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

(the "Company")

(incorporated in Bermuda with limited liability)

(Stock Code: 0765)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

INTERIM RESULTS

The directors of the Company (the "Directors") hereby announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 and the comparative figures in 2010 were as follow:

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

		(Unaudited) For the six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Revenue	2 & 3	**150,667**	138,607
Cost of sales		**(132,003)**	(118,168)
Gross profit		**18,664**	20,439
Net other (losses) incomes	4	**(791)**	454
Distribution costs		**(5,154)**	(6,302)
Administrative expenses		**(19,752)**	(12,452)
Finance costs		**(159)**	(121)
(Loss) profit before tax	5	**(7,192)**	2,018
Income tax credit (expenses)	6	**949**	(42)
(Loss) profit for the period		**(6,243)**	1,976

* *for identification purpose only*

		(Unaudited) For the six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Other comprehensive income (expenses)			
Exchange differences on translation of overseas operations		**208**	(24)
Total comprehensive (expenses) income for the period		**(6,035)**	1,952
(Loss) profit for the period attributable to:			
Owners of the Company		**(6,570)**	1,231
Non-controlling interests		**327**	745
(Loss) profit for the period		**(6,243)**	1,976
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		**(6,371)**	1,207
Non-controlling interests		**336**	745
Total comprehensive (expenses) income for the period		**(6,035)**	1,952
Dividends	7	**6,756**	17,938
(Loss) earnings per share	8		
Basic		**(2.41) cents**	0.44 cent
Diluted		**N/A**	0.43 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011 AND 31 DECEMBER 2010

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

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

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

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

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

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

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

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

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

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to the financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

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

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

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

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

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

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

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

2 BUSINESS SEGMENTS

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

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

For the six months ended 30 June 2011 (Unaudited)

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

Inter-segment sales are charged at prevailing market rates.

As at 30 June 2011 (Unaudited)

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

OTHER INFORMATION

For the six months ended 30 June 2011 (Unaudited)

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

For the six months ended 30 June 2010 (Unaudited)

	Novelties and decorations *HK$'000*	Packaging products *HK$'000*	PVC films and plastic materials *HK$'000*	Toy products *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	19,334	28,774	30,885	59,614	–	138,607
Inter-segment sales	88	8,449	412	–	(8,949)	–
Total revenue	19,422	37,223	31,297	59,614	(8,949)	138,607
RESULT						
Segment results	2,067	(4,501)	583	5,594	–	3,743
Loss from investments						(1,721)
Unallocated corporate income						117
Finance costs						(121)
Profit before tax						2,018
Income tax expenses						(42)
Profit for the period						1,976

Inter-segment sales are charged at prevailing market rates.

As at 31 December 2010 (Audited)

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

OTHER INFORMATION

For the six months ended 30 June 2010 (Unaudited)

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

Information about major customer

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

3 GEOGRAPHICAL SEGMENTS

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

	(Unaudited) For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Sales revenue by geographical market:		
Hong Kong	**51,465**	53,691
Europe	**22,167**	27,261
America	**24,089**	15,984
Asia (other than Hong Kong)	**49,859**	37,879
Others	**3,087**	3,792
	150,667	138,607

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

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

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

	(Unaudited) For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**5**	7
The PRC	**5,687**	3,173
	5,692	3,180

4 NET OTHER (LOSSES) INCOMES

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

5 (LOSS) PROFIT BEFORE TAX

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

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

6 INCOME TAX CREDIT (EXPENSES)

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

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

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

7 DIVIDENDS

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

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

8 (LOSS) EARNINGS PER SHARE

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

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

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

9 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) 30 June 2011 *HK$'000*	(Audited) 31 December 2010 *HK$'000*
0-60 days	**66,225**	37,384
61-90 days	**6,172**	6,394
91-120 days	**1,800**	3,622
Over 120 days	**4,713**	4,661
	78,910	52,061

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

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

	(Unaudited) **30 June** **2011** ***HK$'000***	(Audited) 31 December 2010 *HK$'000*
0-60 days	**10,043**	3,723
61-90 days	**824**	1,138
91-120 days	**222**	19
Over 120 days	**146**	37
	11,235	4,917

10 TRADE AND OTHER PAYABLES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

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

Closure of Register of Members

The Register of Members will be closed from 19 September 2011 to 21 September 2011, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00p.m. on 16 September 2011.

Business Review

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

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

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

Novelties and decorations

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

Packaging products

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

PVC films and plastic materials

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

Toy products

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

Investments

To better utilize the available cash on hand, the Group has invested in the securities listed in Hong Kong and their related derivative products, including but not limited to equity linked deposits. During the period, loss from investments from the aforesaid transactions amounted to approximately HK$3,048,000 (2010: HK$1,721,000) as a result of the volatility of the stock market and the uncertainty of the global economic growth. Such loss consisted of, among other things, the realized loss on disposal of investments held-for-trading of approximately HK$3,455,000 (2010: HK$856,000), the decrease in fair value of investments held-for trading of approximately of HK$1,968,000 (2010: HK$5,335,000) and the increase in fair value of derivative financial instruments of approximately HK$986,000 (2010: HK$3,683,000).

Investments held-for-trading are usually held for short-term purposes for capital gain in the value of the assets held. As at 30 June 2011, the market value of investment in securities was approximately HK$66,431,000 (31 December 2010: HK$72,910,000).

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

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

FUTURE PLAN AND PROSPECT

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

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

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

Liquidity and financial resources

As at 30 June 2011, the Group had no long-term bank borrowings (31 December 2010: nil), while the short-term bank borrowings were approximately HK$42,383,000 (31 December 2010: HK$27,750,000), and none of the Group's plant and machinery (31 December 2010: nil) was held under a finance lease. The gearing ratio of the Group, measured by total bank and other borrowings divided by equity attributable to owners of the Company, was approximately 21% (31 December 2010: 13%).

Finance costs

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

Pledge of Assets

As at 30 June 2011, the following assets were pledged to secure the margin loan facilities granted to the Group:

(i) Investments held-for-trading with a carrying value of approximately of HK$63,263,000 (31 December 2010: HK$71,935,000); and

(ii) Bank balances and cash of approximately HK$4,487,000 (31 December 2010: HK$4,818,000).

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

Net asset value

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

Employees and remuneration policies

As at 30 June 2011, the Group employed approximately 2,400 (2010: 2,600) full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its employees.

Foreign currency exposure

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance

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

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

Code A.2.1

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

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

Model Code for Securities Transactions by Directors

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

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

Audit Committee

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 of the Company now reported on.

Remuneration Committee

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

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

The committee is governed by its terms of reference, which are in line with the Code on Corporate Governance contained in Appendix 14 of the Listing Rules.

DIRECTORS OF THE COMPANY

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

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

Hong Kong, 29 August 2011