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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 2016**

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 2016 and the comparative figures in 2015 were as follow:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		(Unaudited)	
		For the six months	
		ended 30 June	
		2016	2015
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	2 & 3	87,355	75,311
Cost of sales		(66,837)	(64,940)
Gross profit		20,518	10,371
Other income, gains and losses	4	3,121	7,879
Distribution costs		(1,906)	(1,912)
Administrative expenses		(17,719)	(29,239)
Finance costs		(289)	(326)

* *For identification purpose only*

		(Unaudited)	
		For the six months	
		ended 30 June	
		2016	2015
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Profit (loss) before tax	5	3,725	(13,227)
Income tax expenses	6	(315)	(219)
Profit (loss) for the period		<u>3,410</u>	<u>(13,446)</u>
Other comprehensive (expenses) income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of overseas operations		<u>(526)</u>	<u>118</u>
Total comprehensive income (expenses) for the period		<u><u>2,884</u></u>	<u><u>(13,328)</u></u>
Profit (loss) for the period attributable to:			
Owners of the Company		1,565	(13,440)
Non-controlling interests		1,845	(6)
Profit (loss) for the period		<u><u>3,410</u></u>	<u><u>(13,446)</u></u>
Total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		1,100	(13,329)
Non-controlling interests		1,784	1
Total comprehensive income (expenses) for the period		<u><u>2,884</u></u>	<u><u>(13,328)</u></u>
Earnings (loss) per share	8		
Basic		<u><u>0.48 cent</u></u>	<u><u>(4.48) cents</u></u>
Diluted		<u><u>0.48 cent</u></u>	<u><u>(4.48) cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	59,242	62,418
Investment property		31,400	31,400
Deferred tax assets		8,172	7,137
		98,814	100,955
CURRENT ASSETS			
Inventories		22,426	17,145
Trade and other receivables	10	32,290	23,974
Tax recoverable		2,797	3,443
Held for trading investments	12	55,330	38,937
Derivative financial instruments	11	40	244
Financial assets designated as at fair value through profit or loss		–	938
Pledged bank deposits		1,116	1,119
Bank balances and cash		56,074	66,286
		170,073	152,086
CURRENT LIABILITIES			
Trade and other payables	13	33,792	21,511
Derivative financial instruments	11	664	2,646
Tax liabilities		3,068	3,885
Bank borrowings – due within one year		24,606	26,106
		62,130	54,148
NET CURRENT ASSETS		107,943	97,938
TOTAL ASSETS LESS CURRENT LIABILITIES		206,757	198,893

	(Unaudited) 30 June 2016 <i>Notes</i> HK\$'000	(Audited) 31 December 2015 <i>HK\$'000</i>
NON CURRENT LIABILITIES		
Deferred tax liabilities	<u>1</u>	<u>198</u>
NET ASSETS	<u>206,756</u>	<u>198,695</u>
CAPITAL AND RESERVES		
Share capital	32,692	31,834
Reserves	<u>157,925</u>	<u>151,153</u>
Equity attributable to owners of the Company	190,617	182,987
Non-controlling interests	<u>16,139</u>	<u>15,708</u>
TOTAL EQUITY	<u>206,756</u>	<u>198,695</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 2015 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 2016 as follows:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations
Amendments to HKFRSs	Annual Improvements 2012-2014 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 ¹
HKFRS 15	Revenue from Contracts with Customers ¹

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

2. BUSINESS SEGMENTS

For management purposes, the Group's business is currently divided into two segments, namely, manufacture and sale of (i) novelties and decoration products 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 2016 (Unaudited)

	Novelties and decorations products	Toy products	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE				
External sales	7,542	79,813	–	87,355
Inter-segment sales	–	–	–	–
Total revenue	<u>7,542</u>	<u>79,813</u>	<u>–</u>	<u>87,355</u>
RESULT				
Segment results	<u>(4,735)</u>	<u>10,975</u>	<u>–</u>	6,240
Profit from investments				876
Unallocated corporate expenses				(3,102)
Finance costs				<u>(289)</u>
Profit before tax				3,725
Income tax expenses				<u>(315)</u>
Profit for the period				<u>3,410</u>

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	26,311	100,867	127,178
Unallocated corporate assets			141,709
			<hr/>
Consolidated total assets			268,887
			<hr/> <hr/>
LIABILITIES			
Segment liabilities	16,752	26,087	42,839
Unallocated corporate liabilities			19,292
			<hr/>
Consolidated total liabilities			62,131
			<hr/> <hr/>

OTHER INFORMATION

For the six months ended 30 June 2016 (Unaudited)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	407	359	–	766
Depreciation and amortisation	533	2,575	832	3,940
Interest income	10	9	18	37

For the six months ended 30 June 2015 (Unaudited)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	11,082	64,229	–	75,311
Inter-segment sales	–	–	–	–
	<u>11,082</u>	<u>64,229</u>	<u>–</u>	<u>75,311</u>
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><u>(13,446)</u></u>

As at 31 December 2015 (Audited)

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	30,549	92,646	123,195
Unallocated corporate assets			<u>129,846</u>
Consolidated total assets			<u><u>253,041</u></u>
LIABILITIES			
Segment liabilities	12,549	20,353	32,902
Unallocated corporate liabilities			<u>21,444</u>
Consolidated total liabilities			<u><u>54,346</u></u>

OTHER INFORMATION

For the six months ended 30 June 2015 (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	63	236	1,258	1,557
Depreciation and amortisation	676	2,401	791	3,868
Interest income	14	7	19	40

Information about major customer

Included in revenues arising from sales of toys products of approximately HK\$79,813,000 (2015: HK\$64,229,000) are revenues of approximately HK\$75,845,000 (2015: HK\$60,106,000) 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	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	2,314	5,143
Europe	20,802	13,797
America	26,446	20,782
Asia (other than Hong Kong)	35,841	35,524
Others	1,952	65
	87,355	75,311

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

	(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
Hong Kong	197,689	176,073
The People's Republic of China (the "PRC")	71,198	76,968
	<u>268,887</u>	<u>253,041</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 2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	36	1,258
The PRC	730	299
	<u>766</u>	<u>1,557</u>

4. OTHER INCOME, GAINS AND LOSSES

	(Unaudited) For the six months ended 30 June 2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bad debts recovered	1	277
Bond interest income	–	8
Dividend income from held for trading investments	1,366	1,016
Gain on disposal of property, plant and equipment	160	2,655
Gain (loss) on disposal of held for trading investments	365	(519)
(Loss) gain from changes in fair value of held for trading investments	(2,634)	1,552
Gain from changes in fair value of derivative financial instruments	1,778	2,239
Interest income	37	40
Net exchange gains (losses)	400	(721)
Rental income	306	30
Scrap sales	694	790
Others	648	512
	<u>3,121</u>	<u>7,879</u>

5. PROFIT (LOSS) BEFORE TAX

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

	(Unaudited)	
	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	<u>3,940</u>	<u>3,868</u>

6. INCOME TAX EXPENSES

	(Unaudited)	
	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	(1,412)	(105)
PRC Enterprise Income tax	<u>(53)</u>	<u>–</u>
	(1,465)	(105)
(Under) over provision in prior years:		
Hong Kong Profits Tax	–	10
PRC Enterprise Income tax	<u>(82)</u>	<u>(108)</u>
	(82)	(98)
Deferred tax credit (charge):		
Current year	<u>1,232</u>	<u>(16)</u>
Total income tax expenses recognised in profit or loss	<u>(315)</u>	<u>(219)</u>

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

2016	2015
<i>HK\$'000</i>	<i>HK\$'000</i>

Final paid:

Nil (2015: HK2.0 cents per share for 2014)

–	5,989
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The Directors have resolved to declare an interim dividend of HK1.0 cent (2015: HK1.0 cent) per share.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the net profit for the period of approximately HK\$1,565,000 (2015: loss of HK\$13,440,000) and the following data:

(Unaudited)
For the six months
ended 30 June

2016	2015
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Weighted average number of ordinary shares for the purposes of basic earnings per share

324,793,025	299,896,270
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Effect of dilutive potential ordinary shares:

Share options

476,573	3,376,840
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Weighted average number of ordinary shares for the purposes of diluted earnings per share

325,269,598	303,273,110
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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. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$766,000 (2015: HK\$1,557,000).

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 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
0-60 days	24,112	13,891
61-90 days	22	61
91-120 days	8	–
Over 120 days	1	28
	<u>24,143</u>	<u>13,980</u>

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 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
0-60 days	7,200	2,183
61-90 days	–	–
91-120 days	–	28
Over 120 days	1	–
	<u>7,201</u>	<u>2,211</u>

11. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
Financial assets		
Equity accumulators	40	85
Equity decumulators	–	159
	<u>40</u>	<u>244</u>
Financial liabilities		
Equity accumulators	(149)	(2,646)
Equity decumulators	(515)	–
	<u>(664)</u>	<u>(2,646)</u>

As at 30 June 2016, the major terms of the listed equity decumulators contracts held by the Group were as follows:

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$5,661,166	CNOOC Limited	6 February 2017	HK\$9.47
HK\$5,638,795	CNOOC Limited	27 February 2017	HK\$9.72
HK\$5,472,641	Hong Kong Exchanges and Clearing Limited	3 March 2017	HK\$200.61
HK\$7,570,530	China Petroleum & Chemical Corporation	30 June 2017	HK\$6.39

As at 30 June 2016, the major terms of the listed equity accumulators contracts held by the Group were as follows:

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK\$4,745,827	China Life Insurance Company Limited	7 July 2016	HK\$25.86
HK\$6,126,537	Hong Kong Exchanges and Clearing Limited	21 July 2016	HK\$190.80
HK\$4,651,425	Hong Kong Exchanges and Clearing Limited	17 August 2016	HK\$168.14

12. HELD FOR TRADING INVESTMENTS

	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
Equity securities listed in Hong Kong	52,210	38,937
Unlisted bond	3,120	–
	<u>55,330</u>	<u>38,937</u>

The movements of held for trading investments during the period:

	(Unaudited) 30 June 2016 HK\$'000	(Unaudited) 30 June 2015 HK\$'000
Balance at the beginning of the period	38,937	46,993
Additions	25,152	16,032
Disposals	(6,125)	(21,807)
(Loss) gain from changes in fair value of held for trading investments	(2,634)	1,552
Balance at the end of the period	<u>55,330</u>	<u>42,770</u>

The fair values of the held for trading investments are determined based on the market closing prices available on the relevant exchanges at 30 June 2016.

13. 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 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
0-60 days	11,038	6,723
61-90 days	2,645	1,064
91-120 days	54	94
Over 120 days	950	588
	<u>14,687</u>	<u>8,469</u>

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1.0 cent per share (2015: HK1.0 cent per share) for the six months ended 30 June 2016 payable on Friday, 30 September 2016, to shareholders whose names appear on the register of members of the Company (the “Register of Members”) on Tuesday, 20 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 19 September 2016 to Tuesday, 20 September 2016, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 15 September 2016.

BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK\$87,355,000 (2015: HK\$75,311,000), representing an increase of about 16%, and recorded a profit for the period attributable to owners of the Company of approximately HK\$1,565,000 (2015: loss of HK\$13,440,000).

For the first half of 2016, the contribution from the core business of the Group recorded a gain of approximately HK\$6,240,000 (2015: loss of HK\$3,544,000). 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\$876,000 (2015: HK\$4,299,000), details of the profit from investments will be further analysed below.

Distribution costs stood steadily at approximately HK\$1,906,000 (2015: HK\$1,912,000) while administrative expenses decreased by about 39% to approximately HK\$17,719,000 (2015: HK\$29,239,000) as a result of, among others, no share-based payments incurred in the period under review (2015: HK\$10,909,000).

Novelties and decorations

The revenue of the novelties and decorations products segment decreased further by about 32% to approximately HK\$7,542,000 (2015: HK\$11,082,000), while the loss therefrom amounted to approximately HK\$4,735,000 (2015: HK\$2,397,000). Included in the loss was a gain on disposal of property, plant and equipment of approximately HK\$31,000 (2015: HK\$2,692,000).

Toy products

The revenue of the segment increased substantially by about 24% to approximately HK\$79,813,000 (2015: HK\$64,229,000), and recorded a gain of HK\$10,975,000 (2015: loss of HK\$1,147,000). The segment had improved significantly since the second half of 2015 and continued to contribute significantly and steadily to the Group.

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\$876,000 (2015: HK\$4,299,000). Such profit was the combined effect of, among other things, dividend income from held for trading investments of approximately HK\$1,366,000 (2015: HK\$1,016,000), the realized gain from disposal of held for trading investments of approximately HK\$365,000 (2015: loss of HK\$519,000), the loss from changes in fair value of held for trading investments of approximately HK\$2,634,000 (2015: gain of HK\$1,552,000) and the gain from changes in fair value of derivative financial instruments of approximately HK\$1,778,000 (2015: HK\$2,239,000).

Held for trading investments are usually held for short-term purposes for capital gain in the value of the assets held. As at 30 June 2016, the market value of held for trading investments was approximately HK\$55,330,000 (31 December 2015: HK\$38,937,000). More than 90% of which were constituents of either the Hong Kong Hang Seng Index or the Hang Seng Composite Industry Indexes.

As at 30 June 2016, the Group carried outstanding forward contracts with a commitment for the sale and purchase of equity shares of notional amount of approximately HK\$19,308,000 and HK\$1,695,000 respectively (31 December 2015: HK\$17,433,000 and HK\$19,625,000).

Investment transactions must be carried out in accordance with the Company's treasury policies on investment transactions, details of which are posted on the Company's website, www.perfectech.com.hk.

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 order to stabilise the ever-increasing costs of production in the PRC, the Group has started the consolidation of its production facilities since few years ago and will continue such action whenever it is appropriate to do so. Certain production facilities of the toys segment have been relocated and/or acquired in Yakou District, Zhongshan City, where the factory premises were built by the Group with long lease, to increase its capacities.

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

Liquidity and financial resources

As at 30 June 2016, the Group had no long-term bank borrowings (31 December 2015: nil), while the short-term bank borrowings amounted to approximately HK\$24,606,000, (31 December 2015: HK\$26,106,000), and none of the Group's plant and machinery (31 December 2015: 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 13% (31 December 2015: 14%).

Finance costs

The Group's finance costs amounted to approximately HK\$289,000 (2015: HK\$326,000).

Pledge of Assets

As at 30 June 2016, the following assets were pledged to secure the margin loan facilities granted to the Group:

- (i) held for trading investments with an aggregate carrying value of approximately HK\$52,498,000 (31 December 2015: HK\$38,362,000); and
- (ii) bank deposits of approximately HK\$1,116,000 (31 December 2015: HK\$1,119,000).

As at 30 June 2016, the Group had utilised margin loan facilities from financial institutions of approximately HK\$2,181,000 (31 December 2015: HK\$Nil). The margin loan facilities were charged at SCB Prime Rate minus 2.75%.

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\$29,299,000 (31 December 2015: HK\$29,871,000); and
- (ii) investment properties of approximately HK\$31,400,000 (31 December 2015: HK\$31,400,000).

Net asset value

The net asset value of the Group as at 30 June 2016 was approximately HK\$0.58 (31 December 2015: HK\$0.57) per share based on 326,923,607 (31 December 2015: 318,337,607) shares in issue on that date.

Employees and remuneration policies

As at 30 June 2016, the Group employed approximately 1,280 (2015: 1,450) 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 2016, 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 2016, 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 an independent non-executive director of the Company, was not present at the annual general meeting of the Company held on 31 May 2016. 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.

Ms. Pang Siu Yin (“Ms. Pang”), a partner of the Company’s legal adviser, Cheung Tong & Rosa Solicitors, was the company secretary (the “Company Secretary”) of the Company for the six months ended 30 June 2016. Ms. Pang has resigned as the Company Secretary on 25 August 2016, and Ms. Cho Yi Ping (“Ms. Cho”), a partner of Cheung Tong & Rosa Solicitors, has been appointed as the Company Secretary since 25 August 2016. The Company has 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 the Company Secretary. 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 the Company Secretary through the contact persons assigned. Having in place a mechanism that the Company Secretary will get hold of the Group’s development promptly without material delay and with the expertise and experience of the external service provided, the Board is confident that having Ms. Pang or Ms. Cho 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 2016 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 2016 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, 25 August 2016