by the Group. The amounts bear interest at prevailing market rates and are repayable as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
On demand or within one year	<b>10,748</b>	16,449
More than one year, but not exceeding two years	<b>5,112</b>	9,221
	<b>15,860</b>	25,670
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<b>(5,112)</b>	(9,221)
	<b>10,748</b>	16,449

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 17 SHARE CAPITAL

	(Unaudited)			
	Authorised		Issued and fully paid	
	For the six months ended 30 June			
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period	<b>70,000</b>	70,000	<b>26,381</b>	27,521
Issue of shares on exercise of options	–	–	<b>350</b>	–
Share repurchased and cancelled	–	–	<b>(580)</b>	(907)
At end of the period	<b>70,000</b>	70,000	<b>26,151</b>	26,614

## 18 COMMITMENTS

### (a) Capital commitments for property, plant and equipment

	(Unaudited)		(Audited)
	30 June		31 December
	2012		2011
	HK\$'000		HK\$'000
Contracted but not provided for	<b>827</b>		1,373
Authorised but not contracted for	<b>79</b>		74
	<b>906</b>		1,447

### (b) Operating lease commitments

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

	(Unaudited)		(Audited)
	30 June		31 December
	2012		2011
	HK\$'000		HK\$'000
Within one year	<b>5,170</b>		4,796
In the second to fifth years inclusive	<b>10,080</b>		9,511
Over five years	<b>42,391</b>		43,009
	<b>57,641</b>		57,316

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19 OTHER COMMITMENTS

At 30 June 2012, the Group carried outstanding forward contracts which entitled a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$87,519,000 and HK\$65,117,000 respectively (31 December 2011: HK\$88,494,000 and HK\$32,939,000) as disclosed in note 12.

### 20 CONTINGENT LIABILITIES

#### (a) Contingent liability in respect of legal claim

A subsidiary of the Group (the "Subsidiary") has served a writ and claimed against three former employees of the Subsidiary (the "Defendants"). The claim related to the misconduct of the Defendants during their employment with the Subsidiary. The Defendants have filed a defence and counterclaim against the Subsidiary for wages and other payments allegedly payable upon their termination of employment with the Subsidiary amounting to approximately HK\$419,000 together with interests and costs. The Directors take the views that the amount of their claims against the Defendants will exceed the Defendants' counterclaims, and accordingly, no provision for any liabilities that may result has been made in the financial statements of the Group.

#### (b) Financial guarantees issued

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

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

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

As at 30 June 2012, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees as the probability of default payment for the loans drawn down by the subsidiaries is remote.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21 RELATED PARTY TRANSACTIONS

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

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	<b>120</b>	120

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Sales to:		
Onwell Headtrade Limited (Note)	<b>1,131</b>	1,303
	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Amount due from		
Onwell Headtrade Limited (Note)	<b>586</b>	1,161

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

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



## SHARE OPTION SCHEME

A share option scheme (the “Old Scheme”) was adopted in the annual general meeting held on 17 May 2002 and expired on 16 May 2012. In view of the expiration of the Old Scheme, a new share option scheme (the “New Scheme”) was adopted in the annual general meeting held on 30 May 2012 and will expire on 29 May 2022. The primary purpose of the New Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

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

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

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

Total consideration received during the period from the Directors and employees for taking up the options granted during the period is HK\$8 (2011: HK\$15).

## SHARE OPTION SCHEME (CONTINUED)

All options were vested on the date of grant.

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

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

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under all the share option schemes was 43,798,000, representing approximately 16.75% of the shares of the Company in issue at that date.

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

	Number of options outstanding at 1/1/2012	Number of options granted during the period	Number of shares issued and exercise of options during the period	Number of options lapsed during the period	Number of options outstanding at 30/6/2012	Date granted	Exercise price per share HK\$	Exercisable period
Directors								
- Poon Siu Chung	2,700,000	-	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
- Tsui Yan Lee, Benjamin	1,000,000	-	(1,000,000)	-	-	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	2,700,000	-	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	-	1,000,000	-	-	1,000,000	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
- Poon Wai Tsun, William	2,700,000	-	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	-	2,500,000	-	-	2,500,000	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22





## SHARE OPTION SCHEME (CONTINUED)

	Number of options outstanding at 1/1/2012	Number of options granted during the period	Number of shares issued and exercise of options during the period	Number of options lapsed during the period	Number of options outstanding at 30/6/2012	Date granted	Exercise price per share HK\$	Exercisable period
- Poon Wai Yip, Albert	2,700,000	-	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	-	2,500,000	-	-	2,500,000	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
- Yip Chi Hung	300,000	-	-	-	300,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	-	300,000	-	-	300,000	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
- Lam Yat Cheong	300,000	-	-	-	300,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	300,000	-	-	-	300,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	-	300,000	-	-	300,000	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
- Choy Wing Keung, David	300,000	-	-	-	300,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	300,000	-	-	-	300,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	-	300,000	-	-	300,000	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22

## SHARE OPTION SCHEME (CONTINUED)

	Number of options outstanding at 1/1/2012	Number of options granted during the period	Number of shares issued and exercise of options during the period	Number of options lapsed during the period	Number of options outstanding at 30/6/2012	Date granted	Exercise price per share HK\$	Exercisable period
Employees	1,000,000	-	(1,000,000)	-	-	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	1,500,000	-	(1,500,000)	-	-	24-Mar-06	0.540	24-Apr-06 to 31-Dec-14
	7,000,000	-	-	-	7,000,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	2,700,000	-	-	(2,700,000)	-	13-Apr-11	0.740	01-May-11 to 31-Dec-20
	13,196,000	-	-	(1,598,000)	11,598,000	28-Apr-11	0.770	01-May-11 to 31-Dec-20
	-	5,000,000	-	-	5,000,000	15-Jun-12	0.600	16-Jun-12 to 15-Jun-22
	<u>38,696,000</u>	<u>11,900,000</u>	<u>(3,500,000)</u>	<u>(4,298,000)</u>	<u>42,798,000</u>			
Others	1,000,000	-	-	(1,000,000)	-	05-Jun-02	0.664	05-Jul-02 to 17-May-12
	1,000,000	-	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>1,000,000</u>			
Grand Total	<u>40,696,000</u>	<u>11,900,000</u>	<u>(3,500,000)</u>	<u>(5,298,000)</u>	<u>43,798,000</u>			

The closing price of the Company's shares on 5 June 2002, 2 February 2005, 24 March 2006, 2 November 2007, 13 April 2011, 28 April 2011 and 15 June 2012, the dates of grant of the options, were HK\$0.640, HK\$0.600, HK\$0.520, HK\$0.850, HK\$0.740, HK\$0.770 and HK\$0.590 respectively.

Share options were exercised on 3 January 2012, 17 January 2012, 7 May 2012, 15 May 2012 and 28 May 2012, the weighted average closing price of the Company's shares immediately before those dates was approximately HK\$0.773.



## SHARE OPTION SCHEME (CONTINUED)

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

<b>Date of grant</b>	<b>Number of shares issuable under options granted</b>	<b>Option value</b>	<b>Closing share price at date of grant</b>	<b>Risk free rate</b>	<b>Volatility</b>	<b>Expiration of the options</b>	<b>Dividend yield</b>
15 June 2012	11,900,000	HK\$1,059,000	HK\$0.590	1.04%	37.45%	15 June 2022	13.56%

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As 30 June 2012, the interests of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS (CONTINUED)

### (A) Long Positions in interests of the Company

Directors	Capacity	No. of shares held	No. of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Mr. Poon Siu Chung	Beneficial owner	17,164,000	2,700,000 (b)		
	Interest of spouse	2,980,000	-		
	Interest of controlled corporation	101,139,430	-	123,983,430 (a)	47.41
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	1,111,000	3,700,000 (b)	4,811,000	1.84
Dr. Poon Wai Tsun, William	Beneficial owner	-	5,200,000 (b)	5,200,000	1.99
Mr. Poon Wai Yip, Albert	Beneficial owner	-	5,200,000 (b)	5,200,000	1.99
Mr. Yip Chi Hung	Interest of controlled corporation	700,000 (c)	-		
	Beneficial owner	-	600,000 (b)	1,300,000	0.50
Mr. Lam Yat Cheong	Beneficial owner	-	900,000 (b)	900,000	0.34
Mr. Choy Wing Keung, David	Beneficial owner	-	900,000 (b)	900,000	0.34

#### Notes:

- (a) Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares ("Shares") of the Company and he was deemed to be interested in 2,980,000 Shares and 101,139,430 Shares which were held by his spouse, Ms. Lau Kwai Ngor and through Mime Limited, a limited company incorporated in Hong Kong and was owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor respectively.
- (b) These interests represented interest in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, details of which are set out in the section "Share Option Scheme" of this report.
- (c) Mr. Yip Chi Hung was deemed to be interested in 700,000 Shares which were held through First Canton Investment Limited, a company incorporated in the British Virgin Islands and 100% beneficially owned by Mr. Yip.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS (CONTINUED)

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

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

#### Notes:

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

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

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2012 as defined in the SFO.



## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Annual Report 2011, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are that salary packages of three of the executive Directors, Mr. Poon Siu Chung, Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert were adjusted as follows with effect from 1 May 2012, while other terms of employment remained unchanged:–

<b>Director</b>	<b>Annual salaries &amp; allowances</b>	<b>Performance bonus</b>
Mr. Poon Siu Chung	HK\$1,200,000	2% on Group's consolidated net profit
Dr. Poon Wai Tsun, William	HK\$660,000	0.5% on Group's consolidated net profit
Mr. Poon Wai Yip, Albert	HK\$636,000	0.5% on Group's consolidated net profit

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

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in the section "Directors' Interests in Shares and Options", as at 30 June 2012, the register of substantial shareholders' interests maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the share capital of the Company as follows:

## SUBSTANTIAL SHAREHOLDERS (CONTINUED)

### Long Positions in shares of the Company

<b>Shareholders</b>	<b>Capacity</b>	<b>No. of shares held</b>	<b>No. of underlying shares held under equity derivatives</b>	<b>Total</b>	<b>% of issued share capital of the Company</b>
Ms. Lau Kwai Ngor	Beneficial owner	2,980,000	–	123,983,430 (f)	47.41
	Interest of spouse	17,164,000	2,700,000		
	Interest of controlled corporation	101,139,430	–		
Mime Limited	Beneficial owner	101,139,430	–	101,139,430 (f)	38.68
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	–	63,097,200 (g)	24.13
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	–	63,097,200 (g)	24.13
Nielsen Limited	Beneficial owner	63,097,200	–	63,097,200 (g)	24.13

#### Notes:

- (f) Under SFO, Ms. Lau Kwai Ngor was the beneficial owner of 2,980,000 Shares and was deemed to be interested in 19,864,000 Shares through interests of her spouse, Mr. Poon Siu Chung. Mr. Poon Siu Chung was the beneficial owner of 17,164,000 Shares and he was deemed to be interested in 101,139,430 Shares which were held through Mime Limited, a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor.
- (g) Under SFO, Mr. Leung Ying Wai, Charles and his spouse, Ms. Tai Yee Foon were deemed to be interested in 63,097,200 Shares, which were held through Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, Ms. Tai Yee Foon and his family members.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK2.0 cents per share (2011: HK1.0 cent per share) for the six months ended 30 June 2012 payable on or about 6 October 2012 to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 21 September 2012.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 19 September 2012 to 21 September 2012, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 18 September 2012.

### BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK\$122,015,000 (2011: HK\$150,667,000), representing a decrease of about 19%, of which HK\$112,671,000 (2011: HK\$120,611,000) was from the continued operations, representing a decrease of about 7%, and recorded a profit for the period attributable to owners of the Company of approximately HK\$5,737,000 (2011: loss of HK\$6,570,000).

For the first half of 2012, the contribution from the core business of the Group recorded a gain of approximately HK\$2,568,000 (2011: HK\$1,407,000), representing an increase of about 83%. Detailed performance of each segment of the core business will be discussed below. Included in the profit for the period was the profit from investments of approximately HK\$7,159,000 (2011: loss of HK\$3,048,000), details of the profit from investments will be further analysed below. Besides, administrative expenses decreased substantially by about 15% to approximately HK\$16,052,000 (2011: HK\$18,939,000). Such a decrease was mainly due to the decrease in share-based payments as a result of the options granted during the period of approximately HK\$1,059,000 (2011: HK\$5,100,000).

In the period under review, the global economy was still misty, financial statistical data showed that the market was still volatile and uncertain. As a result, customer demand contracted. Together with the Group's policy to terminate the business of the PVC films and plastic materials segment and its plan to slow down and/or terminate the business of the packaging segment, the revenue of the Group decreased further.





## BUSINESS REVIEW (CONTINUED)

### *Novelties and decorations*

The revenue of the novelties and decorations segment increased by about 8% amounting to approximately HK\$20,109,000 (2011: HK\$18,595,000), and recorded a loss of approximately HK\$4,185,000 (2011: HK\$3,214,000). Facing the ever-increasing production costs in China together with seasonal factor of the demand of the products, the segment recorded a negative contribution in the first half of the year again. Nevertheless, it is prudently optimistic that the results of the segment will be improved in the second half of the year when there is seasonal trend shipments.

### *Packaging products*

The revenue in the packaging segment dropped substantially by about 40% amounting to HK\$16,689,000 (2011: HK\$27,954,000), and recorded a loss of approximately HK\$557,000 (2011: HK\$1,530,000). The loss from the segment decreased as a result of the gain from disposal of fixed assets of approximately HK\$1,985,000 (2011: HK\$4,000). The board is also considering the future of this segment and does not rule out the possibility of terminating the whole segment.

### *PVC films and plastic materials*

The revenue of the segment also dropped substantially by about 69% amounting to approximately HK\$9,344,000 (2011: HK\$30,056,000), and the results of the segment recorded a loss of approximately HK\$1,669,000 (2011: gain of HK\$662,000). The directors had resolved to terminate the segment in the first half of 2012 as a result of its poor performance and the lack of sign of improvement in the future.

### *Toy products*

The revenue of the segment increased slightly by about 2% amounting to approximately HK\$75,873,000 (2011: HK\$74,062,000), and recorded a profit of HK\$8,979,000 (2011: HK\$5,489,000), representing an improvement of about 64%. The segment continued to be the best performing one within the Group. With its solid customer base, effective cost control, stable production efficiency and techniques and the development and provision of range of products and services, further improvement in the performance in the segment in the second half of the year is expected.

## BUSINESS REVIEW (CONTINUED)

### *Investments*

To better utilize the available cash on hand, the Group has invested in the securities listed in Hong Kong and their related derivative products, including but not limited to equity linked deposits. During the period, profit of investments derived from the aforesaid transactions amounted to approximately HK\$7,159,000 (2011: loss of HK\$3,048,000) as a result of the recovery of the stock market since end of 2011. Such profit was the combined effect of, among other things, the realized gain on disposal of investments held-for-trading of approximately HK\$4,400,000 (2011: loss of HK\$3,455,000), the decrease in fair value of investments held-for trading of approximately of HK\$1,472,000 (2011: HK\$1,968,000) and the increase in fair value of derivative financial instruments of approximately HK\$2,240,000 (2011: HK\$986,000).

Investments held-for-trading are usually held for short-term purposes for capital gain in the value of the assets held. As at 30 June 2012, the market value of investment in securities was approximately HK\$63,628,000 (31 December 2011: HK\$68,025,000).

As at 30 June 2012, the Group carried outstanding forward contracts with a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$87,519,000 and HK\$65,117,000 respectively (31 December 2011: HK\$88,494,000 and HK\$32,939,000). All listed securities to be disposed of are now held by the Group for trading purposes, which are in the custody of the relevant financial institutions.

## FUTURE PLAN AND PROSPECT

In order to broaden the Group's product range and diversify its customer base, it is the Board's intention to engage in the business of sales and/or manufacturing of daily necessities in addition to the Group's current business of manufacturing consumer products. The Group is seeking the participation from certain Japanese customers in two development projects in relation to active carbonic products and water filters. The initial capital expenditure involved is expected to be low as development will be made phase by phase.

As a general policy, with available funds on hand, the Group will continue to search for investment opportunities to enhance the returns to its shareholders, and to pay cash dividends to the shareholders whenever the Board may think fit. Global stock markets seem to be volatile as the risk of European sovereign debt crisis will continue until it is totally solved. As a result, it is the Board's intention that the portion of funds invested in listed securities will decrease gradually.



## FUTURE PLAN AND PROSPECT (CONTINUED)

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

### *Liquidity and financial resources*

As at 30 June 2012, the Group had no long-term bank borrowings (31 December 2011: nil), while the short-term bank borrowings amounted to approximately HK\$17,289,000, (31 December 2011: HK\$25,670,000), of which HK\$1,429,000 was liabilities directly associated with assets classified as held for sale, and none of the Group's plant and machinery (31 December 2011: nil) was held under a finance lease. The gearing ratio of the Group, measured by total bank and other borrowings divided by equity attributable to owners of the Company, was approximately 10% (31 December 2011: 13%).

### *Finance costs*

The Group's finance cost amounted to approximately HK\$194,000 (2011: HK\$154,000).

### *Pledge of Assets*

As at 30 June 2012, 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\$61,928,000 (31 December 2011: HK\$67,055,000); and
- (ii) Bank balances and cash of approximately HK\$1,691,000 (31 December 2011: HK\$1,254,000).

No margin loan facilities were utilised by the Group as at 30 June 2012. The margin loan facilities were charged at variable market rates.

### *Net asset value*

The net asset value of the Group as at 30 June 2012 was approximately HK\$0.68 (31 December 2011: HK\$0.76) per share based on the actual number of 261,507,607 shares in issue on that date.

## FUTURE PLAN AND PROSPECT (CONTINUED)

### *Employees and remuneration policies*

As at 30 June 2012, the Group employed approximately 2,000 (2011: 2,400) full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its employees.

### *Foreign currency exposure*

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

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

As at 30 June 2012, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

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

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

	No. of shares of HK\$0.10 each	Price per share		Aggregate
		Highest HK\$	Lowest HK\$	consideration paid HK\$
Month of repurchase				
January 2012	2,200,000	0.710	0.710	1,571,577
May 2012	3,600,000	0.770	0.760	2,776,203
	<u>5,800,000</u>			<u>4,347,780</u>

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



## CORPORATE GOVERNANCE

### Compliance with the Code on Corporate Governance

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

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

#### *Code A.2.1*

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

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

#### *Code D.1.4*

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

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

## CORPORATE GOVERNANCE (CONTINUED)

### *Code F.1.1*

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

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

### Model Code for Securities Transactions by Directors

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

After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions during the six months ended 30 June 2012.

### Audit Committee

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 of the Company now reported on.



## CORPORATE GOVERNANCE (CONTINUED)

### Remuneration Committee

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

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

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

### Nomination Committee

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

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

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

## DIRECTORS OF THE COMPANY

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

On behalf of the Board

**Poon Siu Chung**

*Chairman & Managing Director*

Hong Kong, 23 August 2012