



Interim Report  
**2014**

**Perfectech**

**Perfectech International Holdings Limited**

Incorporated in Bermuda with limited liability  
Stock Code: 765



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

*Executive Directors:*

Mr. Poon Siu Chung  
(Chairman and Managing Director)  
Mr. 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

### AUDITOR

HLM CPA Limited  
*Certified Public Accountants*  
Hong Kong

### LEGAL ADVISER

Cheung Tong and Rosa Solicitors

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

### PRINCIPAL SHARE REGISTRAR

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

### HONG KONG BRANCH SHARE REGISTRAR

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

### WEBSITE

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		<b>(Unaudited)</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2014</b>	2013
Notes		<b>HK\$'000</b>	HK\$'000
			(Restated)
<b>Continuing operations</b>			
Revenue	2 & 3	<b>89,533</b>	83,030
Cost of sales		<b>(70,312)</b>	(64,171)
Gross profit		<b>19,221</b>	18,859
Net other income (expenses)	4	<b>4,614</b>	(4,940)
Distribution costs		<b>(2,190)</b>	(2,677)
Administrative expenses		<b>(19,352)</b>	(16,922)
Finance costs		<b>(184)</b>	(90)
Profit (loss) before tax	5	<b>2,109</b>	(5,770)
Income tax (expenses) credit	6	<b>(138)</b>	996
Profit (loss) for the period from continuing operations		<b>1,971</b>	(4,774)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	7	-	(4,463)
Profit (loss) for the period		<b>1,971</b>	(9,237)
Other comprehensive (expenses) income			
Exchange differences on translation of overseas operations		<b>(141)</b>	157
Total comprehensive income (expenses) for the period		<b>1,830</b>	(9,080)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		<b>(Unaudited)</b>	
		<b>For the six months ended 30 June</b>	
		<b>2014</b>	2013
Notes		<b>HK\$'000</b>	HK\$'000 (Restated)
Profit (loss) for the period attributable to:			
	Owners of the Company	<b>1,100</b>	(9,902)
	Non-controlling interests	<b>871</b>	665
		<hr/>	<hr/>
	Profit (loss) for the period	<b>1,971</b>	(9,237)
		<hr/>	<hr/>
Total comprehensive income (expenses) for the period attributable to:			
	Owners of the Company	<b>969</b>	(9,768)
	Non-controlling interests	<b>861</b>	688
		<hr/>	<hr/>
	Total comprehensive income (expenses) for the period	<b>1,830</b>	(9,080)
		<hr/>	<hr/>
Earnings (loss) per share			
	From continuing and discontinued operations		
	Basic	<b>0.38 cent</b>	(3.69) cents
		<hr/>	<hr/>
	Diluted	<b>0.37 cent</b>	(3.69) cents
		<hr/>	<hr/>
	From continuing operations		
	Basic	<b>0.38 cent</b>	(2.03) cents
		<hr/>	<hr/>
	Diluted	<b>0.37 cent</b>	(2.03) cents
		<hr/>	<hr/>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

		(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>67,162</b>	63,818
Investment property		<b>11,400</b>	11,400
Deferred tax assets		<b>5,883</b>	4,140
Deferred rental income		<b>2</b>	5
		<b>84,447</b>	79,363
<b>CURRENT ASSETS</b>			
Inventories		<b>39,409</b>	26,527
Trade and other receivables	11	<b>32,137</b>	32,986
Deferred rental income		<b>5</b>	5
Amount due from a related company	20	–	62
Tax recoverable		<b>362</b>	362
Investments held-for-trading	13	<b>45,493</b>	46,675
Derivative financial instruments	12	<b>161</b>	175
Financial assets designated as at fair value through profit or loss		–	1,299
Pledged bank deposits		<b>10,701</b>	6,746
Bank balances and cash		<b>35,014</b>	86,406
		<b>163,282</b>	201,243
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	<b>39,643</b>	35,917
Derivative financial instruments	12	<b>995</b>	945
Tax liabilities		<b>3,564</b>	6,829
Bank borrowings – due within one year	15	<b>15,711</b>	21,918
		<b>59,913</b>	65,609

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (CONTINUED)  
AS AT 30 JUNE 2014

		<b>(Unaudited)</b>	(Audited)
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
NET CURRENT ASSETS		<b>103,369</b>	135,634
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>187,816</b>	214,997
NON CURRENT LIABILITIES			
Deferred tax liabilities		<b>326</b>	368
NET ASSETS		<b>187,490</b>	214,629
CAPITAL AND RESERVES			
Share capital	16	<b>29,312</b>	29,012
Reserves		<b>145,385</b>	171,897
Equity attributable to owners of the Company		<b>174,697</b>	200,909
Non-controlling interests		<b>12,793</b>	13,720
TOTAL EQUITY		<b>187,490</b>	214,629

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(Unaudited)

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Translation reserve	Retained profits	Equity attributable to owners		Total
							of the Company	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	29,012	86,465	10,337	4,889	1,350	68,856	200,909	13,720	214,629
Profit for the period	-	-	-	-	-	1,100	1,100	871	1,971
Other comprehensive expenses for the period									
Exchange difference on translation of overseas operations	-	-	-	-	(131)	-	(131)	(10)	(141)
Total comprehensive income (expenses) for the period	-	-	-	-	(131)	1,100	969	861	1,830
Dividends	-	-	-	-	-	(29,311)	(29,311)	(1,788)	(31,099)
Shares issued upon exercise of options	300	2,277	-	(447)	-	-	2,130	-	2,130
At 30 June 2014	29,312	88,742	10,337	4,442	1,219	40,645	174,697	12,793	187,490
At 1 January 2013	26,072	63,502	10,237	8,339	1,956	91,225	201,331	12,163	213,494
Loss for the period	-	-	-	-	-	(9,902)	(9,902)	665	(9,237)
Other comprehensive income for the period									
Exchange difference on translation of overseas operations	-	-	-	-	134	-	134	23	157
Total comprehensive income (expenses) for the period	-	-	-	-	134	(9,902)	(9,768)	688	(9,080)
Dividends	-	-	-	-	-	(31,880)	(31,880)	(1,958)	(33,838)
Shares issued upon exercise of options	3,010	23,517	-	(5,507)	-	-	21,020	-	21,020
Repurchase and cancellation of shares	(100)	(813)	100	-	-	(100)	(913)	-	(913)
At 30 June 2013	28,982	86,206	10,337	2,832	2,090	49,343	179,790	10,893	190,683

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	<b>(10,416)</b>	(10,464)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<b>(5,475)</b>	11,207
NET CASH USED IN FINANCING ACTIVITIES	<b>(35,360)</b>	(4,218)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(51,251)</b>	(3,475)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		
Bank balances and cash	<b>86,406</b>	75,318
Effect of change in foreign exchange rates	<b>(141)</b>	157
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>35,014</b>	72,000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>35,014</b>	72,000



# 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 2013 except as described below.

In the current period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2014 as follows:

HKFRS 10, HKFRS 12 and HKFRS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)	Levies

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 would have been prepared and presented. Accordingly, no prior period adjustment is required.

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

### 2. BUSINESS SEGMENTS

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

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

*For the six months ended 30 June 2014 (Unaudited)*

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

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 2014 (Unaudited)

	<b>Novelties and decorations products</b>	<b>Toy products</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
Segment assets	49,749	82,341	132,090
Unallocated corporate assets			115,639
Consolidated total assets			<b>247,729</b>
<b>LIABILITIES</b>			
Segment liabilities	21,494	26,521	48,015
Unallocated corporate liabilities			12,224
Consolidated total liabilities			<b>60,239</b>

### OTHER INFORMATION

For the six months ended 30 June 2014 (Unaudited)

	<b>Novelties and decorations products</b>	<b>Toy products</b>	<b>Others</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Capital additions	503	6,587	–	7,090
Depreciation and amortisation	717	2,092	787	3,596
Interest income	7	8	186	201

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. BUSINESS SEGMENTS (CONTINUED)

For the six months ended 30 June 2013 (Unaudited) (Restated)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>				
External sales	11,659	71,371	–	83,030
Inter-segment sales	–	–	–	–
<b>Total revenue</b>	<b>11,659</b>	<b>71,371</b>	<b>–</b>	<b>83,030</b>
<b>RESULT</b>				
Segment results	(6,371)	7,777	–	1,406
Loss from investments				(5,681)
Unallocated corporate expenses				(1,405)
Finance costs				(90)
Loss before tax				(5,770)
Income tax credit				996
<b>Loss for the period</b>				<b>(4,774)</b>

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 2013 (Audited)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>			
Segment assets	56,806	102,165	158,971
Unallocated corporate assets			104,532
Assets relating to packaging products			17,103
Consolidated total assets			<u>280,606</u>
<b>LIABILITIES</b>			
Segment liabilities	13,931	29,594	43,525
Unallocated corporate liabilities			20,755
Liabilities relating to packaging products			1,697
Consolidated total liabilities			<u>65,977</u>

### OTHER INFORMATION

For the six months ended 30 June 2013 (Unaudited) (Restated)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	875	1,834	–	2,709
Depreciation and amortisation	816	1,975	6	2,797
Interest income	9	6	1	16

#### Information about major customer

Included in revenues arising from sales of toys products of approximately HK\$77,884,000 (2013: HK\$71,371,000) are revenues of approximately HK\$73,697,000 (2013: HK\$41,433,000) 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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Sales revenue by geographical market:		
Hong Kong	<b>6,908</b>	14,323
Europe	<b>15,445</b>	19,148
America	<b>17,736</b>	13,800
Asia (other than Hong Kong)	<b>49,311</b>	35,310
Others	<b>133</b>	449
	<hr/> <b>89,533</b> <hr/>	<hr/> 83,030 <hr/>

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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Hong Kong	<b>145,708</b>	188,644
The People's Republic of China (the "PRC")	<b>102,021</b>	91,962
	<hr/> <b>247,729</b> <hr/>	<hr/> 280,606 <hr/>

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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Hong Kong	<b>1,014</b>	650
The PRC	<b>6,076</b>	2,059
	<hr/> <b>7,090</b> <hr/>	<hr/> 2,709 <hr/>

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

### 4. NET OTHER INCOME (EXPENSES)

	(Unaudited)	
	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Dividend income on investments held-for-trading	1,204	974
Gain on disposal of property, plant and equipment	220	–
Interest income	201	16
Net change in fair value of investments held-for-trading	585	(7,025)
Net change in fair value of derivative financial instruments	(64)	1,894
Rental income	89	89
Realised gain (loss) on disposal of investments held-for-trading	776	(1,526)
Realised loss on disposal of financial assets designated as at fair value through profit or loss	(47)	–
Others	1,650	638
	<b>4,614</b>	<b>(4,940)</b>

### 5. PROFIT (LOSS) BEFORE TAX

#### Continuing operations

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

	(Unaudited)	
	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	<b>3,596</b>	2,797

## 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 ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	<b>(1,844)</b>	(1,023)
PRC Enterprise Income tax	<b>(86)</b>	(47)
	<b>(1,930)</b>	(1,070)
Over provision in prior years:		
Hong Kong Profits Tax	<b>7</b>	–
PRC Enterprise Income tax	<b>–</b>	–
	<b>7</b>	–
Deferred tax:		
Current year	<b>1,785</b>	2,066
Total income tax (expenses) credit recognised in profit or loss	<b>(138)</b>	996

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

### Discontinue of manufacture and sale of packaging products

In 2013, the board had resolved to terminate the operation of manufacture and sale of packaging products as a result of its poor performance and the lack of sign of improvement in the future.

	(Unaudited) For the six months ended 30 June 2013 HK\$'000
Loss for the period from discontinued operation	
Revenue	8,785
Cost of sales	(8,199)
Gross profit	586
Net other income	445
Distribution costs	(575)
Administrative expenses	(4,914)
Loss before tax	(4,458)
Income tax expenses	(5)
Loss for the period from discontinued operation	(4,463)
Loss for the period from discontinued operation attributable to	
Owners of the Company	(4,463)
Non-controlling interests	-
	(4,463)
Loss for the period has been arrived after charging:	
Depreciation of property, plant and equipment	958
Loss on disposals of property, plant and equipment	851
Cash Flows from discontinued operation	
Net cash used in operating activities	(1,734)
Net cash from investing activities	1,887
Net increase in cash and cash equivalents	153

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8. DIVIDENDS

	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Final and special paid:		
HK10.0 cents per share for 2013		
(2013: HK11.0 cents per share for 2012)	<b>29,311</b>	31,880

The Directors have resolved to declare an interim dividend of HK1.0 cent (2013: 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\$1,100,000 (2013: loss of HK\$9,902,000) and the following data:

	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>292,922,237</b>	268,215,981
Effect of dilutive potential ordinary shares:		
Share options	<b>5,601,527</b>	8,818,135
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>298,523,764</b>	277,034,116

Diluted loss per share for the period ended 30 June 2013 is the same as basic loss per share because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

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

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

#### 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\$1,100,000 (2013: loss of HK\$5,439,000) and the denominators detailed above.

Loss figure for the period ended 30 June 2013 is calculated as follows:

	2013 HK\$'000
Loss for the period attributable to owners of the Company	(9,902)
Add: Loss for the period from discontinued operations	4,463
	<u>(5,439)</u>

Diluted loss per share for the period ended 30 June 2013 is the same as basic loss per share because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

#### From discontinued operation

	(Unaudited) For the six months ended 30 June 2013
Basic	<u>HK(1.66) cents</u>
Diluted	<u>HK(1.66) cents</u>

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the net loss for the six months ended 30 June 2013 of approximately HK\$4,463,000 and the denominators detailed above.

Diluted loss per share for the six months ended 30 June 2013 is the same as basic loss per share because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

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

### 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$7,090,000 (2013: HK\$2,709,000).

### 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:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
0-60 days	<b>24,848</b>	20,279
61-90 days	<b>341</b>	1,453
91-120 days	<b>-</b>	53
Over 120 days	<b>13</b>	1,061
	<b>25,202</b>	22,846

Trade receivables disclosed above include amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

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

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
0-60 days	<b>3,329</b>	3,759
61-90 days	<b>342</b>	15
91-120 days	<b>-</b>	-
Over 120 days	<b>18</b>	214
	<b>3,689</b>	3,988

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

### 12. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2014, the major terms of the listed equity decumulators contracts held by the Group are as follows:-

<b>Nominal Amount</b>	<b>Underlying Securities</b>	<b>Maturity</b>	<b>Forward Prices</b>
HK\$5,193,000	China Petroleum & Chemical Corporation	30 July 2014	HK\$6.57
HK\$4,636,000	Petrochina Company Limited	08 April 2015	HK\$9.50
HK\$4,893,000	CNOOC Limited	13 May 2015	HK\$14.15
HK\$4,964,000	China Petroleum & Chemical Corporation	14 May 2015	HK\$7.73
HK\$6,124,000	China Petroleum & Chemical Corporation	21 May 2015	HK\$7.75
HK\$4,490,000	Petrochina Company Limited	26 May 2015	HK\$10.10
HK\$5,070,000	CNOOC Limited	28 May 2015	HK\$14.72
HK\$5,079,000	CNOOC Limited	16 June 2015	HK\$15.12
HK\$5,084,000	CNOOC Limited	22 June 2015	HK\$15.36
HK\$5,208,000	Agricultural Bank of China Limited	25 June 2015	HK\$3.77

As at 30 June 2014, 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\$4,811,000	CNOOC Limited	11 September 2014	HK\$13.97
HK\$4,930,000	China Life Insurance Company Limited	12 December 2014	HK\$20.79
HK\$4,340,000	CNOOC Limited	19 December 2014	HK\$12.55
HK\$5,007,000	China Life Insurance Company Limited	02 January 2015	HK\$20.27
HK\$4,146,000	CNOOC Limited	16 January 2015	HK\$11.99
HK\$4,487,000	China Petroleum & Chemical Corporation	13 April 2015	HK\$6.13
HK\$6,508,000	China Petroleum & Chemical Corporation	16 June 2015	HK\$6.59
HK\$6,432,000	Petrochina Company Limited	17 June 2015	HK\$8.68

### 13. INVESTMENTS HELD-FOR-TRADING

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Equity securities listed in Hong Kong	<b>41,863</b>	31,559
Debt securities listed overseas	<b>3,630</b>	6,959
Unlisted mutual funds	-	8,157
	<b>45,493</b>	46,675

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

### 14. TRADE AND OTHER PAYABLES

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

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
0-60 days	<b>15,144</b>	7,593
61-90 days	<b>3,406</b>	6,209
91-120 days	<b>987</b>	2,675
Over 120 days	<b>1,266</b>	1,172
	<b>20,803</b>	17,649

### 15. BANK BORROWINGS

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Secured mortgage loan	<b>9,830</b>	10,581
Unsecured bank loans classified as current liabilities	<b>2,400</b>	11,337
Unsecured trust receipt loans	<b>3,481</b>	–
	<b>15,711</b>	21,918

The unsecured bank loans and unsecured trust receipt loans were secured by corporate guarantee given by the Group. The secured mortgage loan was secured by a mortgage over the Group's land and building.

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

### 15. BANK BORROWINGS (CONTINUED)

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

	(Unaudited) 30 June 2014 HK\$'000	(Audited) 31 December 2013 HK\$'000
On demand or within one year	7,407	11,646
More than one year, but not exceeding two years	1,560	2,743
More than two years, but not exceeding five years	4,895	4,841
More than five years	1,849	2,688
	<b>15,711</b>	21,918
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>(8,304)</b>	(10,272)
	<b>7,407</b>	11,646

### 16. SHARE CAPITAL

	(Unaudited)			
	Authorised		Issued and fully paid	
	For the six months ended 30 June			
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period	70,000	70,000	29,012	26,072
Issue of shares on exercise of options	-	-	300	3,010
Share repurchased and cancelled	-	-	-	(100)
At end of the period	<b>70,000</b>	70,000	<b>29,312</b>	28,982

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 17. COMMITMENTS

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

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for	<b>1,221</b>	335
Authorised but not contracted for	<b>90</b>	454
	<b>1,311</b>	789

- (b) Operating lease commitments

### The Group as lessee

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:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>4,606</b>	2,952
In the second to fifth years inclusive	<b>8,516</b>	7,316
Over five years	<b>35,297</b>	36,086
	<b>48,419</b>	46,354

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 31 years.

### The Group as lessor

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>178</b>	178
In the second to fifth years inclusive	<b>87</b>	176
	<b>265</b>	354



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

### 18. OTHER COMMITMENTS

At 30 June 2014, the Group carried outstanding forward contracts which entitled a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$43,034,000 and HK\$28,174,000 respectively (31 December 2013: HK\$32,990,000 and HK\$22,840,000) as disclosed in note 12.

### 19. 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 2014, 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)

## 20. 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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	<b>60</b>	120

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Sales to:		
Onwell Headtrade Limited (Note)	<b>146</b>	724
	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Amount due from		
Onwell Headtrade Limited (Note)	<b>-</b>	62

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.

## 21. EVENTS AFTER THE REPORTING PERIOD

On 6 August 2014, the Group entered into a contract for the acquisition of an industrial unit of approximately 4,694 square feet at a consideration of HK\$30,380,000. Details of the acquisition are stated in the announcement of the Company dated 6 August 2014.



## SHARE OPTION SCHEME

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

Under the New Scheme, the board of Directors may grant options to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive directors or proposed executive and non-executive directors of the Company or its subsidiary, 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 maximum 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 for the time being in issue without prior approval from the Company’s shareholders in general meeting with the aforesaid proposed individual grantee and his associates being abstained from voting in such general meeting.

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.

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

## SHARE OPTION SCHEME (CONTINUED)

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

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

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under all the share option schemes of the Company was 24,650,000, representing approximately 8.41% 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 1/1/2014	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 30/6/2014	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	2,700,000	-	-	-	2,700,000	13-Apr-11	0.740	01-May-11 to 31-Dec-20
- Poon Wai Tsun, William	2,850,000	-	(1,500,000)	-	1,350,000	23-Jul-13	0.710	24-Jul-13 to 23-Jul-23
- Poon Wai Yip, Albert	2,850,000	-	(1,500,000)	-	1,350,000	23-Jul-13	0.710	24-Jul-13 to 23-Jul-23

## SHARE OPTION SCHEME (CONTINUED)

	Number of options outstanding at 1/1/2014	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 30/6/2014	Date granted	Exercise price per share HK\$	Exercisable period
Employees	7,000,000	-	-	-	7,000,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	8,550,000	-	-	-	8,550,000	23-Jul-13	0.710	24-Jul-13 to 23-Jul-23
	<u>26,650,000</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>	<u>23,650,000</u>			
Others	1,000,000	-	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>			
Grand Total	<u>27,650,000</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>	<u>24,650,000</u>			

The closing price of the Company's shares on 2 February 2005, 2 November 2007, 13 April 2011 and 23 July 2013, the dates of grant of the options, were HK\$0.600, HK\$0.850, HK\$0.740 and HK\$0.710 respectively.

Share options were exercised on various dates during the period, the weighted average closing price of the Company's shares immediately before those dates was HK\$1.010.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 30 June 2014, the interests of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

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

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

<b>Directors</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>
Mr. Poon Siu Chung	Beneficial owner	17,164,000	2,700,000 (b)		
	Interest of spouse	16,004,000	-		
	Interest of controlled corporation	101,139,430	-	137,007,430 (a)	46.74
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	311,000	2,700,000 (b)	3,011,000	1.03
Dr. Poon Wai Tsun, William	Beneficial owner	300,000	1,350,000 (b)	1,650,000	0.56
Mr. Poon Wai Yip, Albert	Beneficial owner	300,000	1,350,000 (b)	1,650,000	0.56
Mr. Yip Chi Hung	Beneficial owner	300,000	-	300,000	0.10
Mr. Lam Yat Cheong	Beneficial owner	550,000	-	550,000	0.19

**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 16,004,000 Shares and 101,139,430 Shares which were held by his spouse, Ms. Lau Kwai Ngor and through Mime Limited, a limited company incorporated in Hong Kong and was owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor respectively.
- (b) These interests represented interest in underlying shares of the Company in respect of share options granted by it to these directors as beneficial owners, details of which are set out in the section "Share Option Scheme" of this report.

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

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

<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 (c)	50
	Sunflower Garland Manufactory Limited	Beneficial owner	60,800		
		Interest of spouse	20,800	81,600 (d)	51
Mr. Tsui Yan Lee, Benjamin	Sunflower Garland Manufactory Limited	Beneficial owner	28,800	28,800	18

#### Notes:

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

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

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2014 as defined in the SFO.

## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Annual Report 2013, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are the adjustment of salary packages of the three executive Directors, Mr. Poon Siu Chung, Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert, as shown below. The said adjustments were effective from the dates specified below, with other terms of employment remained unchanged:–

<b>Director</b>	<b>Annual salaries &amp; allowances</b>	<b>Performance bonus</b>	<b>Effective date</b>
Mr. Poon Siu Chung	HK\$1,440,000	2.50% on Group's consolidated net profit	1 May 2014
Dr. Poon Wai Tsun, William	HK\$756,000	0.75% on Group's consolidated net profit	1 May 2014
Mr. Poon Wai Yip, Albert	HK\$732,000	0.75% on Group's consolidated net profit	1 May 2014

On 30 June 2014, Mr. Yip Chi Hung, an independent non-executive Director of the Company, ceased to act as the chairman and an executive director of PacMOS Technologies Holdings Limited ("PacMOS"), a company listed in the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1010) and was re-appointed as an executive director of PacMOS on 3 July 2014.

Other than those as 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 2014, the register of substantial shareholders' interests maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the share capital of the Company as follows:



## SUBSTANTIAL SHAREHOLDERS (CONTINUED)

### Long Positions in shares of the Company

Shareholders	Capacity	No. of shares held	No. of underlying shares held under equity derivatives		Total	% of issued share capital of the Company
Ms. Lau Kwai Ngor	Beneficial owner	16,004,000	–			
	Interest of spouse	17,164,000	2,700,000			
	Interest of controlled corporation	101,139,430	–	137,007,430 (e)	46.74	
Mime Limited	Beneficial owner	101,139,430	–	101,139,430 (e)	34.50	
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	–	63,097,200 (f)	21.53	
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	–	63,097,200 (f)	21.53	
Nielsen Limited	Beneficial owner	63,097,200	–	63,097,200 (f)	21.53	

#### Notes:

- (e) Under SFO, Ms. Lau Kwai Ngor was the beneficial owner of 16,004,000 Shares and was deemed to be interested in 17,164,000 Shares through interests of her spouse, Mr. Poon Siu Chung. Mr. Poon Siu Chung was the beneficial owner of 17,164,000 Shares and he was deemed to be interested in 101,139,430 Shares which were held through Mime Limited, a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor.
- (f) 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 HK1.0 cent per share (2013: HK1.0 cent per share) for the six months ended 30 June 2014 payable on 7 October 2014, Tuesday, to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 19 September 2014.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 18 September 2014 to 19 September 2014, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 17 September 2014.

### BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK\$89,533,000 (2013: HK\$83,030,000), representing an increase of about 8%, and recorded a profit for the period attributable to owners of the Company of approximately HK\$1,100,000 (2013: loss of HK\$9,902,000).

For the first half of 2014, the contribution from the core business of the Group recorded a gain of approximately HK\$1,060,000 (2013: HK\$1,406,000). Detailed performance of each segment of the core business will be discussed below. Included in the profit for the period was the profit from investments of approximately HK\$2,613,000 (2013: loss of HK\$5,681,000), details of the profit from investments will be further analysed below.

Distribution costs decrease by about 18% to approximately HK\$2,190,000 (2013: HK\$2,677,000) while administrative expenses increase by about 14% to approximately HK\$19,352,000 (2013: HK\$16,922,000) as a result of, among others, certain overheads formerly allocated to the packaging segment, which was discontinued in 2013, being now absorbed by the Group.



## BUSINESS REVIEW (CONTINUED)

### *Novelties and decorations*

The revenue of the novelties and decorations products segment stood steadily at approximately HK\$11,649,000 (2013: HK\$11,659,000), however, the loss therefrom increased further to approximately HK\$8,131,000 (2013: HK\$6,371,000). Revenue stood at a record low level, which had led to the further deterioration of results during the period under review.

### *Toy products*

The revenue of the segment increased gently by about 9% amounting to approximately HK\$77,884,000 (2013: HK\$71,371,000), and recorded a profit of HK\$9,191,000 (2013: HK\$7,777,000), representing an improvement of about 18%. The segment continued to be the best performing one within the Group and sustained stable business and profit margin.

### *Investments*

To better utilize the available cash on hand, the Group has invested in the securities listed in Hong Kong and their related derivative products, including but not limited to equity linked deposits, and also other tradable securities. During the period under review, profit of investments derived from the aforesaid transactions amounted to approximately HK\$2,613,000 (2013: loss of HK\$5,681,000). Such profit was the combined effect of, among other things, the realized gain on disposal of investments held-for-trading of approximately HK\$776,000 (2013: loss of HK\$1,526,000), the increase in fair value of investments held-for-trading of approximately of HK\$585,000 (2013: decrease of HK\$7,025,000) and the decrease in fair value of derivative financial instruments of approximately HK\$64,000 (2013: increase of HK\$1,894,000).

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 2014, the market value of investment in securities was approximately HK\$45,493,000 (31 December 2013: HK\$46,675,000).

As at 30 June 2014, the Group carried outstanding forward contracts with a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$43,034,000 and HK\$28,174,000 respectively (31 December 2013: HK\$32,990,000 and HK\$22,840,000).

## FUTURE PLAN AND PROSPECT

As global stock markets are still volatile, the Group's funds for investment will be diversified into (i) equity securities and related derivative products; (ii) debt securities; and (iii) investment properties. In August 2014, the Group acquired further properties for investment purposes, details of which are stated in the announcement of the Company dated 6 August 2014.

In view of the expected improvements of the performance of the core business of the Company in the second half of the year, the Directors are prudently confident that the results of the Group will be improved in the second half of the year and its dividend policy will therefore continue subject to the cash position of the Group.

### *Liquidity and financial resources*

As at 30 June 2014, the Group had no long-term bank borrowings (31 December 2013: nil), while the short-term bank borrowings amounted to approximately HK\$15,711,000, (31 December 2013: HK\$21,918,000), and none of the Group's plant and machinery (31 December 2013: 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 9% (31 December 2013: 11%).

### *Finance costs*

The Group's finance costs amounted to approximately HK\$184,000 (2013: HK\$90,000).

### *Pledge of Assets*

As at 30 June 2014, 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\$45,493,000 (31 December 2013: HK\$31,559,000); and
- (ii) Bank deposits of approximately HK\$10,224,000 (31 December 2013: HK\$5,271,000).

At 30 June 2014, the Group has utilised margin loan facilities from financial institutions with an amount of approximately HK\$Nil (31 December 2013: HK\$Nil). The margin loan facilities were charged at variable market rates.

## FUTURE PLAN AND PROSPECT (Continued)

### *Pledge of Assets (Continued)*

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

- (i) Leasehold land and building with a carrying value of approximately HK\$30,710,000 (31 December 2013: HK\$31,660,000); and
- (ii) Bank deposits of approximately HK\$477,000 (31 December 2013: HK\$1,475,000).

### *Net asset value*

The net asset value of the Group as at 30 June 2014 was approximately HK\$0.60 (31 December 2013: HK\$0.69) per share based on the actual number of 293,115,607 (31 December 2013: 290,115,607) shares in issue on that date.

### *Employees and remuneration policies*

As at 30 June 2014, the Group employed approximately 1,600 (2013: 1,800) 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 either Hong Kong Dollar or US Dollar. As all its factories are located in the PRC, expenses incurred there are denominated in Renminbi.

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

As at 30 June 2014, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

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

During the period under review, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

## CORPORATE GOVERNANCE

### Compliance with the Code on Corporate Governance

Throughout the six months ended 30 June 2014, the Company has adopted the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" (the "Code") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its corporate governance code and has complied with the Code Provisions, save for the following deviations.

#### *Code Provision A.2.1*

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

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

#### *Code Provision A.6.7*

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

Due to other pre-arranged business commitments which must be attended to by him, Mr. Yip Chi Hung, being the independent non-executive director of the Company, was not present at the annual general meeting of the Company held on 20 May 2014. However, Mr. Lam Yat Cheong and Mr. Choy Wing Keung, David, both of whom being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

## CORPORATE GOVERNANCE (CONTINUED)

### *Code Provision D.1.4*

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

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

### *Code Provision F.1.1*

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

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



## CORPORATE GOVERNANCE (CONTINUED)

### Model Code for Securities Transactions by Directors

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

Following specific enquiry by the Group, all Directors have confirmed that throughout the six months ended 30 June 2014 they complied with the required standard set out in the Model Code for securities transactions.

### Audit Committee

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 of the Company now reported on.

### Remuneration Committee

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

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

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

### Nomination Committee

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

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

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





## DIRECTORS OF THE COMPANY

As at the date of this report, Mr. Poon Siu Chung, 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, 27 August 2014