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

(the "Company")
(incorporated in Bermuda with limited liability)
(Stock Code: 765)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013 and the comparative figures in 2012 were as follow:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND THE SIX MONTHS ENDED 30 JUNE 2012

		(Unaudited) For the six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	2 & 3	**91,815**	112,671
Cost of sales		**(72,370)**	(93,712)
Gross profit		**19,445**	18,959
Net other (expenses) income	4	**(4,495)**	10,728
Distribution costs		**(3,252)**	(3,887)
Administrative expenses		**(21,836)**	(16,052)
Finance costs		**(90)**	(194)

* *for identification purpose only*

		(Unaudited) For the six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
(Loss) profit before tax	5	**(10,228)**	9,554
Income tax credit (expenses)	6	**991**	(1,489)
(Loss) profit for the period from continuing operations		**(9,237)**	8,065
Discontinued operation			
Loss for the period from discontinued operation	7	**–**	(1,491)
(Loss) profit for the period		**(9,237)**	6,574
Other comprehensive income			
Exchange differences on translation of overseas operations		**157**	1,668
Total comprehensive (expenses) income for the period		**(9,080)**	8,242
(Loss) profit for the period attributable to:			
Owners of the Company			
(Loss) profit from continuing operations		**(9,902)**	7,227
Loss from discontinued operation		**–**	(1,490)
		(9,902)	5,737
Non-controlling interests			
Profit from continuing operations		**665**	838
Loss from discontinued operation		**–**	(1)
		665	837
(Loss) profit for the period		**(9,237)**	6,574

		(Unaudited) For the six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		**(9,768)**	7,308
Non-controlling interests		**688**	934
Total comprehensive (expenses) income for the period		**(9,080)**	8,242
Dividends	8	**31,880**	28,766
(Loss) earnings per share	9		
From continuing and discontinued operations			
Basic		**(3.69) cents**	2.19 cents
Diluted		**N/A**	2.18 cents
From continuing operations			
Basic		**(3.69) cents**	2.75 cents
Diluted		**N/A**	2.75 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013 AND 31 DECEMBER 2012

	Notes	**(Unaudited) 30 June 2013 *HK$'000***	(Audited) 31 December 2012 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**31,486**	35,264
Investment property		**10,200**	10,200
Deferred rental income		**7**	10
Deferred tax assets		**6,295**	4,075
		47,988	49,549
CURRENT ASSETS			
Inventories		**53,499**	39,689
Trade and other receivables	10	**39,426**	38,741
Deferred rental income		**5**	5
Amount due from a related company		**535**	527
Tax recoverable		**660**	771
Investments held-for-trading		**44,833**	59,736
Derivative financial instruments		**100**	354
Pledged bank deposits		**2,659**	8,281
Bank balances and cash		**72,000**	75,318
		213,717	223,422
CURRENT LIABILITIES			
Trade and other payables	11	**44,564**	41,260
Derivative financial instruments		**2,360**	4,508
Tax liabilities		**4,953**	4,243
Bank borrowings – due within one year		**18,824**	9,221
		70,701	59,232

	Notes	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
NET CURRENT ASSETS		**143,016**	164,190
TOTAL ASSETS LESS CURRENT LIABILITIES		**191,004**	213,739
NON CURRENT LIABILITIES			
Deferred tax liabilities		**321**	245
NET ASSETS		**190,683**	213,494
CAPITAL AND RESERVES			
Share capital		**28,982**	26,072
Reserves		**150,808**	175,259
Equity attributable to owners of the Company		**179,790**	201,331
Non-controlling interests		**10,893**	12,163
TOTAL EQUITY		**190,683**	213,494

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 2012 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 2013 as follows:

HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1
HK (IFRC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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 which 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:

HKFRS 9	Financial Instruments[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 12 and HKFRS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments

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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) – Investment Entities

The amendment to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interest in subsidiaries at fair value through profit or loss.

To qualify as in investment entity, certain criteria have to be met. Specifically, an entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective from annual periods beginning on or after 1 January 2014 with early application permitted. The directors is in the process of assessing the potential impact of the new HKFRSs but is not yet in a position to determine whether the new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

2 BUSINESS SEGMENTS

For management purposes, the Group's business is currently divided into three segments, namely, manufacture and sale of novelties and decorations, manufacture and sale of packaging products and the 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 2013 (Unaudited)

	Novelties and decorations products *HK$'000*	**Packaging products** *HK$'000*	**Toy products** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE					
External sales	**11,659**	**8,785**	**71,371**	**–**	**91,815**
Inter-segment sales	**–**	**622**	**–**	**(622)**	**–**
Total revenue	**11,659**	**9,407**	**71,371**	**(622)**	**91,815**
RESULT					
Segment results	**(6,371)**	**(4,458)**	**7,777**	**–**	**(3,052)**
Loss from investments					**(5,681)**
Unallocated corporate expenses					**(1,405)**
Finance costs					**(90)**
Loss before tax					**(10,228)**
Income tax credit					**991**
Loss for the period					**(9,237)**

Inter-segment sales are charged at prevailing market rates.

As at 30 June 2013 (Unaudited)

	Novelties and decorations products *HK$'000*	Packaging products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	**77,217**	**23,325**	**86,459**	**187,001**
Unallocated corporate assets				**74,704**
Consolidated total assets				**261,705**
LIABILITIES				
Segment liabilities	**33,242**	**3,335**	**22,889**	**59,466**
Unallocated corporate liabilities				**11,556**
Consolidated total liabilities				**71,022**

OTHER INFORMATION

For the six months ended 30 June 2013 (Unaudited)

	Novelties and decorations products *HK$'000*	Packaging products *HK$'000*	Toy products *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	**875**	**–**	**1,834**	**–**	**2,709**
Depreciation and amortisation	**816**	**958**	**1,975**	**6**	**3,755**
Interest income	**9**	**7**	**6**	**1**	**23**

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

	Novelties and decorations products *HK$'000*	Packaging products *HK$'000*	Toy products *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE					
External sales	20,109	16,689	75,873	–	112,671
Inter-segment sales	–	5,369	–	(5,369)	–
Total revenue	20,109	22,058	75,873	(5,369)	112,671
RESULT					
Segment results	(4,185)	(557)	8,979	–	4,237
Profit from investments					7,159
Unallocated corporate expenses					(1,648)
Finance costs					(194)
Profit before tax					9,554
Income tax expenses					(1,489)
Profit for the period					8,065

Inter-segment sales are charged at prevailing market rates.

As at 31 December 2012 (Audited)

	Novelties and decorations products *HK$'000*	Packaging products *HK$'000*	Toy products *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	63,898	32,200	93,876	189,974
Unallocated corporate assets				81,344
Assets relating to PVC films and plastic materials operations				1,653
Consolidated total assets				272,971
LIABILITIES				
Segment liabilities	22,638	4,162	25,800	52,600
Unallocated corporate liabilities				6,828
Liabilities relating to PVC films and plastic materials operations				49
Consolidated total liabilities				59,477

OTHER INFORMATION

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

	Novelties and decorations products *HK$'000*	Packaging products *HK$'000*	Toy products *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	595	27	3,377	53	4,052
Depreciation and amortisation	1,055	1,131	2,019	1	4,206
Interest income	14	17	6	1	38

Information about major customer

Included in revenues arising from sales of toys products of approximately HK$71,371,000 (2012: HK$75,873,000) are revenues of approximately HK$41,433,000 (2012: HK$39,859,000) 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	
	2013	2012
	HK$'000	*HK$'000*
Sales revenue by geographical market:		
Hong Kong	**14,323**	13,341
Europe	**19,148**	17,060
America	**13,800**	15,471
Asia (other than Hong Kong)	**44,095**	62,819
Others	**449**	3,980
	91,815	112,671

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

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**161,509**	167,956
The People's Republic of China (the "PRC")	**100,196**	105,015
	261,705	272,971

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	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**650**	483
The PRC	**2,059**	3,569
	2,709	4,052

4 NET OTHER (EXPENSES) INCOME

	(Unaudited) For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Bad debts recovered	**20**	–
Dividend income on investments held-for-trading	**974**	1,991
Exchange gain, net	**–**	235
Gain on disposal of property, planed and equipment	**–**	2,018
Interest income	**23**	38
Net change in fair value of investments held-for-trading	**(7,025)**	(1,472)
Net change in fair value of derivative financial instruments	**1,894**	2,240
Rental income	**89**	–
Realised (loss) gain on disposal of investments held-for-trading	**(1,526)**	4,400
Others	**1,056**	1,278
	(4,495)	10,728

5 (LOSS) PROFIT BEFORE TAX

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

	(Unaudited) For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**3,755**	4,206
Loss on disposals of property, plant and equipment	**851**	–

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

	(Unaudited) For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**(1,023)**	(1,680)
PRC Enterprise Income tax	**(131)**	–
	(1,154)	(1,680)
Over (under) provision in prior years:		
Hong Kong Profits Tax	**–**	48
PRC Enterprise Income tax	**–**	(12)
	–	36
Deferred taxation:		
Current year	**2,145**	155
Total income tax credit (expenses) recognised in profit or loss	**991**	(1,489)

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.

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

8 DIVIDENDS

	(Unaudited) For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Final and special paid:		
HK11.0 cents per share for 2012		
(2012: HK11.0 cents per share for 2011)	**31,880**	28,766

The Directors have resolved to declare an interim dividend of HK1.0 cent (2012: HK2.0 cents) per share.

9 (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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$9,902,000 (2012: profit of HK$5,737,000) and the following data:

	(Unaudited) For the six months ended 30 June	
	2013	2012
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**268,215,981**	262,508,157
Effect of dilutive potential ordinary shares:		
Share options	**8,818,135**	708,738
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**277,034,116**	263,216,895

No diluted loss per share for the period ended 30 June 2013 has been presented because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

From continuing operations

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$9,902,000 (2012: profit of HK$7,227,000) and the denominators detailed above.

No diluted loss per share for the period ended 30 June 2013 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
Basic	(0.56) cents
Diluted	N/A

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 2012 of approximately HK$1,490,000 and the denominators detailed above.

No diluted loss per share for the six months ended 30 June 2012 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** **2013** ***HK$'000***	(Audited) 31 December 2012 *HK$'000*
0-60 days	**30,575**	31,451
61-90 days	**728**	1,018
91-120 days	**297**	171
Over 120 days	**1,051**	268
	32,651	32,908

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)	(Audited)
	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
0-60 days	**6,067**	4,881
61-90 days	**472**	9
91-120 days	**160**	–
Over 120 days	**448**	–
	7,147	4,890

11 TRADE AND OTHER PAYABLES

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

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
0-60 days	**15,434**	10,303
61-90 days	**3,246**	2,667
91-120 days	**782**	1,361
Over 120 days	**682**	780
	20,144	15,111

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1.0 cent per share (2012: HK2.0 cents per share) for the six months ended 30 June 2013 payable on 4 October 2013, Friday, to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 19 September 2013, Thursday.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 18 September 2013, Wednesday to 19 September 2013, Thursday, 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 17 September 2013, Tuesday.

BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK$91,815,000 (2012: HK$112,671,000), representing a decrease of about 19%, and recorded a loss for the period attributable to owners of the Company of approximately HK$9,902,000 (2012: profit of HK$5,737,000).

For the first half of 2013, the contribution from the core business of the Group recorded a loss of approximately HK$3,052,000 (2012: gain of HK$4,237,000). 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$5,681,000 (2012: profit of HK$7,159,000), details of the loss from investments will be further analysed below.

In order to save future costs on rental expenses in Hong Kong as the rental costs have been increasing, the Group acquired a premise in April 2013 and the acquisition was completed on 18 July 2013. Details of the acquisition are disclosed in the announcement dated 22 April 2013.

The Group planned to slow down and/or terminate the business of the packaging products segment in light of the segment continual poor performance. Thus the revenue of the Group decreased further during the period under review.

Novelties and decorations

The revenue of the novelties and decorations products segment decreased substantially by about 42% amounting to approximately HK$11,659,000 (2012: HK$20,109,000), and recorded a loss of approximately HK$6,371,000 (2012: HK$4,185,000). The revenue from the segment decreased substantially and the loss increased as relocation of certain production facilities taken place in the first half of the year caused temporary production interruption, production capacities during such period decreased as a result, while related fixed overheads continued. It is still prudently optimistic that the results of the segment will be improved in the second half of the year when seasonal shipments delivered.

Packaging products

The revenue in the packaging segment also dropped substantially by about 47% amounting to HK$8,785,000 (2012: HK$16,689,000), and recorded a loss of approximately HK$4,458,000 (2012: HK$557,000). The loss from the segment increased substantially as a result of the payment of redundancy for the certain sub-segments amounting to approximately HK$2,291,000, together with the loss from disposal of fixed assets of approximately HK$851,000 (2012: gain of HK$1,985,000). It is the Board's intention to terminate the business of external sales in the near future and the Board is still considering the future positioning of the business of internal sales.

Toy products

The revenue of the segment decreased slightly by about 6% amounting to approximately HK$71,371,000 (2012: HK$75,873,000), and recorded a profit of HK$7,777,000 (2012: HK$8,979,000), representing a drop of about 13%. The segment continued to be the best performing one within the Group and maintains a stable performance.

Investments

To better utilize the available cash on hand, the Group has invested in securities listed in Hong Kong and their related derivative products, including but not limited to equity linked deposit, and other tradable securities. During the period, loss derived from the aforesaid investments amounted to approximately HK$5,681,000 (2012: profit of HK$7,159,000) as a result of the worsening of the stock market since the end of 2012. Such loss was the combined effect of, among other things, the realized loss on disposal of investments held-for-trading of approximately HK$1,526,000 (2012: gain of HK$4,400,000), the decrease in fair value of investments held-for trading of approximately of HK$7,025,000 (2012: HK$1,472,000) and the increase in fair value of derivative financial instruments of approximately HK$1,894,000 (2012: HK$2,240,000).

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 2013, the market value of investment in securities was approximately HK$44,833,000 (31 December 2012: HK$59,736,000).

As at 30 June 2013, the Group carried outstanding forward contracts with a commitment for the sale and purchase of equity shares of notional amount of approximately HK$8,470,000 and HK$31,128,000 respectively (31 December 2012: HK$75,164,000 and HK$5,871,000).

FUTURE PLAN AND PROSPECT

As stated in our last annual report, the Group concentrates its resources on profitable manufacturing business only. In view of the results of the first half of the year, the toy products segment is relatively profitable. Nevertheless, it is prudently optimistic that the performance of the novelties and decorations products segment will improve in the second half of the year when the seasonal shipments delivered.

As global stock markets are relatively more volatile, the portion of funds invested in equity securities decreases gradually and the surplus therefrom is used in investing debt securities, which are expected to provide more stable income to the Group.

In view of the 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 at the end of this year.

Liquidity and financial resources

As at 30 June 2013, the Group had no long-term bank borrowings (31 December 2012: nil), while the short-term bank borrowings amounted to approximately HK$18,824,000, (31 December 2012: HK$9,221,000), and none of the Group's plant and machinery (31 December 2012: 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 2012: 5%).

Finance costs

The Group's finance cost amounted to approximately HK$90,000 (2012: HK$194,000).

Pledge of Assets

As at 30 June 2013, 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$43,338,000 (31 December 2012: HK$59,698,000); and

(ii) Bank balances and cash of approximately HK$2,659,000 (31 December 2012: HK$8,281,000).

At 30 June 2013, the Group has utilised margin loan facilities from financial institutions with an amount of approximately HK$7,605,000 (31 December 2012: HK$Nil). The margin loan facilities were charged at variable market rates.

Net asset value

The net asset value of the Group as at 30 June 2013 was approximately HK$0.66 (31 December 2012: HK$0.77) per share based on the actual number of 289,815,607 shares in issue on that date.

Employees and remuneration policies

As at 30 June 2013, the Group employed approximately 1,800 (2012: 2,000) 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 2013, 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 2013	1,000,000	0.910	0.900	912,870
	1,000,000			912,870

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

Throughout the six months ended 30 June 2013, 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 compiled 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 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 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 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.

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 2013 they compiled 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 the 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 2013 of the Company now reported on.

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

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, 29 August 2013