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

(the "Company")
(incorporated in Bermuda with limited liability)
(Stock Code: 00765)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 and the comparative figures in 2011 were as follow:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

		(Unaudited) For the six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Continuing operations			
Revenue	2 & 3	**112,671**	120,611
Cost of sales		**(93,712)**	(104,101)
Gross profit		**18,959**	16,510
Net other incomes (losses)	4	**10,728**	(793)
Distribution costs		**(3,887)**	(4,473)
Administrative expenses		**(16,052)**	(18,939)
Finance costs		**(194)**	(154)

* *for identification purpose only*

	Notes	(Unaudited) For the six months ended 30 June **2012** ***HK$'000***	2011 *HK$'000* (Restated)
Profit (loss) before tax	5	**9,554**	(7,849)
Income tax (expenses) credit	6	**(1,489)**	1,022
Profit (loss) for the period from continuing operations		**8,065**	(6,827)
Discontinued operation			
(Loss) profit for the period from discontinued operation	7	**(1,491)**	584
Profit (loss) for the period		**6,574**	(6,243)
Other comprehensive income			
Exchange differences on translation of overseas operations		**1,668**	208
Total comprehensive income (expenses) for the period		**8,242**	(6,035)
Profit (loss) for the period attributable to:			
Owners of the Company			
Profit (loss) from continuing operations		**7,227**	(7,154)
(Loss) profit from discontinued operation		**(1,490)**	584
		5,737	(6,570)
Non-controlling interests			
Profit from continuing operations		**838**	327
Loss from discontinued operation		**(1)**	–
		837	327
Profit (loss) for the period		**6,574**	(6,243)

	Notes	(Unaudited) For the six months ended 30 June **2012** ***HK$'000***	2011 *HK$'000* (Restated)
Total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		**7,308**	(6,371)
Non-controlling interests		**934**	336
Total comprehensive income (expenses) for the period		**8,242**	(6,035)
Dividends	8	**28,766**	6,756
Earnings (loss) per share	9		
From continuing and discontinued operations			
Basic		**2.19 cents**	(2.41) cents
Diluted		**2.18 cents**	N/A
From continuing operations			
Basic		**2.75 cents**	(2.63) cents
Diluted		**2.75 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012 AND 31 DECEMBER 2011

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

	Notes	(Unaudited) **30 June 2012** *HK$'000*	(Audited) 31 December 2011 *HK$'000*
Liabilities directly associated with assets classified as held for sale	11	**1,507**	–
		76,398	86,886
NET CURRENT ASSETS		**134,990**	158,489
TOTAL ASSETS LESS CURRENT LIABILITIES		**188,047**	211,303
NON CURRENT LIABILITIES			
Deferred tax liabilities		**269**	668
NET ASSETS		**187,778**	210,635
CAPITAL AND RESERVES			
Share capital		**26,151**	26,381
Reserves		**152,540**	175,031
Equity attributable to owners of the Company		**178,691**	201,412
Non-controlling interests		**9,087**	9,223
TOTAL EQUITY		**187,778**	210,635

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

Key requirements of these five standards are described below.

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

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

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

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

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

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

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

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

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

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

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

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

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

2 BUSINESS SEGMENTS

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

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

For the six months ended 30 June 2012 (Unaudited)

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

Inter-segment sales are charged at prevailing market rates.

As at 30 June 2012 (Unaudited)

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

OTHER INFORMATION

For the six months ended 30 June 2012 (Unaudited)

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

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

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

Inter-segment sales are charged at prevailing market rates.

As at 31 December 2011 (Audited)

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

OTHER INFORMATION

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

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

Information about major customer

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

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 **2012** *HK$'000*	2011 *HK$'000* (Restated)
Sales revenue by geographical market:		
Hong Kong	**13,341**	22,213
Europe	**17,060**	22,167
America	**15,471**	24,089
Asia (other than Hong Kong)	**62,819**	49,055
Others	**3,980**	3,087
	112,671	120,611

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

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

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	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**483**	2
The PRC	**3,569**	5,957
	4,052	5,959

4 NET OTHER INCOMES (LOSSES)

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

5 PROFIT (LOSS) BEFORE TAX

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

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

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

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

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

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

7 DISCONTINUED OPERATION

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

The board determined to terminate the business of PVC films and plastic materials trading segment as a result of its continuous poor performance with effect from 31 May 2012. Details of the assets and liabilities to be disposed of are disclosed in note 11.

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

8 DIVIDENDS

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

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

9 EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

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

From continuing operations

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

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

From discontinued operation

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

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

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

10 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 2012 ***HK$'000***	(Audited) 31 December 2011 *HK$'000*
0-60 days	**36,148**	36,506
61-90 days	**2,294**	2,998
91-120 days	**709**	2,044
Over 120 days	**2,375**	3,990
	41,526	45,538

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 2012 ***HK$'000***	(Audited) 31 December 2011 *HK$'000*
0-60 days	**6,440**	6,032
61-90 days	**333**	293
91-120 days	**–**	79
Over 120 days	**69**	66
	6,842	6,470

11 ASSETS CLASSIFIED AS HELD FOR SALE

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

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

12 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** **2012** ***HK$'000***	(Audited) 31 December 2011 *HK$'000*
0-60 days	**20,207**	21,705
61-90 days	**2,858**	1,621
91-120 days	**1,239**	322
Over 120 days	**438**	544
	24,742	24,192

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

BUSINESS REVIEW

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

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

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

Novelties and decorations

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

Packaging products

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

PVC films and plastic materials

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

Toy products

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

Investments

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

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

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

FUTURE PLAN AND PROSPECT

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

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

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

Liquidity and financial resources

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

Finance costs

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

Pledge of Assets

As at 30 June 2012, the following assets were pledged to secure the margin loan facilities granted to the Group:

(i) Investments held-for-trading with a carrying value of approximately HK$61,928,000 (31 December 2011: HK$67,055,000); and

(ii) Bank balances and cash of approximately HK$1,691,000 (31 December 2011: HK$1,254,000).

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

Net asset value

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

Employees and remuneration policies

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

Foreign currency exposure

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance

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

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

Code A.2.1

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

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

Code D.1.4

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

The Company has no formal letters of appointment for the independent non-executive directors, namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, as all of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the bye-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 F.1.1

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

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

Model Code for Securities Transactions by Directors

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

After specific enquiry made by the Company, all of the Directors confirmed that they had 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 2012.

Audit Committee

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

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

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

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

Hong Kong, 23 August 2012