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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 2009

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 2009 and the comparative figures in 2008 were as follow:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

		(Unaudited)	
		For the six months	
		ended 30 June	
		2009	2008
	<i>Notes</i>	HK\$’000	HK\$’000
			(Restated)
Revenue	2 & 3	154,210	199,363
Cost of sales		(130,852)	(168,731)
Gross profit		23,358	30,632
Net other incomes (losses)	4	10,126	(61,333)
Distribution costs		(6,450)	(8,031)
Administrative expenses		(21,558)	(19,436)
Finance costs		(315)	(348)

		(Unaudited)	
		For the six months	
		ended 30 June	
		2009	2008
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(Restated)
Profit (loss) before tax	5	5,161	(58,516)
Income tax credit (expenses)	6	81	(308)
Profit (loss) for the period		<u>5,242</u>	<u>(58,824)</u>
Other comprehensive income			
Exchange difference on translation of overseas operations		<u>(66)</u>	<u>34</u>
Total comprehensive income (loss) for the period		<u>5,176</u>	<u>(58,790)</u>
Profit (loss) for the period attributable to:			
Equity holders of the Company		5,460	(58,796)
Non-controlling interests		<u>(218)</u>	<u>(28)</u>
Profit (loss) for the period		<u>5,242</u>	<u>(58,824)</u>
Total comprehensive income (loss) for the period attributable to:			
Equity holders of the Company		5,394	(58,762)
Non-controlling interests		<u>(218)</u>	<u>(28)</u>
Total comprehensive income (loss) for the period		<u>5,176</u>	<u>(58,790)</u>
Dividends	7	<u>2,949</u>	<u>10,573</u>
Earnings (loss) per share	8		
Basic		<u>1.85 cents</u>	<u>(19.46) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009 AND 31 DECEMBER 2008

		(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		51,015	54,605
Prepaid lease payments		97	134
Deferred tax assets		2,826	1,836
		<u>53,938</u>	<u>56,575</u>
CURRENT ASSETS			
Inventories		89,493	72,874
Trade and other receivables	9	64,925	76,468
Prepaid lease payments		75	75
Taxation recoverable		1,295	1,214
Investments held-for-trading		61,750	52,709
Equity-linked note		–	4,955
Pledged bank deposits		383	121
Bank balances and cash		54,090	47,117
		<u>272,011</u>	<u>255,533</u>
CURRENT LIABILITIES			
Trade and other payables	10	56,851	53,654
Derivative financial instruments		1,429	511
Tax liabilities		2,152	897
Bank borrowings – due within one year		27,710	12,841
Secured bank overdraft		–	4,852
		<u>88,142</u>	<u>72,755</u>
NET CURRENT ASSETS		<u>183,869</u>	<u>182,778</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>237,807</u>	<u>239,353</u>
NON CURRENT LIABILITIES			
Deferred tax liabilities		895	1,359
Bank borrowings – due after one year		20,383	23,814
		<u>21,278</u>	<u>25,173</u>
NET ASSETS		<u>216,529</u>	<u>214,180</u>
CAPITAL AND RESERVES			
Share capital		29,431	29,870
Reserves		178,025	175,019
Equity attributable to equity holders of the Company		<u>207,456</u>	<u>204,889</u>
Non-controlling interests		9,073	9,291
TOTAL EQUITY		<u>216,529</u>	<u>214,180</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 2008 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 2009 as follows:

HKFRS 1 & HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Condition and Cancellations
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates
HK(IFRIC) – Int 16	Hedges of a Net investment in a Foreign Operation

The application of these new HKFRSs has had no significant impact on the Group's results 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.

HKFRS 3 (Revised)	Business Combination ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfers of Assets from Customers ¹

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

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 2009 (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	17,729	37,316	27,017	72,148	-	154,210
Inter-segment sales	<u>1</u>	<u>9,581</u>	<u>993</u>	<u>126</u>	<u>(10,701)</u>	<u>-</u>
Total revenue	<u><u>17,730</u></u>	<u><u>46,897</u></u>	<u><u>28,010</u></u>	<u><u>72,274</u></u>	<u><u>(10,701)</u></u>	<u><u>154,210</u></u>
RESULT						
Segment results	<u><u>(2,358)</u></u>	<u><u>(5,056)</u></u>	<u><u>(385)</u></u>	<u><u>5,750</u></u>	<u><u>(410)</u></u>	(2,459)
Profit from investments						9,495
Unallocated corporate expenses						(1,560)
Finance costs						<u>(315)</u>
Profit before tax						5,161
Income tax credit						<u>81</u>
Profit for the period						<u><u>5,242</u></u>

Inter-segment sales are charged at prevailing market rates.

BALANCE SHEET*As at 30 June 2009 (Unaudited)*

	Novelties and decorations	Packaging products	PVC films and plastic materials	Toy products	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS					
Segment assets	86,164	70,638	20,692	84,992	262,486
Unallocated corporate assets					<u>63,463</u>
Consolidated total assets					<u><u>325,949</u></u>
LIABILITIES					
Segment liabilities	58,670	17,101	11,359	20,640	107,770
Unallocated corporate liabilities					<u>1,650</u>
Consolidated total liabilities					<u><u>109,420</u></u>

OTHER INFORMATION*For the six months ended 30 June 2009 (Unaudited)*

	Novelties and decorations	Packaging products	PVC films and plastic materials	Toy products	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	594	1,760	–	1,665	4,019
Depreciation and amortisation	1,781	2,824	27	2,469	7,101
Release of prepaid lease payments	–	–	–	37	37

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 results	<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 31 December 2008 (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	61,253	78,446	23,174	91,769	254,642
Unallocated corporate assets					<u>57,466</u>
Consolidated total assets					<u><u>312,108</u></u>
LIABILITIES					
Segment liabilities	44,403	17,291	5,197	25,295	92,186
Unallocated corporate liabilities					<u>5,742</u>
Consolidated total liabilities					<u><u>97,928</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

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	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	57,679	110,542
Europe	25,865	22,044
America ("US")	33,434	32,247
Asia (other than Hong Kong)	34,989	30,492
Others	2,243	4,038
	<u>154,210</u>	<u>199,363</u>

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

	(Unaudited) 30 June 2009	(Audited) 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	164,940	161,784
The People's Republic of China (the "PRC")	161,009	150,324
	<u>325,949</u>	<u>312,108</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	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	–	1,033
The PRC	4,019	3,071
	<u>4,019</u>	<u>4,104</u>

4 NET OTHER INCOMES (LOSSES)

	(Unaudited)	
	For the six months	
	ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Rental income	44	59
Interest income	34	892
Dividend income on listed investments	402	102
Realised gain (loss) on disposal of investments held-for-trading	3,148	(8,746)
Net change in fair value of equity-linked note	2,845	(1,494)
Net change in fair value of investments held-for-trading	3,998	(22,401)
Net change in fair value of derivative financial instruments	(918)	(13,441)
Gain (loss) on settlement of derivative financial instruments	8	(18,050)
Others	565	1,746
	<u>10,126</u>	<u>(61,333)</u>

5 PROFIT (LOSS) BEFORE TAX

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

	(Unaudited)	
	For the six months	
	ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	7,101	7,622
Release of prepaid lease payments	37	37
Loss on disposals of property, plant and equipment	346	27
	<u>7,484</u>	<u>7,686</u>

6 INCOME TAX CREDIT (EXPENSES)

	(Unaudited)	
	For the six months	
	ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	736	790
PRC Enterprise Income tax	637	—
	<u>1,373</u>	<u>790</u>
Deferred taxation:		
Current year	(1,454)	(482)
	<u>(81)</u>	<u>308</u>

Hong Kong Profits Tax is stated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

The relevant tax rate for the Group's subsidiaries in the PRC was 25%.

7 DIVIDENDS

	(Unaudited)	
	For the six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final paid:		
HK1.0 cent per share for 2008		
(2008: HK3.5 cents per share for 2007)	<u><u>2,949</u></u>	<u><u>10,573</u></u>

The Directors have resolved to declare an interim dividend of HK1.0 cent (2008: HK0.5 cent) per share.

8 EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the net profit for the period of approximately HK\$5,460,000 (2008: loss of HK\$58,796,000) and the following data:

	(Unaudited)	
	For the six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	295,813,960	302,157,452
Effect of dilutive potential ordinary shares:		
Share options	<u>—</u>	<u>1,357,851</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u><u>295,813,960</u></u>	<u><u>303,515,303</u></u>

No diluted earnings per share has been presented because the exercise prices of the Company's options were higher than the average market prices of the shares for the period ended 30 June 2009.

No diluted loss per share for the period ended 30 June 2008 is presented as the dilutive potential ordinary shares in respect of outstanding share options are anti-dilutive.

9 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 2009 <i>HK\$'000</i>	(Audited) 31 December 2008 <i>HK\$'000</i>
0-60 days	49,948	48,218
61-90 days	7,942	11,851
91-120 days	1,839	7,612
Over 120 days	1,632	6,765
	<u>61,361</u>	<u>74,446</u>

10 TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2009 <i>HK\$'000</i>	(Audited) 31 December 2008 <i>HK\$'000</i>
0-60 days	25,160	24,565
61-90 days	3,038	3,776
91-120 days	775	1,572
Over 120 days	2,086	1,362
	<u>31,059</u>	<u>31,275</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1.0 cent per share (2008: HK0.5 cent per share) for the six months ended 30 June 2009 payable on or about 21 October 2009 to shareholders whose names appear on the register of members of the Company (the “Register of Members”) on 6 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 5 October 2009 to 6 October 2009, 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 2 October 2009.

BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK\$154,210,000 (2008: HK\$199,363,000), representing a decrease of about 23%, and recorded a profit attributable to equity shareholders of approximately HK\$5,460,000 (2008: loss of HK\$58,796,000).

For the first half of 2009, the contribution from the core business of the Group recorded a loss of approximately HK\$2,459,000 (2008: profit of HK\$4,859,000), representing a further deterioration of the results from core business. Detailed performance of each segment of the core business will be discussed below.

Included in the profit for the period was the profit from investment of approximately HK\$9,495,000 (2008: loss of HK\$63,193,000) and the share-based payments expenses of approximately HK\$1,494,000 (2008: nil) as a result of the granting of options during the period under review. Details of the income from investments will be further analysed below.

With the negative effects of the global financial tsunami continuing in the first half of 2009, market atmosphere and consumer sentiments were at a very low point. As a result, demands for consumer products of various types dropped drastically, leading to the decrease in demand for the products of the Group, especially the products in the segments of novelties and decorations and packaging products and thus revenue dropped substantially. Details of the performance of each segment will be further discussed below.

Novelties and decorations

The revenue of the novelties and decorations segment dropped substantially by about 35% amounting to approximately HK\$17,729,000 (2008: HK\$27,345,000), and recorded a loss of approximately HK\$2,358,000 (2008: profit of HK\$2,182,000). The revenue of the segment dropped drastically to its lowest level as a result of global economic atmosphere. Buyers tended to delay their orders and shipments as global economic recovery was still uncertain.

Packaging products

The revenue in the packaging segment dropped substantially by about 45% amounting to HK\$37,316,000 (2008: HK\$67,300,000), and recorded a loss of approximately HK\$5,056,000 (2008: profit of HK\$3,333,000). Facing with the keen competition in certain business areas of the segment together with the decreasing demand, both revenue and profit dropped substantially. To stop incur further loss, the Group decided to terminate in the near future certain business which performance would not improve despite the Group's effort.

PVC films and plastic materials

The revenue of the segment decreased by about 29% to approximately HK\$27,017,000 (2008: HK\$38,189,000), and the results of the segment also showed a loss of approximately HK\$385,000 (2008: HK\$309,000). As a result of the Group's prudent policy in selecting customers to minimise credit risks together with the effort made in improvement of profit margin to maximise gain, the result of the segment for the first half of the year was almost the same as that of the last corresponding period even though the revenue dropped substantially.

Toy products

The revenue of the segment stood at approximately HK\$72,148,000 (2008: HK\$66,529,000), representing a growth of about 8%, and recorded a profit of HK\$5,750,000 (2008: HK\$105,000), representing a sharp improvement of more than 53 times. Notwithstanding the adverse global economic atmosphere in the first half of the year, the segment made growth in both the revenue and profit. It was a result of the efforts made in improving the productivity, efficiency and techniques during past years.

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, income from investments from aforesaid transactions amounted to approximately HK\$9,495,000 (2008: loss of HK\$63,193,000) as a result of the recovery of the financial market, especially in the second quarter of the year. Such income consisted of, among other things, the realized gain on disposal of investments held-for-trading of approximately HK\$3,148,000 (2008: loss of HK\$8,746,000), the increase in fair value of investments held-for trading of approximately of HK\$3,998,000 (2008: loss of HK\$22,401,000) and the decrease in fair value of derivative financial instruments of approximately HK\$918,000 (2008: HK\$14,935,000).

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\$61,750,000 (31 December 2008: HK\$52,709,000).

As at 30 June 2009, the Group carried outstanding forward contracts which entitled commitments for the disposal of listed securities of approximately HK\$48,789,000 (31 December 2008: nil). In the opinion of the Directors, the commitments will be settled monthly with an amount ranging from HK\$3 million to HK\$6 million for the disposal of several listed securities in Hong Kong. All listed securities to be disposed are now held by the Group for trading purposes, which are in the custody of the relevant financial institutions. Hence, the commitments are not expected to have a material impact on the overall cash flow and performance of the Group.

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

FUTURE PLAN AND PROSPECT

Looking ahead, the year 2009 is still a challenging year to many companies, especially manufacturers, like our Group. Consumers' confidence or sentiment has not yet been recovered from financial tsunami as it is still uncertain if economic recovery has really started.

Regarding the Group's core business, the Group will closely monitor the performance of each business segment and will take relevant measures decisively in order to maintain the overall profitability of the Group. Given certain sub-segments are in the sunset stage, extra costs may be required to terminate such businesses in order to stop incurring further losses.

With available funds on hand, the Group will continue to search for investment opportunities and if appropriate, utilize them to invest in the stock market in Hong Kong to enhance the returns to the shareholders.

Liquidity and financial resources

As at 30 June 2009, the long-term bank borrowings of the Group were HK\$20,383,000 (31 December 2008: HK\$23,814,000), while the short-term bank borrowings were approximately HK\$27,710,000 (31 December 2008: HK\$17,693,000), and none of the Group's plant and machinery (31 December 2008: 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 23% (31 December 2008: 20%).

Finance costs

The Group's finance cost amounted to approximately HK\$315,000 (2008: HK\$348,000).

Pledge of Assets

As at 30 June 2009, 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\$61,750,000 (31 December, 2008: HK\$52,709,000); and
- (ii) Bank balances and cash of approximately HK\$383,000 (31 December 2008: HK\$121,000).

No margin loan facilities were utilised by the Group as at the balance sheet date. The margin loan facilities were charged at variable market rates.

Employees and remuneration policies

As at 30 June 2009, the Group employed approximately 3,500 (2008: 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 entered into one financial instrument with its major banker for the hedging of exposure in US Dollars.

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:

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	paid HK\$
January 2009	1,000,000	0.300	0.300	303,583
February 2009	510,000	0.325	0.320	166,069
March 2009	2,276,000	0.305	0.280	689,933
May 2009	<u>600,000</u>	0.350	0.350	<u>212,258</u>
	<u>4,386,000</u>			<u>1,371,843</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 2009.

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 2009 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, 8 September 2009

* *for identification purpose only*