

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 2008

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 2008 and the comparative figures in 2007 were as follow:–

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

		(Unaudited)	
		For the six months	
		ended 30 June	
		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2 & 3	199,363	199,917
Cost of sales		(168,731)	(163,202)
Gross profit		30,632	36,715
Other income	4	2,799	11,275
Distribution costs		(8,031)	(8,830)
Administrative expenses		(19,436)	(19,572)
Impairment loss on goodwill		–	(175)
Other expenses	5	(64,132)	(997)
Finance costs		(348)	(109)
(Loss) profit before tax	6	(58,516)	18,307
Income tax expenses	7	(308)	(2,386)
(Loss) profit for the period		<u>(58,824)</u>	<u>15,921</u>
Attributable to:			
Equity holders of the Company		(58,796)	15,070
Minority interests		(28)	851
(Loss) profit for the period		<u>(58,824)</u>	<u>15,921</u>
Dividends	8	<u>10,573</u>	<u>16,608</u>
(Loss) earnings per share	9		
Basic		<u>(19.46) cents</u>	<u>4.98 cents</u>
Diluted		<u>(19.37) cents</u>	<u>4.93 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008 AND 31 DECEMBER 2007

		(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		59,413	63,008
Prepaid lease payments		172	209
Goodwill		3,561	3,561
Deferred tax assets		1,044	1,103
		<u>64,190</u>	<u>67,881</u>
CURRENT ASSETS			
Inventories		138,871	70,778
Trade and other receivables	10	96,756	98,566
Prepaid lease payments		75	75
Taxation recoverable		1,315	1,672
Investments held-for-trading		53,622	19,392
Derivative financial instruments		–	3,296
Pledged bank deposits		19,864	74,209
Bank balances and cash		26,371	53,400
		<u>336,874</u>	<u>321,388</u>
CURRENT LIABILITIES			
Trade and other payables	11	73,894	51,810
Derivative financial instruments		44,123	32,484
Tax liabilities		3,556	3,123
Bank borrowings – due within one year		31,796	–
Bank overdraft		1,905	–
		<u>155,274</u>	<u>87,417</u>
NET CURRENT ASSETS		<u>181,600</u>	<u>233,971</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>245,790</u>	<u>301,852</u>
NON CURRENT LIABILITIES			
Deferred tax liabilities		1,721	2,262
Bank borrowings – due after one year		11,959	–
		<u>13,680</u>	<u>2,262</u>
NET ASSETS		<u><u>232,110</u></u>	<u><u>299,590</u></u>
CAPITAL AND RESERVES			
Share capital		30,299	29,975
Reserves		193,474	261,250
Equity attributable to equity holders of the Company		223,773	291,225
Minority interests		8,337	8,365
TOTAL EQUITY		<u><u>232,110</u></u>	<u><u>299,590</u></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 2007 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2008 as follows:

HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Services Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of these new HKFRSs has had no significant impact on the Group’s result and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 13	Customer Loyalty Programmes ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 July 2008.

The Directors of the Company anticipate that the application of the standards, revisions and interpretations will have no significant impact on the results and the financial position of the Group.

2 BUSINESS SEGMENTS

For management purposes, the Group's business is currently divided into four segments, namely manufacture and sale of novelties and decorations, manufacture and sale of packaging products, trading of PVC films and plastic materials and manufacture and sale of toy products. These business segments are the basis on which the Group reports its primary segment information.

For the six months ended 30 June 2008 (Unaudited)

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	27,345	67,300	38,189	66,529	-	199,363
Inter-segment sales	<u>2</u>	<u>9,365</u>	<u>1,515</u>	<u>786</u>	<u>(11,668)</u>	<u>-</u>
Total revenue	<u><u>27,347</u></u>	<u><u>76,665</u></u>	<u><u>39,704</u></u>	<u><u>67,315</u></u>	<u><u>(11,668)</u></u>	<u><u>199,363</u></u>
RESULT						
Segment result	<u><u>2,182</u></u>	<u><u>3,333</u></u>	<u><u>(309)</u></u>	<u><u>105</u></u>	<u><u>(452)</u></u>	4,859
Loss from investments						(63,193)
Unallocated corporate income						166
Finance costs						<u>(348)</u>
Loss before tax						(58,516)
Income tax expenses						<u>(308)</u>
Loss for the period						<u><u>(58,824)</u></u>

Inter-segment sales are charged at prevailing market rates.

BALANCE SHEET*As at 30 June 2008 (Unaudited)*

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	105,599	97,458	44,028	82,128	329,213
Unallocated corporate assets					<u>71,851</u>
Consolidated total assets					<u><u>401,064</u></u>
LIABILITIES					
Segment liabilities	54,060	27,245	2,175	23,996	107,476
Bank borrowings					43,755
Unallocated corporate liabilities					<u>17,723</u>
Consolidated total liabilities					<u><u>168,954</u></u>

OTHER INFORMATION

For the six months ended 30 June 2008 (Unaudited)

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	1,448	768	–	1,888	4,104
Depreciation and amortisation	1,997	2,873	27	2,725	7,622
Release of prepaid lease payments	–	–	–	37	37

For the six months ended 30 June 2007 (Unaudited)

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	23,153	59,421	44,814	72,529	–	199,917
Inter-segment sales	11	5,309	2,073	710	(8,103)	–
Total revenue	<u>23,164</u>	<u>64,730</u>	<u>46,887</u>	<u>73,239</u>	<u>(8,103)</u>	<u>199,917</u>
RESULT						
Segment result	<u>1,993</u>	<u>220</u>	<u>836</u>	<u>7,895</u>	<u>(686)</u>	10,258
Income from investments						8,840
Unallocated corporate expenses						(682)
Finance costs						<u>(109)</u>
Profit before tax						18,307
Income tax expenses						<u>(2,386)</u>
Profit for the period						<u>15,921</u>

Inter-segment sales are charged at prevailing market rates.

BALANCE SHEET*As at 31 December 2007 (Audited)*

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	74,885	82,207	39,773	93,191	290,056
Unallocated corporate assets					<u>99,213</u>
Consolidated total assets					<u><u>389,269</u></u>
LIABILITIES					
Segment liabilities	27,944	17,777	1,738	25,369	72,828
Unallocated corporate liabilities					<u>16,851</u>
Consolidated total liabilities					<u><u>89,679</u></u>

OTHER INFORMATION*For the six months ended 30 June 2007 (Unaudited)*

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	1,123	2,457	5	2,238	5,823
Depreciation and amortisation	2,183	3,735	38	2,865	8,821
Release of prepaid lease payments	–	–	–	37	37

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	
	2008	2007
	HK\$'000	HK\$'000
Sales revenue by geographical market:		
Hong Kong	110,542	109,477
Europe	22,044	19,243
America	32,247	25,488
Asia (other than Hong Kong)	30,492	42,460
Others	4,038	3,249
	199,363	199,917

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
	2008	2007
	HK\$'000	HK\$'000
Hong Kong	207,232	241,550
The People's Republic of China (the "PRC")	193,832	147,719
	401,064	389,269

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	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong	1,033	88
The PRC	3,071	5,735
	4,104	5,823

4 OTHER INCOME

	(Unaudited)	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Rental income	59	62
Interest income	892	1,935
Dividend income from investments held-for-trading	102	127
Gain on disposal of investments held-for-trading	–	5,681
Increase in fair value of derivative financial instruments	–	544
Exchange gain on financial instruments	–	1,692
Others	1,746	1,234
	<u>2,799</u>	<u>11,275</u>

5 OTHER EXPENSES

	(Unaudited)	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Loss on disposal of investments held-for-trading	8,746	–
Decrease in fair value of investments held-for-trading	22,401	997
Decrease in fair value of derivative financial instruments	14,935	–
Exchange loss on financial instruments	18,050	–
	<u>64,132</u>	<u>997</u>

6 (LOSS) PROFIT BEFORE TAX

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

	(Unaudited)	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	7,622	8,821
Release of prepaid lease payments	37	37
Loss on disposals of property, plant and equipment	27	532
	<u>7,686</u>	<u>9,390</u>

7 INCOME TAX EXPENSES

	(Unaudited)	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Tax charge comprises:		
Hong Kong Profits Tax		
Current year	790	2,126
Deferred taxation	(482)	260
	308	2,386

Hong Kong Profits Tax is stated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period.

8 DIVIDENDS

	(Unaudited)	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Final paid:		
3.5 cents per share for 2007		
(2007: 5 cents per share for 2006)	10,573	16,608

The Directors have resolved to declare an interim dividend of 0.5 cent (2007: 2.5 cents) per share.

9 (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the net loss for the period of approximately HK\$58,796,000 (2007: profit of HK\$15,070,000) and the following data:

	(Unaudited)	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	302,157,452	302,788,829
Effect of dilutive potential ordinary shares:		
Share options	1,357,851	2,955,255
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	303,515,303	305,744,084

10 TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

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

	(Unaudited) 30 June 2008 <i>HK\$'000</i>	(Audited) 31 December 2007 <i>HK\$'000</i>
0-60 days	70,722	59,457
61-90 days	11,757	12,894
91-120 days	3,756	7,604
Over 120 days	6,667	15,571
	<u>92,902</u>	<u>95,526</u>

11 TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2008 <i>HK\$'000</i>	(Audited) 31 December 2007 <i>HK\$'000</i>
0-60 days	41,905	27,679
61-90 days	1,835	3,175
91-120 days	5,157	582
Over 120 days	1,811	2,193
	<u>50,708</u>	<u>33,629</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of 0.5 cent per share (2007: 2.5 cents per share) for the six months ended 30 June 2008 payable on or about 31 October 2008 to shareholders whose names appear on the register of members of the Company (the “Register of Members”) on 24 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 23 October 2008 to 24 October 2008, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Share Registrar, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 22 October 2008.

BUSINESS REVIEW

During the period under review, the total revenue of the Group as a whole remained quite stable at approximately HK\$199,363,000 (2007: HK\$199,917,000), representing a very slight decrease of not more than 1%, and recorded a loss attributable to equity shareholders of approximately HK\$58,796,000 (2007: profit of HK\$15,070,000), representing a substantial deterioration of the Group’s performance.

For the first half of 2008, the contribution from the core business of the Group was approximately HK\$4,859,000 (2007: HK\$10,258,000), representing a drop of about 53%. Detailed performance of each segment of the core business will be discussed below.

Included in the loss for the period was the loss from investment of approximately HK\$63,193,000 (2007: profit of HK\$8,840,000), which consisted of, among other things, the loss on disposal of investments held-for-trading of approximately HK\$8,746,000, the decrease in fair value of investments held-for trading of approximately of HK\$22,401,000 and the decrease in fair value of derivative financial instruments of approximately HK\$14,935,000.

As set out in the profit warning announcement of the Company dated 22 February 2008 (the “Announcement”), the Group’s results for the financial year ending 31 December 2008 is expected to be adversely affected as a result of the loss arising from certain structured product contracts entered into by the Group with a bank to minimise its potential foreign exchange risk exposure to appreciation of Renminbi. The realized loss of approximately US\$2,353,000 (equivalent to HK\$18,353,000) has been included in “Other Expenses” as “Exchange loss on financial instruments”, and an amount of approximately US\$2,800,000 (equivalent to HK\$21,840,000) has been included in “Other Expenses” as “Decrease in fair value of derivative financial instruments”, making a total loss of approximately US\$5,153,000 (equivalent to HK\$40,193,000).

Novelties and decorations

The revenue of the novelties and decorations segment increased by about 18% amounting to approximately HK\$27,345,000 (2007: HK\$23,153,000), while the contribution of the segment stood at approximately HK\$2,182,000 (2007: HK\$1,993,000), representing a growth of about 9%. The revenue of the segment stopped the trend of dropping in the first half of the year as a result of raising selling price to cover the ever-increasing costs of production. Since traditionally the first half of the year is a low season for the segment, it is optimistic that stable and reasonable contribution from the segment for the whole year will be achieved.

Packaging products

The revenue in the packaging segment increased by about 13% amounting to HK\$67,300,000 (2007: HK\$59,421,000), and recorded a contribution of approximately HK\$3,333,000 (2007: HK\$220,000), representing a growth of more than 14 times. After a series of effort made in the repositioning of the product mix, the segment resumed to make contribution to the Group. However, in view of the keen competition in certain business areas of the segment, such as printing business, it is uncertain that the performance of the segment will be improved in the aforesaid way for the whole year's results.

Trading activities

The revenue of the segment decreased by about 15% to approximately HK\$38,189,000 (2007: HK\$44,814,000), and the results of the segment showed a loss of approximately HK\$309,000 (2007: profit of HK\$836,000). The Group always adopts a prudent policy in soliciting business with customers for the segment. Hence, it is anticipated that contribution from the segment will not be significant. However, the existence of the segment is strategically beneficial to the Group as a whole.

Toy products

The revenue and contribution of the segment stood at approximately HK\$66,529,000 (2007: HK\$72,529,000) and HK\$105,000 (2007: HK\$7,895,000) respectively, representing a drop of about 8% and 99% respectively. Facing with the continuous increase in the costs of production together with the freeze of selling price, the results of the segment dropped substantially in the first half of the year. It is expected that the performance of the segment will be improved as the selling price will be adjusted upward.

Investments

To better utilize the available cash on hand, the Group has invested in the listed securities of Hong Kong and related derivative products, including but not limited to equity linked deposits, together with the financial instruments for hedging foreign exchanges. During the period, the investment loss from aforesaid transactions amounted to approximately HK\$63,193,000 (2007: profit of HK\$8,840,000) as a result of the deterioration of the financial market.

Investments held-for-trading are usually held for short-term purposes for capital gain in the value of the assets held. As at the balance sheet date, the market value of investment in securities was approximately HK\$47,316,000 (31 December 2007: HK\$11,147,000), while the remaining of approximately HK\$6,306,000 (31 December 2007: HK\$8,245,000) was held as equity linked deposits.

As at 30 June 2008, the Group carried outstanding forward contracts which entailed a commitment for purchase of listed securities of notional amount of approximately HK\$82,313,000 (31 December 2007: HK\$213,670,000). The commitment will be settled monthly with an amount ranging from approximately HK\$18 million to HK\$21 million. Usually the securities acquired will be disposed of shortly, and thus the commitment is not expected to have a material adverse impact on cash flow.

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

FUTURE PLAN AND PROSPECT

“For the year 2008, globally, the economic atmosphere becomes uncertain and volatile as impacted by the potential economic recession of the US economy as a result of the subprime mortgage crisis. Locally, the cost of production in the PRC will continually increase as a result of the launch of new labour contract law in the mainland and increase of raw materials prices. Coupled with the appreciation of the currency of Renminbi and the keen competition...”, as stated in the Annual Report 2007 of the Company, the Group has really been facing many challenges in the year.

Since the negative effects from the US subprime mortgage crisis gradually appeared and led to the adverse change of atmosphere in the stock market, the market prices of listed securities dropped substantially. Together with the loss incurred for hedging purposes as stated in the Announcement, the Group recorded a significant loss in the first half of 2008.

As the negative impact of the US subprime mortgage crisis continues to affect the global economy and it is uncertain when and whether such effect will end, the global financial market is still cloudy. As a result, the Directors are pessimistic about the full year's results of the Group and uncertain if the performance of the Group for the full year will be improved even though the overall performance of the core business of the Group is stable and reasonably positive.

Liquidity and financial resources

As at 30 June 2008, the long-term bank borrowings of the Group was HK\$11,959,000 (31 December 2007: nil), while the short-term bank borrowings were approximately HK\$31,796,000 (31 December 2007: nil), and none of the Group's plant and machinery (31 December 2007: nil) was held under a finance lease. The gearing ratio of the Group, measured by total bank and other borrowings divided by equity, was approximately 19.55% (31 December 2007: nil).

Finance costs

The Group's finance costs amounted to approximately HK\$348,000 (2007: HK\$109,000).

Pledge of Assets

As at 30 June 2008, the following assets were pledged to secure the margin loan facilities granted to the Group:

- (i) Investments held-for-trading with a carrying value of approximately of HK\$53,622,000 (31 December, 2007: HK\$11,147,000); and
- (ii) Bank balances and cash of approximately HK\$19,864,000 (31 December 2007: HK\$74,209,000).

No margin loan facilities was utilised by the Group as at the balance sheet date. The margin loan facilities charged at interest rate of Hong Kong Prime Rate plus 1%.

Employees and remuneration policies

As at 30 June 2008, the Group employed approximately 4,300 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 full time employees.

Foreign currency exposure

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

As at the balance sheet date, the Group has entered into several financial instruments with its major banks for the hedging of exposure in US Dollars and Renminbi, especially for the gradual and continuous appreciation of the latter since recent years.

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 of Hong Kong Limited (the "Stock Exchange") as follows:

	No. of shares of HK\$0.10 each	Price per share		Aggregate
		Highest HK\$	Lowest HK\$	consideration paid HK\$
Month of repurchase				
March 2008	300,000	0.680	–	205,486
April 2008	<u>360,000</u>	0.610	–	<u>221,293</u>
	<u>660,000</u>			<u>426,779</u>

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance

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

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

Code A.2.1

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

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

Model Code for Securities Transactions by Directors

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

After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions during the six months ended 30 June 2008.

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 2008 of the Company now reported on.

Remuneration Committee

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

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

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

DIRECTORS OF THE COMPANY

As at the date of this announcement, Mr. Poon Siu Chung, Mr. Leung Ying Wai, Charles, Mr. Ip Siu On and Mr. Tsui Yan Lee, Benjamin 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 September 2008

* *for identification purpose only*