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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 2015**

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 2015 and the comparative figures in 2014 were as follow:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2015

		(Unaudited)	
		For the six months	
		ended 30 June	
		2015	2014
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	2 & 3	75,311	89,533
Cost of sales		(64,940)	(70,312)
Gross profit		10,371	19,221
Net other income	4	8,600	4,614
Distribution costs		(1,912)	(2,190)
Administrative expenses		(29,960)	(19,352)
Finance costs		(326)	(184)

* *for identification purpose only*

(Unaudited)			
For the six months			
ended 30 June			
		2015	2014
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
(Loss) profit before tax	5	(13,227)	2,109
Income tax expenses	6	(219)	(138)
		<u>(13,446)</u>	<u>1,971</u>
(Loss) profit for the period			
Other comprehensive income (expenses)			
Exchange differences on translation of overseas operations		118	(141)
		<u>118</u>	<u>(141)</u>
Total comprehensive (expenses) income for the period		<u>(13,328)</u>	<u>1,830</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(13,440)	1,100
Non-controlling interests		(6)	871
		<u>(13,446)</u>	<u>1,971</u>
(Loss) profit for the period			
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(13,329)	969
Non-controlling interests		1	861
		<u>(13,328)</u>	<u>1,830</u>
Total comprehensive (expenses) income for the period			
(Loss) earnings per share	8		
Basic		<u>(4.48) cents</u>	<u>0.38 cent</u>
Diluted		<u>(4.48) cents</u>	<u>0.37 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		63,402	66,991
Investment property		44,700	44,700
Deferred tax assets		4,517	4,640
		<hr/> 112,619 <hr/>	<hr/> 116,331 <hr/>
CURRENT ASSETS			
Inventories		30,762	19,700
Trade and other receivables	9	29,106	27,690
Tax recoverable		3,467	2,422
Investments held-for-trading		42,770	46,993
Derivative financial instruments		153	45
Pledged bank deposits		5,856	1,895
Bank balances and cash		44,987	49,060
		<hr/> 157,101 <hr/>	<hr/> 147,805 <hr/>
CURRENT LIABILITIES			
Trade and other payables	10	37,930	31,289
Derivative financial instruments		2,025	4,156
Tax liabilities		1,040	1,219
Bank borrowings – due within one year		27,589	30,255
		<hr/> 68,584 <hr/>	<hr/> 66,919 <hr/>
NET CURRENT ASSETS		<hr/> 88,517 <hr/>	<hr/> 80,886 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 201,136 <hr/>	<hr/> 197,217 <hr/>

	(Unaudited) 30 June 2015 <i>Notes</i> HK\$'000	(Audited) 31 December 2014 <i>HK\$'000</i>
NON CURRENT LIABILITIES		
Deferred tax liabilities	<u>212</u>	<u>319</u>
NET ASSETS	<u>200,924</u>	<u>196,898</u>
CAPITAL AND RESERVES		
Share capital	31,537	29,867
Reserves	156,121	152,434
Equity attributable to owners of the Company	187,658	182,301
Non-controlling interests	13,266	14,597
TOTAL EQUITY	<u>200,924</u>	<u>196,898</u>

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 2014 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 2015 as follows:

- Annual improvements 2010-2012 Cycle
- Annual improvements 2011-2013 Cycle

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

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 ³
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ¹
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

⁴ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group as the Group is not a first-time adopter of HKFRSs

2. BUSINESS SEGMENTS

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

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

For the six months ended 30 June 2015 (Unaudited)

	Novelties and decorations products	Toy products	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE				
External sales	11,082	64,229	–	75,311
Inter-segment sales	–	–	–	–
Total revenue	<u>11,082</u>	<u>64,229</u>	<u>–</u>	<u>75,311</u>
RESULT				
Segment results	<u>(2,397)</u>	<u>(1,147)</u>	<u>–</u>	(3,544)
Profit from investments				4,299
Unallocated corporate expenses				(13,656)
Finance costs				<u>(326)</u>
Loss before tax				(13,227)
Income tax expenses				<u>(219)</u>
Loss for the period				<u>(13,446)</u>

Inter-segment sales are charged at prevailing market rates.

As at 30 June 2015 (Unaudited)

	Novelties and decorations products	Toy products	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Segment assets	43,637	81,043	124,680
Unallocated corporate assets			145,040
			<hr/>
Consolidated total assets			269,720
			<hr/> <hr/>
LIABILITIES			
Segment liabilities	20,363	24,174	44,537
Unallocated corporate liabilities			24,259
			<hr/>
Consolidated total liabilities			68,796
			<hr/> <hr/>

OTHER INFORMATION

For the six months ended 30 June 2015 (Unaudited)

	Novelties and decorations products	Toy products	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	63	236	1,258	1,557
Depreciation and amortisation	676	2,401	791	3,868
Interest income	14	7	19	40

For the six months ended 30 June 2014 (Unaudited)

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

Inter-segment sales are charged at prevailing market rates.

As at 31 December 2014 (Audited)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	39,399	83,598	122,997
Unallocated corporate assets			<u>141,139</u>
Consolidated total assets			<u><u>264,136</u></u>
LIABILITIES			
Segment liabilities	19,268	21,703	40,971
Unallocated corporate liabilities			<u>26,267</u>
Consolidated total liabilities			<u><u>67,238</u></u>

OTHER INFORMATION

For the six months ended 30 June 2014 (Unaudited)

	Novelties and decorations products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	503	6,587	–	7,090
Depreciation and amortisation	717	2,092	787	3,596
Interest income	7	8	34	49

Information about major customer

Included in revenues arising from sales of toys products of approximately HK\$64,229,000 (2014: HK\$77,884,000) are revenues of approximately HK\$60,106,000 (2014: HK\$73,697,000) 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	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	5,143	6,908
Europe	13,797	15,445
America	20,782	17,736
Asia (other than Hong Kong)	35,524	49,311
Others	65	133
	<hr/> 75,311 <hr/>	<hr/> 89,533 <hr/>

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

	(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Hong Kong	183,221	185,029
The People's Republic of China (the "PRC")	86,499	79,107
	<u>269,720</u>	<u>264,136</u>

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 2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	1,258	1,014
The PRC	299	6,076
	<u>1,557</u>	<u>7,090</u>

4. NET OTHER INCOME

	(Unaudited) For the six months ended 30 June 2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bad debts recovered	277	–
Bond interest income	8	152
Dividend income on investments held-for-trading	1,016	1,204
Gain on disposal of property, plant and equipment	2,655	220
Interest income	40	49
Net change in fair value of investments held-for-trading	1,552	585
Net change in fair value of derivative financial instruments	2,239	(64)
Rental income	30	89
Realised (loss) gain on disposal of investments held-for-trading	(519)	776
Realised loss on disposal of financial assets designated as at fair value through profit or loss	–	(47)
Others	1,302	1,650
	<u>8,600</u>	<u>4,614</u>

5. (LOSS) PROFIT BEFORE TAX

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

	(Unaudited)	
	For the six months	
	ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	3,868	3,596

6. INCOME TAX EXPENSES

	(Unaudited)	
	For the six months	
	ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	(105)	(1,844)
PRC Enterprise Income tax	–	(86)
	(105)	(1,930)
Over (under) provision in prior years:		
Hong Kong Profits Tax	10	7
PRC Enterprise Income tax	(108)	–
	(98)	7
Deferred tax:		
Current year	(16)	1,785
Total income tax expenses recognised in profit or loss	(219)	(138)

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. DIVIDENDS

(Unaudited)	
For the six months	
ended 30 June	
2015	2014
HK\$'000	HK\$'000

Final paid:

HK2.0 cents per share for 2014 (2014: HK10.0 cents per share
for 2013, final and special paid)

5,989	29,311
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The Directors have resolved to declare an interim dividend of HK1.0 cent (2014: HK1.0 cent) per share.

8. (LOSS) EARNINGS PER SHARE

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\$13,440,000 (2014: profit of HK\$1,100,000) and the following data:

(Unaudited)		
For the six months		
ended 30 June		
2015	2014	
Weighted average number of ordinary shares for the purposes of basic earnings per share	299,896,270	292,922,237
Effect of dilutive potential ordinary shares:		
Share options	3,376,840	5,601,527
Weighted average number of ordinary shares for the purposes of diluted earnings per share	303,273,110	298,523,764

Diluted loss per share for the period ended 30 June 2015 is the same as basic loss per share because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

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 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
0-60 days	21,578	18,786
61-90 days	646	2,068
91-120 days	13	444
Over 120 days	8	264
	<hr/> 22,245 <hr/> <hr/>	<hr/> 21,562 <hr/> <hr/>

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 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
0-60 days	2,146	4,489
61-90 days	13	2,068
91-120 days	-	707
Over 120 days	8	1
	<hr/> 2,167 <hr/> <hr/>	<hr/> 7,265 <hr/> <hr/>

10. TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
0-60 days	12,408	6,700
61-90 days	2,945	3,251
91-120 days	663	1,153
Over 120 days	631	691
	<hr/> 16,647 <hr/>	<hr/> 11,795 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1.0 cent per share (2014: HK1.0 cent per share) for the six months ended 30 June 2015 payable on 8 October 2015, Thursday, to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 18 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 17 September 2015 to 18 September 2015, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 16 September 2015.

BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK\$75,311,000 (2014: HK\$89,533,000), representing a decrease of about 16%, and recorded a loss for the period attributable to owners of the Company of approximately HK\$ 13,440,000 (2014: profit of HK\$1,100,000).

For the first half of 2015, the contribution from the core business of the Group recorded a loss of approximately HK\$3,544,000 (2014: gain of HK\$1,060,000). Detailed performance of each segment of the core business will be discussed below. Included in the profit for the period was the profit from investments of approximately HK\$4,299,000 (2014: HK\$2,613,000), details of the profit from investments will be further analysed below.

Distribution costs decreased by about 13% to approximately HK\$1,912,000 (2014: HK\$2,190,000) while administrative expenses increased by about 55% to approximately HK\$ 29,960,000 (2014: HK\$19,352,000) as a result of, among others, the increase in share-based payments, which amounted to approximately HK\$10,909,000 (2014: nil).

Novelties and decorations

The revenue of the novelties and decorations products segment decreased by about 5% to approximately HK\$11,082,000 (2014: HK\$11,649,000), while the loss therefrom amounted to approximately HK\$2,397,000 (2014: HK\$8,131,000). Included in the loss was a gain on disposal of property, plant and equipment of approximately HK\$2,692,000 (2014: nil).

Toy products

The revenue of the segment decreased substantially by about 18% to approximately HK\$64,229,000 (2014: HK\$77,884,000), and recorded a loss of HK\$1,147,000 (2014: profit of HK\$9,191,000). One of the sub-segments recorded a substantial decrease in revenue leading to the deterioration of profit margin thereof, as a result, the segment reported a rare negative result for the period.

Investments

To better utilize the available cash on hand, the Group has invested in the securities listed in Hong Kong and their related derivative products, including but not limited to equity linked deposits, and also other tradable securities. During the period under review, profit of investments derived from the aforesaid transactions amounted to approximately HK\$4,299,000 (2014: HK\$2,613,000). Such profit was the combined effect of, among other things, the realized loss on disposal of investments held-for-trading of approximately HK\$519,000 (2014: gain of HK\$776,000), the increase in fair value of investments held-for trading of approximately HK\$1,552,000 (2014: HK\$585,000) and the increase in fair value of derivative financial instruments of approximately HK\$2,239,000 (2014: decrease of HK\$64,000).

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 2015, the market value of investment in securities was approximately HK\$42,770,000 (31 December 2014: HK\$46,993,000).

As at 30 June 2015, the Group carried outstanding forward contracts with a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$36,712,000 and HK\$29,091,000 respectively (31 December 2014: HK\$24,626,000 and HK\$20,493,000).

FUTURE PLAN AND PROSPECT

As global stock markets are still volatile, the Group's funds for investment will be diversified into (i) equity securities and related derivative products; (ii) debt securities; and (iii) investment properties.

In August 2014, the Group acquired further properties for investment purposes, at present, more than half of the units are under leases to earn steady rental income.

As stated in our latest annual report, the ever increasing costs of production in mainland China together with the difficulty in recruiting high caliber staff at reasonable rate lead to the failure of a number of factories in the processing industries. In order to further decrease the costs of production, the Group has started the consolidation of production facilities since few years ago and will continue such action whenever it is necessary and available.

In view of the traditional peak season of the core business of the Company in the second half of the year, the Directors are prudent that the results of the Group will be improved in the second half of the year.

Liquidity and financial resources

As at 30 June 2015, the Group had no long-term bank borrowings (31 December 2014: nil), while the short-term bank borrowings amounted to approximately HK\$27,589,000, (31 December 2014: HK\$30,255,000), and none of the Group's plant and machinery (31 December 2014: 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 15% (31 December 2014: 17%).

Finance costs

The Group's finance costs amounted to approximately HK\$326,000 (2014: HK\$184,000).

Pledge of Assets

As at 30 June 2015, 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\$42,770,000 (31 December 2014: HK\$46,993,000); and
- (ii) Bank deposits of approximately HK\$5,856,000 (31 December 2014: HK\$1,895,000).

At 30 June 2015, the Group had utilised no margin loan facilities from financial institutions (31 December 2014: HK\$nil). The margin loan facilities were charged at variable market rates.

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

- (i) Leasehold land and buildings with a carrying value of approximately HK\$29,761,000 (31 December 2014: HK\$31,016,000); and
- (ii) Investment properties of approximately HK\$44,700,000 (31 December 2014: HK\$44,700,000).

Net asset value

The net asset value of the Group as at 30 June 2015 was approximately HK\$0.60 (31 December 2014: HK\$0.61) per share based on the actual number of 315,365,607 (31 December 2014: 298,665,607) shares in issue on that date.

Employees and remuneration policies

As at 30 June 2015, the Group employed approximately 1,450 (2014: 1,600) 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 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 2015, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

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

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

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance

Throughout the six months ended 30 June 2015, the Company has adopted the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" (the "Code") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its corporate governance code and has complied with the Code Provisions, save for the following deviations.

Code Provision A.2.1

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

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

Code Provision A.6.7

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

Due to other pre-arranged business commitments which must be attended to by him, Mr. Yip Chi Hung, being the independent non-executive director of the Company, was not present at the annual general meeting of the Company held on 27 May 2015. However, Mr. Lam Yat Cheong and Mr. Choy Wing Keung, David, both of whom being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

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 2015 they complied with the required standard set out in the Model Code for securities transactions.

Audit Committee

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 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, 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, 26 August 2015