Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability

ANNUAL REPORT 2009

TOY PRODUCTS

DECORATION

NOVELTIES

Progress on Solid Foundations

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Stock Code: 765

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Poon Siu Chung
(Chairman and Managing Director)
Mr. Leung Ying Wai, Charles
(Deputy Chairman) (resigned on 31 October 2009)
Mr. Ip Siu On
Mr. Tsui Yan Lee, Benjamin

Independent Non-executive Directors:

Mr. Lam Yat Cheong
Mr. Yip Chi Hung
Mr. Choy Wing Keung, David

COMPANY SECRETARY

Ms. Pang Siu Yin

AUDITORS

HLM & Co.
Certified Public Accountants
Hong Kong

LEGAL ADVISER

Cheung, Tong and Rosa

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7/F, E Tat Factory Building
4 Heung Yip Road
Wong Chuk Hang, Aberdeen
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Standard Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company ("the AGM") will be held at 3:00 p.m. on 9 June 2010 at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the consolidated audited financial statements and the reports of the directors of the Company (the "Directors") and the independent auditors of the Company (the "Auditors") for the year ended 31 December 2009.

2. To re-appoint Messrs. HLM & Co. as the Auditors and authorise the board of Directors to fix their remuneration.

3. To declare a final dividend of 6.5 HK cents per share.

4. To re-elect the Directors who hold office until the conclusion of the AGM.

5. To authorise the board of Directors to fix the Directors' remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without modification) as ordinary resolutions:

6. "**THAT**

   a. a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with unissued shares in the Company ("Share") or securities convertible into Shares or options, warrants or similar rights to subscribe for any Shares and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period, in addition to any Shares which may be issued from time to time on a Rights Issue (as hereinafter defined) or under any option scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares or any scrip dividend pursuant to the bye-laws of the Company, not exceeding twenty per cent. of the issued share capital of the Company as at the date of this resolution; and

   b. for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

      i. the conclusion of the next annual general meeting of the Company;

      ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

and "Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractions entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognized regulatory body or any stock exchange applicable to the Company)."

7. "**THAT** there be granted to the Directors an unconditional general mandate to repurchase Shares, and that the exercise by the Directors of all powers of the Company to purchase Shares subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved, subject to the following conditions:

(a) such mandate shall not extend beyond the Relevant Period;

(b) such mandate shall authorise the Directors to procure the Company to repurchase Shares at such price as the Directors may at their discretion determine;

(c) the Shares to be repurchased by the Company pursuant to paragraph (a) of this resolution during the Relevant Period shall be no more than ten per cent. of the Shares in issue at the date of passing this resolution; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

iii. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

8. "**THAT**, subject to the availability of unissued share capital and conditional upon the resolutions nos.6 and 7 above being passed, the number of Shares which are repurchased by the Company pursuant to and in accordance with resolution no.7 above shall be added to the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with resolution no. 6 above."

9. "**THAT** conditional upon the Stock Exchange granting listing of and permission to deal in the Shares to be issued upon the exercise of options under the share option scheme adopted by the Company on 17 May 2002 (the "Share Option Scheme"), the existing scheme mandate limit in respect of the granting of options to subscribe for Shares under the Share Option Scheme be refreshed and renewed provided that the total number of Shares which may be allotted and issued pursuant to the grant or exercise of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the Shares in issue as at the date of passing this resolution and that the Directors of the Company be and are hereby authorised, subject to compliance with the Rules Governing the Listing of Securities on the Stock Exchange, to grant options under the Share Option Scheme up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with Shares pursuant to the exercise of such options."

By order of the Board
Poon Siu Chung
Chairman

Hong Kong, 29 April 2010

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the AGM is entitled to appoint more than one proxy or a duly authorized corporate representative to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the AGM and any adjournment thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.

2. A form of proxy for the AGM is enclosed with the Company's circular dated 29 April 2010. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

3. The Hong Kong branch register of members of the Company will be closed from 7 June 2010 to 9 June 2010, on which dates no transfers of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting to be held on 9 June 2010, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4 June 2010.

4. With regard to resolutions nos.6 and 8 above, the Directors wish to state that they have no immediate plans to issue any new Shares of the Company pursuant to the general mandate granted under resolution no. 6 above.

CHAIRMAN'S STATEMENT

RESULTS

The board of directors of the Company (the "Board") has resolved to announce the audited consolidated results for the year ended 31 December 2009. Total turnover for the year amounted to approximately HK$404,606,000 (2008: HK$514,771,000). The net profit for the year stood at approximately HK$37,776,000 (2008: loss of HK$75,855,000). Basic earnings per share was 12.95 HK cents (2008: loss per share of 25.04 HK cents).

FINAL DIVIDEND

The Board recommends the payment of a final dividend for the year ended 31 December 2009 of 6.5 HK cents per share (2008: 1.0 HK cent per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 9 June 2010. This dividend together with the interim dividend of 1.0 HK cent per share (2008: 0.5 HK cent per share) will make a total of 7.5 HK cents per share for the year (2008: 1.5 HK cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about 23 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 7 June 2010 to 9 June 2010, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong at Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 4 June 2010.

BUSINESS REVIEW

2009 was one of the most challenging years to the Group. For the first half of the year, the Group recorded a negative gross segment result, even though the Group still recorded a positive figure for the whole year as a result of increase in profit margin of Toy Products Segment. Demands for consumer products dropped drastically, especially in the first quarter of the year, as a result of the negative impact from global financial tsunami since 2008. Nevertheless, global economic condition seemed to start to recover in the second quarter of the year as a result of the efforts made and measures implemented by various countries. Global financial markets began to stabilize and so did the commercial sector. The results of the four segments increased by about 140% to approximately to HK$23,689,000 (2008: HK$9,888,000), despite the decrease in total turnover, the performance of which will be further discussed below.

During the year, the turnover of the Group decreased by approximately 21% to approximately HK$404,606,000 (2008: HK$514,771,000), and the Group recorded a net profit attributable to equity shareholders of approximately HK$37,776,000 (2008: loss of HK$75,855,000). The improvement in annual result of the Group was mainly due to the increase in profit margin of the toy products segment and investment income.

CHAIRMAN'S STATEMENT

For the year 2009, the profit of the Group included profit on disposal of investments held-for-trading of approximately HK$6,606,000 (2008 : loss of HK$28,240,000), increase in fair value of investments held-for-trading of approximately HK$12,369,000 (2008 : decrease of HK$43,932,000), after deducting a decrease in the fair value of derivative financial instruments of approximately HK$2,310,000 (2008 : increase of HK$28,677,000) and no impairment loss on goodwill (2008 : HK$3,561,000).

Finance costs decreased by about 62% to approximately HK$675,000 (2008: HK$1,785,000). This was mainly due to decrease in both bank loans outstanding and level of interest rates.

FUTURE PLAN & PROSPECT

Looking ahead, 2010 will still be a challenging year to the Group. The Group will also undergo some changes, relocation of certain production facilities and termination of certain unprofitable business have been started, further costs on such relocation and termination will be incurred while benefits from the merger of similar production facilities are expected.

Being an industrialist, the Group will continue to concentrate on developing its core business and make all necessary adjustments or corrections as and when required to adapt to the ever-changing commercial environment. On the other hand, in order to maximize the return to its shareholders, the Group will actively but prudently hunt for any investment opportunities with available funds on hand.

Based on the solid core business of the Group such as Toy Products together with the healthy financial position with available funds for investments, the Board is fully confident that the Group will achieve better results in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Results

Novelties and decorations

The turnover of this segment for the year showed a drop of about 20% and stood at approximately HK$99,887,000 (2008: HK$125,184,000), while the segment result increased substantially by about 145% to approximately HK$4,882,000 (2008: HK$1,992,000). The improvement in the result of the segment was mainly due to the improvement in costs control together with decrease in provision for doubtful debts made during the year.

Packaging products

The turnover of packaging products to external customers decreased sharply by about 45% to approximately HK$76,639,000 (2008: HK$138,352,000), while the segment result recorded a loss of approximately HK$8,281,000 (2008: profit of HK$3,765,000). This segment recorded a loss again despite the resumption of gaining profit in 2008. The Board decided to terminate those unprofitable businesses, which were mainly in their sunset stage, and relocate and merge remaining businesses into one production site.

Trading activities

The turnover of the trading of PVC film and plastic materials decreased by about 29% to approximately HK$51,582,000 (2008: HK$72,730,000) as a result of the Group's prudent credit policy in selecting customers together with the target to maximize gains. As such, the segment still recorded a nominal contribution of approximately HK$860,000 (2008: HK$461,000) for the year. Keen competitions in the market and credit risks of customers were still the major issues faced by the Group in the segment, the continuity of this segment is subject to the overall strategic benefits it can bring to the Group as a whole.

Toy products

The turnover of this segment maintained steady with a slight decrease of about 1% to approximately HK$176,498,000 (2008: HK$178,505,000), while the segment result therefrom increased sharply to approximately HK$26,228,000 (2008: HK$4,939,000), representing a growth of about 4.31 times. Increase in contribution was the result of the efforts made in improving productivity, efficiency and techniques during past years and there was no written off of goodwill for the year (2008: HK$3,561,000).

Investments

To well utilize the available cash on hand, the Group has invested in the securities of various listed companies, which are held for trading purposes for capital gain in the value of the securities. As at 31 December 2009, the market value of investments-held-for-trading was approximately HK$92,996,000 (2008: HK$52,709,000).

In addition, the Group may also utilize its cash on hand by other types of investment with a view to enhancing the value to the shareholders. However, that must be done strictly in accordance with the guidelines on investment transactions, details of which are posted on the Company's website, www.perfectech.com.hk.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar. As all its factories are located in the PRC, expenses incurred there are dominated in Renminbi. As at 31 December 2009, the Group had not entered into any financial instrument for the hedging of foreign currency exposures.

Liquidity and financial resources

As at 31 December 2009, the long-term finance lease obligation and bank loan of the Group were approximately HK$16,950,000 (2008: HK$23,814,000), while the short term bank borrowings were approximately HK$6,865,000 (2008: HK$17,693,000), and none of the Group's plant and machinery (2008: nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was 10% (2008: 20%). As at 31 December 2009, the Group had bank balances and cash of approximately HK$77,020,000 (2008: HK$47,117,000).

With cash and other current assets as at 31 December 2009 of HK$276,735,000 (2008: HK$255,533,000) as well as available banking facilities, the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

CHAIRMAN'S STATEMENT

Net asset value

The net asset value of the Group as at 31 December 2009 was approximately HK$0.85 (2008: HK$0.72) per share based on the actual number of 287,037,607 shares in issue on that date.

Employees and remuneration policies

As at 31 December 2009, the Group employed approximately 2,100 full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

Appreciation

Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year.

On behalf of the Board
Poon Siu Chung
Chairman & Managing Director

Hong Kong, 20 April 2010

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT STAFF

DIRECTORS

Executive Directors

Mr. POON Siu Chung, aged 60, is the Chairman and Managing Director of the Company. Mr. Poon is the co-founder of the Group and has over 30 years' experience in the plastic industry and toy business. He oversees the Group's operations and is responsible for formulating the Group's overall corporate policies and development plans.

Mr. LEUNG Ying Wai, Charles, aged 60, is the Deputy Chairman of the Company and the co-founder of the Group. Mr. Leung advises on the Group's overall corporate policies and development plans. He holds a Bachelor of Business Administration Degree from the Chinese University of Hong Kong and has over 30 years' experience in the manufacturing field. Mr. Leung resigned on 31 October 2009.

Mr. IP Siu On, aged 56, is primarily responsible for the sales and marketing of the Group's Packaging products. Before joining the Group in 1984, Mr. Ip had over 10 years' experience in the field of dye mixing and packaging products.

Mr. TSUI Yan Lee, Benjamin, aged 50, is responsible for the sales and marketing of the Group's novelties and festival decorations. Prior to joining the Group in 1983, he worked in a manufacturing company as a sales executive for over 3 years.

Independent non-executive Directors

Mr. LAM Yat Cheong, aged 49, graduated from the Hong Kong Baptist University. Mr. Lam is a Certified Public Accountant and a sole proprietor of an audit firm and has over 18 years of auditing and accounting experience. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute Public Accountants. He is also an independent non-executive director of Lee's Pharmaceutical Holdings Limited and Wuyi International Pharmaceutical Company Limited, companies listed in Hong Kong.

Mr. YIP Chi Hung, aged 51, is experienced in the construction industry. Mr. Yip is a director of Fong Wing Shing Construction Company Limited. He has over 20 years of experience on a variety of building and maintenance projects for both the public and private sectors and is also well versed in the development of properties in Hong Kong and Singapore. He is also the chairman and executive director of PacMOS Technologies Holdings Limited, a company listed in Hong Kong.

Mr. CHOY Wing Keung, David, aged 44, graduated from the Hong Kong Shue Yan University and is the sole proprietor of David Choy & Co., Certified Public Accountants (Practising). He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Certified Chartered Accountants. He has over 18 years of experience in the areas of auditing, accounting, secretarial services and taxation.

SENIOR MANAGEMENT

Mr. FUNG Kun Kwai, aged 56, is the factory manager of the Group. He joined the Group in 1978 and has more than 20 years' experience in vacuum forming operations. Mr. Fung is responsible for overseeing the production facilities of the Group.

Mr. YUEN Che Wai, Victor, aged 44, is the Group's financial controller. Mr. Yuen is a member of the Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountants. He is responsible for the overall supervision on the accounting and finance functions of the Group. Mr. Yuen holds a diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University). He joined the Group in 1991 and has more than 10 years' experience in the audit and accounting field.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2009, the Company has adopted the code provisions (the "Code Provisions") set out in the "Code on Corporate Governance Practices" (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 deviation.

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 up 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 calibre 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.

THE BOARD OF DIRECTORS

The Role of the Board

The Board is responsible for formulating strategies and business plans for the Group, and is collectively responsible for its success.

The types of decisions taken out by the Board include:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;

- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of Directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies.

The Board has delegated decisions in relation to daily operation and administration responsibilities to management under the supervision of the Managing Director.

Board Composition

The Board comprises 6 Directors, 3 of whom are Executive Directors ("EDs", and each an "ED") and 3 being Independent Non-Executive Directors ("INEDs", and each an "INED"). During the year, save for Mr. Leung Ying Wai's resignation as Executive Director from the Company on 31 October 2009, there is no change to the composition of the Board.

For the biographies of the Directors, please refer to this Annual Report. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board, except that Mr. Poon Siu Chung and Mr. Ip Siu On are both shareholders and directors of a company incorporated in Hong Kong engaging in property investment, which is owned as to 50% by Mr. Poon, as to 25% by Mr. Poon's spouse, Ms. Lau Kwai Ngor and as to 25% by Mr. Ip.

As explained earlier, both the roles of the Chairman and Managing Director are taken up by Mr. Poon Siu Chung.

The INEDs of the Company are professionals in different fields, and two of the INEDs have appropriate professional qualifications of accounting or related financial management expertise. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders and the Group as a whole.

Pursuant to Listing Rule 3.13, the Group has received a written confirmation from each INED of their independent status, and the Board considers that they are independent in accordance with the Listing Rules.

Board Process

In addition to Board meetings that are held regularly to discuss and approve the Group's results, additional Board meetings are held from time to time to discuss important matters that require the Board's attention and decision. In 2009, there were 4 regular Board meetings and 24 Special Board meetings held, and the attendance of the Directors is set out below:

Directors	Attended/Eligible to attend Regular Board Meeting	Special Board Meeting for operation matters
Executive Directors		
Poon Siu Chung *(Chairman)*	4/4	24/24
Ip Siu On	4/4	24/24
Tsui Yan Lee, Benjamin	4/4	24/24
Leung Ying Wai, Charles (resigned on 31 October 2009)	1/3	0/19
Independent Non-Executive Directors		
Yip Chi Hung	3/4	1/24
Lam Yat Cheong	4/4	1/24
Choy Wing Keung, David	3/4	1/24

Regular Board meetings are attended to by a majority of the Directors in person.

Besides the regular Board meetings, special Board meetings are convened from time to time for the Board to discuss major matters that require the Board's attention or decision. Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors attend.

The Chairman of the Board ensures that the Board works effectively and that all important issues are discussed in a timely manner. All Directors are supplied with Board papers and relevant materials within a period of time acceptable to members of the Board prior to every Board meeting. All Directors have access to the Company Secretary for advice on compliance matters, and they have access to management for enquiries and to obtain information. If necessary, they may also take independent professional advice at the expense of the Group.

Nomination, Appointment and Re-election of Directors

The Board has not established a Nomination Committee, and the Board itself is responsible for the selection and approval of new Directors. The Board adopts the procedure and criteria below for nomination of Directors:

During 2009, the Board held a Board meeting to discuss the re-election of Leung Ying Wai, Charles, Ip Siu On and Tsui Yan Lee, Benjamin as an EDs and the re-election of Lam Yat Cheong, Yip Chi Hung and Choy Wing Keung, David as INEDs. Except for Leung Ying Wai, Charles, all the aforesaid EDs and INEDs attended this Board meeting while each of them abstained voting from the resolution in respect of his own re-election.

The Board adopted a procedure and criteria for nomination of directors, the details of which are set out below:

Procedure for Nomination of Directors

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an INED).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

Criteria for Nomination of Directors

1. *Common Criteria for all Directors*

   (a) Character and integrity

   (b) The willingness to assume broad fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company

(e) Significant business or public experience relevant and beneficial to the Board and the Company

(f) Breadth of knowledge about issues affecting the Company

(g) Ability to objectively analyse complex business problems and exercise sound business judgment

(h) Ability and willingness to contribute special competencies to Board activities

(i) Fit with the Company's culture

2. *Criteria Applicable to the Non-Executive Directors ("NEDs")/INEDs*

(a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings

(b) Accomplishments of the candidate in his or her field

(c) Outstanding professional and personal reputation

(d) The candidate's ability to meet the independence criteria for directors established in the Listing Rules

Appointment, Re-election and Removal

Under Bye-law 99 of the Company's Bye-laws, every director shall be subject to retirement by rotation at the annual general meeting at least once every three years while those retiring directors shall be eligible for re-election.

Under the Code Provision A4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

In accordance with the said provision of the Bye-laws and the Code Provision A4.1, the following re-election arrangement was made in the annual general meeting held on 3 June 2009:

1. Mr. Leung Ying Wai, Charles, Mr. Ip Siu On and Mr. Tsui Yan Lee, Benjamin, each an executive director, were re-elected.

2. All non-executive directors, being Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David were re-elected to hold office until the conclusion of the next annual general meeting of the Company, subject to re-election by shareholders.

Directors' Securities Transactions

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 year 2009 they complied with the required standard set out in the Model Code for securities transactions.

The Directors' interests in shares of the Group as at 31 December 2009 are set out in this Annual Report.

Internal Control

The Board annually conducts a review on the structure and effectiveness of the system of internal control of the Group and the resources put into by the Group in performing the internal control work. In 2009, the Board has identified no major issues on conducting the aforesaid reviews. Throughout this process, the Board has examined the reports on internet control and procedures in place submitted by various factories of the Group.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Remuneration Committee

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

The Committee currently comprises Mr. Yip Chi Hung, who is also the chairman of the Committee, Mr. Lam Yat Cheong and Mr. Choy Wing Keung, David as INEDs, 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 available at the Company's website http://www.perfectech.com.hk.

During 2009, one Committee meeting was held on 15 December 2009 which all the current 5 members attended.

Emolument Policy and Long-Term Incentive Plan

The Company adopts different emolument policies for EDs and NEDs:

Emolument Policy for EDs

1. A proportion of EDs' remuneration should be structured so as to link rewards to corporate and individual performance.

2. The performance-related elements of remuneration should form a significant proportion of the total remuneration package of EDs.

3. The performance-related elements of remuneration should be designed to align the EDs' interests with those of shareholders and to give these Directors keen incentives to perform at the highest levels.

4. Factors for Defining Performance-Based Remuneration:

   (a) Eligibility for annual bonuses and any upper limits

   (b) Annual bonuses should be linked to relevant performance indicators designed to enhance the Company's business

   (c) Eligibility for long-term incentive schemes, e.g. share option schemes, subject to performance criteria which reflect the Company's performance

   (d) Examples of performance indicators:

      (i) share price

      (ii) net earnings figure

Emolument Policy for NEDs

1. Levels of emolument of NEDs should reflect the time commitment and responsibilities of the role.

2. NEDs should have the opportunity to take part of their remuneration in shares but share options should be granted in accordance with the Listing Rules.

Principles of Long-Term Incentive Schemes

1. The purpose is to reward exceptional performance, and awards should be scaled against achievement of performance criteria.

2. The link between executive reward and company performance should be strong and clear.

3. Grants under such schemes should be phased rather than awarded in one large block.

The emolument payable to the Directors is determined with reference to their qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar positions. The details of the fees and any other reimbursement or emolument payable to the Directors are set out in details in this Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for the integrity of the financial information of the Group. The Directors acknowledge their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Audit Committee

The Audit Committee usually meets twice a year to review and monitor the financial reporting and internal control procedures of the Company.

The Audit Committee is governed by its terms of reference, which are available at the Group's website http://www.perfectech.com.hk.

The Audit Committee currently comprises 3 members, namely Mr. Lam Yat Cheong, who is also the chairman of the Committee, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, who are INEDs. Both Mr. Lam and Mr. Choy have professional qualifications in accounting. The details of the members' attendance in Committee meetings in 2009 are as follows:

Members	Attended/Eligible to attend
Lam Yat Cheong	2/2
Yip Chi Hung	2/2
Choy Wing Keung, David	2/2

Other attendees at the Audit Committee meetings include the Financial Controller and the external auditors, for discussion of the audit of the annual results only.

The Audit Committee's work in 2009 includes consideration of the following matters:

- the completeness and accuracy of the 2008 annual and 2009 interim financial statements;

- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- detailed analysis of various aspects of the Company's financial performance; and
- investment policies and possible impact of certain investment transactions.

External Auditors

The Company's external auditor is HLM & Co. The Group will pay HLM & Co. approximately HK$750,000 for their audit services for 2009.

CORPORATE COMMUNICATION

The Group values and strives to provide comprehensive and timely communications to its stakeholders, including its shareholders.

Shareholders' Rights

Further to the Companies Act 1981 of Bermuda and the Company's Bye-Laws, a special general meeting ("SGM") can be convened on requisition.

The most recent shareholders' meeting was the AGM held on 3 June 2009 at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong to discuss and approve the following matters:

- considering and receiving the consolidated audited financial statements and reports for the Directors and auditors for the year ended 31 December 2008;
- declaring the final dividend;
- re-electing certain Directors and authorizing the Board to fix their remunerations;
- appointing auditors and authorizing the Board to fix their remunerations;
- passing a general mandate to allow the Directors to allot and issue shares of the Company; and
- passing a general mandate to allow the Directors to repurchase shares of the Company.

REPORT OF THE DIRECTORS

The Directors of the Company present their annual report (the "Report of the Directors") and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 34.

An interim dividend of 1.0 HK cent per share amounting to approximately HK$2,873,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 6.5 HK cents per share to the shareholders on the register of members on 09 June 2010, amounting to approximately HK$18,657,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 48% of the total turnover of the Group and the largest customer accounted for approximately 38% of the total turnover of the Group.

The five largest suppliers of the Group in aggregate accounted for approximately 39% of the total purchases of the Group and the largest supplier accounted for approximately 17% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

The Group continued its replacement policy and expended HK$6,199,000 on property, plant and equipment during the year.

Details of this and other movements during the year in the property, plant and equipment and prepaid lease payments of the Group are set out in note 15 and 16 to the financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$60,384,000 of which HK$18,657,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$83,398,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Poon Siu Chung
(Chairman and Managing Director)
Mr. Leung Ying Wai, Charles *(Resigned on 31 October 2009)*
(Deputy Chairman)
Mr. Ip Siu On
Mr. Tsui Yan Lee, Benjamin

Independent non-executive Directors

Mr. Lam Yat Cheong
Mr. Yip Chi Hung
Mr. Choy Wing Keung, David

In accordance with Bye-law 99 of the Bye-laws and the code of corporate governance of the Company, every Director shall be subject to retirement by rotation at the annual general meeting, at least once every three years. No Director is required to retire from office by rotation at the conclusion of the forthcoming annual general meeting.

However, Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, all being independent non-executive Directors, will hold office until the conclusion of the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election.

DIRECTOR'S SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

All independent non-executive directors have been appointed for a term of approximately one year.

All independent non-executive directors will hold office until the conclusion of the forthcoming annual general meeting of the Company.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 31 December 2009, the interests of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO")) as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

(A) Long positions in interests of the Company

Director	Capacity	No. of shares held	No of underlying shares held under equity derivatives	Total	% of issued share capital of the Company
Mr. Poon Siu Chung	Beneficial owner	17,164,000	–	–	
	Interest of controlled corporation	101,139,430	–	118,303,430(a)	41.22
Mr. Ip Siu On	Beneficial owner	6,803,600	1,900,000(b)	8,703,600	3.03
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	1,611,000	2,900,000(b)	4,511,000	1.57
Mr. Yip Chi Hung	Interest of controlled corporation	2,800,000(c)	–	–	
	Beneficial owner	–	300,000(b)	3,100,000	1.08
Mr Lam Yat Cheong	Beneficial owner	–	300,000(b)	300,000	0.10
Mr. Choy Wing Keung David	Beneficial owner	–	300,000(b)	300,000	0.10

Notes:

(a) Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares of the Company and he was deemed to be interested in 101,139,430 shares which were held through Mime Limited, a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor respectively.

(b) These interests represented in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, details of which are set out in the section "Share Option" of this report.

(c) Mr. Yip Chi Hung was deemed to be interested in 2,800,000 shares which were held through First Canton Investment Limited, a company incorporated in the British Virgin Islands and 100% beneficially owned by Mr. Yip.

(B) Long position in shares of associated corporations of Company

Director	Name of associated corporation	Capacity	No. of shares held	Total	% of issued share capital of the associated corporation
Mr. Poon Siu Chung	Perfectech International Limited	Beneficial owner	200		
		Interest of spouse	200	400(d)	50
	Sunflower Garland Manufactory Limited	Beneficial owner	60,800		
		Interest of spouse	20,800	81,600(e)	51
Mr. Ip Siu On	Sunflower Garland Manufactory Limited	Beneficial owner	28,800	28,800	18
Mr. Tsui Yan Lee, Benjamin	Sunflower Garland Manufactory Limited	Beneficial owner	28,800	28,800	18

Notes:

(d) Mr. Poon Siu Chung was the beneficial owner of 200 non-voting deferred shares ("Perfectech Shares") of HK$100 each in Perfectech International Limited, a subsidiary of the Company and was deemed to be interested in 200 Perfectech Shares through interests of his spouse, Ms. Lau Kwai Ngor.

(e) Mr. Poon Siu Chung was the beneficial owner of 60,800 non-voting deferred shares ("Sunflower Shares") of HK$1 each in Sunflower Garland Manufactory Limited, a subsidiary of the Company and was deemed to be interested in 20,800 Sunflower Shares through interests of his spouse, Ms. Lau Kwai Ngor.

Details of the directors, or their associates, interests in the share options of the Company or any of its associated corporations are set out in the "share options" section of this report.

Other than as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, nor their associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31 December 2009.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 32 to the financial statements.

Details of the movements in the Company's share option during the year are as follows:

	Number of options outstanding at 1.1.2009	Number of options granted during the year	Number of shares issued and exercise of options during the year	Number of options lapsed during the year	Number of options outstanding at 31.12.2009	Date granted	Exercise price per share HK$	Exercisable period
Directors								
Ip Siu On	1,000,000	–	–	–	1,000,000	2 February 2005	0.608	2 May 2005 – 31 December 2014
	–	1,900,000	(1,000,000)	–	900,000	20 May 2009	0.375	1 June 2009 – 31 December 2018
Tsui Yan Lee, Benjamin	1,000,000	–	–	–	1,000,000	2 February 2005	0.608	2 May 2005 – 31 December 2014
	1,000,000	–	–	–	1,000,000	14 October 2008	0.389	1 November 2008 - 31 December 2017
		900,000	–	–	900,000	20 May 2009	0.375	1 June 2009 – 31 December 2018
Yip Chi Hung	300,000	–	–	–	300,000	2 November 2007	0.850	1 December 2007 – 31 December 2016
Lam Yat Cheong	300,000	–	–	–	300,000	2 November 2007	0.850	1 December 2007 – 31 December 2016
Choy Wing Keung, David	300,000	–	–	–	300,000	2 November 2007	0.850	1 December 2007 – 31 December 2016
Employees	4,500,000	–	–	–	4,500,000	24 March 2006	0.540	24 April 2006 – 31 December 2014
	9,500,000	–	–	(1,300,000)	8,200,000	2 November 2007	0.850	1 December 2007 – 31 December 2016
	3,500,000	–	–	–	3,500,000	14 October 2008	0.389	1 November 2008 – 31 December 2017
	–	3,900,000	–	–	3,900,000	20 May 2009	0.375	1 June 2009 – 31 December 2018
	21,400,000	6,700,000	(1,000,000)	(1,300,000)	25,800,000			
Others	1,000,000	–	–	–	1,000,000	5 June 2002	0.664	5 July 2002 – 17 May 2012
	1,000,000	–	–	–	1,000,000	2 February 2005	0.608	2 May 2005 – 31 December 2014
	2,000,000	–	–	–	2,000,000			
Grand Total	23,400,000	6,700,000	(1,000,000)	(1,300,000)	27,800,000			

The closing price of the Company's shares on 5 June 2002, 2 February 2005, 24 March 2006, 2 November 2007, 14 October 2008 and 20 May 2009, the dates of grant of the options, were HK$0.64, HK$0.60, HK$0.52, HK$0.85, HK$0.335 and HK$0.375 respectively.

According to the Binomial Option Pricing Model, the details of the options granted during the year under the Scheme were as follows:

Date of grant	Number of shares issuable under options granted	Fair value of options granted	Closing share price at date of grant	Risk free rate (being the yield of 10-year Exchange Fund Notes)	Expected volatility Note (i)	Expiration of the options	Expected ordinary dividend Note (iii)
20 May 2009	6,700,000	HK$1,494,100	HK$0.375	2.25%	74.27%	31 December 2018	4.00%

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on the daily closing prices over the one year immediately preceding the date of grant.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares on the Stock Exchange.

(iii) Expected ordinary dividend is based on 2008 prospective dividend yield of the shares as at 14 October 2009.

The above calculations based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares on the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

On 31 December 2007, the Group entered into a tenancy agreement with Mr. Poon Siu Chung, a substantial shareholder and director of the Company, in relation to premises at Nos. 34 and 35 of Xiazha Industrial Street, Jinding Town, Zhuhai, the People's Republic of China, for a monthly rent of HK$20,000 for a period of three years commencing from 1 January, 2008. The said premises are used by the Group as factories. The total rent payable by the Group for the premises for the full period of the tenancy under the aforesaid tenancy agreement will amount to HK$720,000. During the year, the Group paid rent to Mr. Poon Sui Chung totalling HK$240,000.

The independent non-executive directors confirm that the transaction has been entered into by the Group (i) in the ordinary and usual course of its business; (ii) in accordance with the terms of the relevant agreement governing such transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and (iii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties.

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in the section "Directors' Interests in Shares and Options", as at 31 December 2009, the register of substantial shareholders' interests maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the shares capital of the Company as follows:

Long positions in shares of the Company

Shareholder	Capacity	Number of Shares held	Total		% of issued share capital of the Company
Ms. Lau Kwai Ngor	Interest of spouse	17,164,000			
	Interest of controlled corporation	101,139,430	118,303,430	(a)	41.22
Mime Limited	Beneficial owner	101,139,430	101,139,430	(a)	35.24
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	63,097,200	(b)	21.98
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	63,097,200	(b)	21.98
Nielsen Limited	Beneficial owner	63,097,200	63,097,200	(b)	21.98
Commerzbank AG	Interest of controlled corporation	25,770,296	25,770,296	(c)	8.98
Dresdner Bank VPV NV	Investment Manager	25,770,296	25,770,296	(c)	8.98

Notes:

(a) Under the SFO, Ms. Lau Kwai Ngor was deemed to be interested in 118,303,430 shares of the Company through interests of her spouse, Mr. Poon Siu Chung. Mr. Poon Siu Chung was the beneficial owner of 17,164,000 shares of the Company and he was deemed to be interested in 101,139,430 shares which were held through Mime Limited, a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor.

(b) Under the SFO, Mr. Leung Ying Wai, Charles and Ms. Tai Yee Foon were deemed to be interested in 63,097,200 shares of the Company, which were held through Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, Ms. Tai Yee Foon and his family members.

(c) Under the SFO, Commerzbank AG was deemed to be interested in the 25,770,296 shares of the Company held by Dresdner Bank VPV NV, which was wholly owned by Dresdner Bank Luxembourg S.A., which was wholly owned by DreCo Erste Beteiligungs GmbH, which was wholly owned by Dresdner Bank AG, which was wholly owned by Commerzbank AG.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report the Company has adopted throughout the year ended 31 December 2009 with the Code of Corporate Governance Practices ("Code Provision") set out in the Appendix 14 of the Listing Rules.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report in page 13 to 21 of this annual report.

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

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

	No. of shares of HK$0.10 each	**Price per share Highest**	**Price per share Lowest**	**Aggregate Consideration Paid**
		HK$	HK$	HK$
Month of repurchase				
January 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	600,000	0.350	0.350	212,258
July 2009	7,000,000	0.355	0.340	2,466,911
December 2009	1,272,000	0.710	0.700	897,218
	12,658,000			4,735,972

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set by the Board and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Board and reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 32 to the financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009 and up to the date hereof.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 34 to the financial statements.

AUDITORS

The financial statements for the year have been audited by Messrs. HLM & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Mr. Poon Siu Chung
Chairman & Managing Director

Hong Kong, 20 April 2010

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE MEMBERS OF PERFECTECH INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Perfectech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 99 which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Auditors' responsibility *(Cont'd)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants
Hong Kong, 20 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	6 & 7	**404,606**	514,771
Cost of sales		**(327,925)**	(437,342)
Gross profit		**76,681**	77,429
Net other income (losses)	8	**24,905**	(78,956)
Distribution costs		**(14,720)**	(19,085)
Administrative expenses		**(40,349)**	(47,847)
Impairment loss on goodwill		**–**	(3,561)
Finance costs	9	**(675)**	(1,785)
Profit (loss) before tax	10	**45,842**	(73,805)
Income tax expenses	12	**(7,156)**	(61)
Profit (loss) for the year		**38,686**	(73,866)
Other comprehensive expenses			
Exchange differences on translation of overseas operations		**(64)**	(6)
Total comprehensive income (expenses) for the year		**38,622**	(73,872)
Profit (loss) for the year attributable to:			
Equity holders of the Company		**37,776**	(75,855)
Non-controlling interests		**910**	1,989
Profit (loss) for the year		**38,686**	(73,866)
Total comprehensive income (expenses) for the year attributable to:			
Equity holders of the Company		**37,712**	(75,861)
Non-controlling interests		**910**	1,989
Total comprehensive income (expenses) for the year		**38,622**	(73,872)
Dividends	13	**5,822**	12,094
Earnings (loss) per share	14		
Basic		**12.95 Cents**	(25.04) Cents
Diluted		**12.88 Cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**46,109**	54,605
Prepaid lease payments	16	**59**	134
Deferred tax assets	25	**2,221**	1,836
		48,389	56,575
CURRENT ASSETS			
Inventories	17	**50,157**	72,874
Trade and other receivables	18	**55,134**	76,468
Prepaid lease payments	16	**75**	75
Tax recoverable		**462**	1,214
Investments held-for-trading	21	**92,996**	52,709
Equity-linked note		**–**	4,955
Derivative financial instruments	20	**98**	–
Pledged bank deposits	22	**793**	121
Bank balances and cash	19	**77,020**	47,117
		276,735	255,533
CURRENT LIABILITIES			
Trade and other payables	23	**47,620**	53,654
Derivative financial instruments	20	**2,919**	511
Tax liabilities		**6,834**	897
Bank borrowings-due within one year	24	**6,865**	12,841
Bank overdraft	24	**–**	4,852
		64,238	72,755
NET CURRENT ASSETS		**212,497**	182,778
TOTAL ASSETS LESS CURRENT LIABILITIES		**260,886**	239,353

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**801**	1,359
Bank borrowings-due after one year	24	**16,950**	23,814
		17,751	25,173
NET ASSETS		**243,135**	214,180
CAPITAL AND RESERVES			
Share capital	26	**28,704**	29,870
Reserves		**204,940**	175,019
Equity attributable to equity holders of the Company		**233,644**	204,889
Non-controlling interests		**9,491**	9,291
TOTAL EQUITY		**243,135**	214,180

The financial statements on pages 34 to 99 were approved and authorised for issue by the board of directors on 20 April 2010 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Translations reserve HK$'000	Retained profits HK$'000	Equity attributable to equity holders of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
					Total comprehensive income				
At 1 January 2008	29,975	78,944	3,884	4,074	55	174,293	291,225	8,365	299,590
Total comprehensive expenses for the year	–	–	–	–	(6)	(75,855)	(75,861)	1,989	(73,872)
Recognition of equity – settled share based payment	–	–	–	720	–	–	720	–	720
Shares issued upon exercise of options	650	3,956	–	(892)	–	–	3,714	–	3,714
Dividends (Note 13)	–	–	–	–	–	(12,094)	(12,094)	(1,063)	(13,157)
Repurchase and cancellation of shares	(755)	–	755	–	–	(2,815)	(2,815)	–	(2,815)
At 31 December 2008	29,870	82,900	4,639	3,902	49	83,529	204,889	9,291	214,180
At 1 January 2009	29,870	82,900	4,639	3,902	49	83,529	204,889	9,291	214,180
Total comprehensive income for the year	–	–	–	–	(64)	37,776	37,712	910	38,622
Recognition of equity – settled share based payment	–	–	–	1,494	–	–	1,494	–	1,494
Share options lapsed	–	–	–	(268)	–	–	(268)	–	(268)
Shares issued upon exercise of options	100	498	–	(223)	–	–	375	–	375
Dividends (Note 13)	–	–	–	–	–	(5,822)	(5,822)	(710)	(6,532)
Repurchase and cancellation of shares	(1,266)	–	1,266	–	–	(4,736)	(4,736)	–	(4,736)
At 31 December 2009	28,704	83,398	5,905	4,905	(15)	110,747	233,644	9,491	243,135

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**45,842**	(73,805)
Adjustments for:		
Allowance for doubtful debts	**1,090**	4,330
Depreciation of property, plant and equipment	**14,057**	15,258
Dividend income from investment held-for-trading	**(1,211)**	(994)
Gain on settlement of equity-linked-note	**(2,845)**	–
(Gain) loss on disposal of property, plant and equipment	**(1)**	1,071
(Gain) loss on disposal of investments held-for-trading	**(6,606)**	28,240
Interest expenses	**675**	1,785
Interest income	**(62)**	(979)
Impairment loss on goodwill	**–**	3,561
Impairment loss on trade receivables	**–**	79
Impairment loss on other receivables	**297**	–
Loss on settlement of derivative financial instruments	**–**	39,691
Net change in fair value of derivative financial instruments	**2,310**	(28,677)
Net change in fair value of equity-linked note	**–**	2,845
Net change in fair value of investments held-for-trading	**(12,369)**	43,932
Release of prepaid lease payments	**75**	75
Share-based payment expenses	**1,494**	720
Lapse of share-based payment expense	**(268)**	–
Write down of inventories	**3,531**	1,040
Operating cash flows before movements in working capital	**46,009**	38,172
Decrease in trade and other receivables	**19,947**	17,689
Decrease (increase) in inventories	**19,186**	(3,136)
(Decrease) increase in trade and other payables	**(6,034)**	1,844
Cash generated from operations	**79,108**	54,569
Hong Kong Profits Tax paid, net	**(1,279)**	(3,463)
PRC Enterprise Income Tax paid, net	**(131)**	(2)
NET CASH FROM OPERATING ACTIVITIES	**77,698**	51,104

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
(Increase) decrease in pledged bank deposits	**(672)**	74,088
Dividend received from investments held-for-trading	**1,211**	994
Interest received	**62**	979
Net payments on settlement of derivative financial instruments	**–**	(39,691)
Proceeds on disposal of investments held-for-trading	**122,271**	145,100
Proceeds on disposal of property, plant and equipment	**639**	467
Purchase of equity-linked note	**–**	(7,800)
Purchase of investments held-for-trading	**(143,583)**	(250,589)
Purchase of property, plant and equipment	**(6,199)**	(8,370)
Proceeds received from settlement of equity-linked note	**7,800**	–
NET CASH USED IN INVESTING ACTIVITIES	**(18,471)**	(84,822)
FINANCING ACTIVITIES		
Dividends paid to equity holders of the Company	**(5,822)**	(12,094)
Dividends paid to non-controlling interests	**(710)**	(1,063)
Interest paid	**(675)**	(1,785)
New bank borrowing and trust receipt loans raised	**56,700**	102,022
Payment for repurchase of shares	**(4,736)**	(2,815)
Proceeds received upon share option exercised	**375**	3,714
Repayment of bank borrowings and trust receipt loans	**(69,540)**	(65,367)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(24,408)**	22,612
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**34,819**	(11,106)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**42,265**	53,400
Effect of change in foreign exchange rates	**(64)**	(29)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**77,020**	42,265
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**77,020**	47,117
Secured bank overdraft	**–**	(4,852)
	77,020	42,265

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cannon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business is 7th Floor, E Tat Factory Building, 4 Heung Yip Road, Wong Chuk Hang Road, Aberdeen, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are the manufacture and sale of novelties, decorations, packaging and toys products, and the trading of PVC films and plastic materials.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. In addition, the Group has early adopted HKFRS 3 (revised in 2008) Business Combinations, HKAS 27 (revised in 2008) Consolidated and Separate Financial Statements and HKAS 28 (revised in 2008) Investment in Associates in advance of their effective dates.

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 Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statement
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (Revised)	Investment in Associates
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 Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (revised in 2007) Presentation of Financial Statements

HKAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 7).

Improving Disclosure about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk.

HKAS 1 (2007), HKFRS 8 and HKFRS 7 (amendments) affect the presentation and disclosure only.

HKFRS 3 (revised in 2008) Business Combinations

HKFRS 3 (2008) has been adopted in advance of its effective date (business combinations for which the acquisition date is on or after the beginning of on or after 1 July 2009). Specifically, HKFRS 3 (2008) has been applied to business combinations for which the acquisition date is on or after 1 January 2009 in accordance with the relevant transitional provisions. The adoption of HKFRS 3 (2008) has not affected the accounting for business combinations in the current and prior year.

The adoption of the HKFRS 3 (2008) had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 27 (revised in 2008) Consolidated and Separate Financial Statements

HKAS 27 (2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009 and has been applied retrospectively (subject to specified transitional provision). The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in subsidiaries of the Group. The new accounting policies have been applied prospectively to changes that take place on or after 1 January 2009 in accordance with the relevant transitional provisions.

In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Improving Disclosure about Financial Instruments (Cont'd)

HKAS 27 (revised in 2008) Consolidated and Separate Financial Statements (Cont'd)

Under HKAS 27 (2008), increase or decrease in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (2008) requires that the group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Except for the above disclosure, the adoption of the HKAS 27 (2008) had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 28 (revised in 2008) Investments in Associates

HKAS 28 (2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009). The principle adopted under HKAS 27 (2008) (see above) that a loss of controls is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, under HKAS 28 (2008), when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any resulting gain or loss being recognised in profit or loss.

The adoption of the HKAS 28 (2008) had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The adoption of the other new HKFRSs issued by HKICPA had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

(Cont'd)

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 9	Financial Instruments[7]
HKAS 24 (Revised)	Related Party Discloures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 February 2010

5 Effective for annual periods beginning on or after 1 July 2010

6 Effective for annual periods beginning on or after 1 January 2011

7 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

(Cont'd)

As part of Improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's entity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

Changes in the Group's ownership interests in existing subsidiaries after 1 January 2009

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the equity.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Business combinations prior to 1 January 2009

Acquisition of business was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

Business combinations prior to 1 January 2009 (Cont'd)

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against goodwill.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Business combinations on or after 1 January 2009

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (2008) are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sales and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessments, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

Business combinations on or after 1 January 2009 (Cont'd)

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustment depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Sale of goods are recognised when goods are delivered and title has passed.

Rental income under operating leases is recognised on a straight line basis over the terms of the relevant leases.

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Management fee income is recognised where services are rendered.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment *(Cont'd)*

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over their useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leasing *(Cont'd)*

The Group as lessee

Rentals payable payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction to rental expense over the lease term on a straight-line basis.

Leasehold land for own use

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land is accounted for as operating leases and amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (the "foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non- controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange difference accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposal (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation before 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and are reported using historical cost prevailing at the date of acquisition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in join ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to cover or settle the carrying amount of its asset and liabilities. Deferred tax is recognised in profit and loss, expect when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale ("AFS") financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that from an integral of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL, of which interest income is included in net gains and losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Financial assets at FVTPL (Cont'd)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from Directors) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of financial assets (Cont'd)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Object evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and he decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity *(Cont'd)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which interest expense is included in net gains and losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of an identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designed as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity *(Cont'd)*

Financial liabilities at FVTPL (Cont'd)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings, a loan from government, trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation and amortisation

The Group's net book value of property, plant and equipment as at 31 December 2009 was HK$46,109,000. The Group depreciates the property, plant and equipment, using the straight-line method, at the rate of 1% to 30% per annum or over the term of the lease, commencing from the date the assets is placed into productive use. The estimated useful life and dates that the Group places the assets into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Impairment on trade receivables

The policy for impairment on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group had deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Impairment on inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in progress based primarily on the latest invoiced prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides impairment on obsolete items.

Income taxes

As at 31 December 2009, a deferred tax asset of HK$2,602,000 in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk management

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. The Group currently has a foreign currency hedging policy and the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting period are as follows:

	Assets 2009 HK$'000	**Liabilities 2009 HK$'000**	Assets 2008 HK$'000	Liabilities 2008 HK$'000
Renminbi ("RMB")	**7,645**	**10,033**	13,839	20,961

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Currency risk management *(Cont'd)*

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars, the effect in the profit (loss) for the year is as follows:

	Impact of RMB 2009 HK$'000	Impact of RMB 2008 HK$'000
Increase/decrease in profit (loss) for the year	**119**	356

Besides, at the end of reporting period, the Group has approximately USD2,557,000 bank balance, the sensitivity analysis of changing in USD exchange rate is insignificant as the Hong Kong dollars banknotes are fully backed by US dollar held by the Exchange Fund at the rate of HK$7.8 to one US dollar.

Liquidity risk management

Internally generated cash flow and bank borrowings are the general sources of funds to finance the operations of the Group. The majority of the Group's banking facilities are subject to floating rates and are renewable annually. The Group liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted payments are summarized below:

		2009	
	Within 1 year HK$'000	**2-5 years HK$'000**	**Total HK$'000**
Trade payables	**18,744**	**–**	**18,744**
Accruals and other payables	**28,876**	**–**	**28,876**
Tax liabilities	**6,834**	**–**	**6,834**
Derivative financial instruments	**2,919**	**–**	**2,919**
Bank borrowings	**6,865**	**16,950**	**23,815**
Capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**422**	**–**	**422**
Capital commitments in respect of the acquisition of property, plant and equipment authorised but not contracted for in the consolidated financial statements	**204**	**–**	**204**
	64,864	**16,950**	**81,814**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk management *(Cont'd)*

		2008	
	Within 1 year	2-5 years	Total
	HK$'000	HK$'000	HK$'000
Trade payables	31,275	–	31,275
Accruals and other payables	22,379	–	22,379
Tax liabilities	897	–	897
Derivative financial instruments	511	–	511
Bank borrowings	12,841	23,814	36,655
Bank overdraft	4,852	–	4,852
Capital commitments in respect of the acquisition of property, plant and equipment authorised but not contracted for in the consolidated financial statements	1,396	–	1,396
	74,151	23,814	97,965

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings which are not significant.

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significant reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Price risk management

The Group's investments in equity are listed in Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.

If listed equity prices had been 15% higher/lower (2008: 15% higher/lower), profit for the year ended 31 December 2009 would increase/decrease by HK$211,763 (2008: HK$7,906,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Fair values

As at 31 December 2009, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Directors considers that financial assets at fair value through profit or loss are included in the consolidated statement of financial position at amounts approximating to their fair values.

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2009 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (Highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (Lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Fair values *(Cont'd)*

			2009
	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Assets			
Investments held-for-trading – listed	92,996	–	92,996
Derivative financial instruments	–	98	98
	92,996	98	93,094
Liabilities			
Derivative financial instruments	–	2,919	2,919

There were no transfers between Levels 1 and 2 in the current year.

The fair values of financial instruments are determined as follows:

- The fair values of financial instruments with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2009, the Group's strategy remained unchange as compare to that in 2008. The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as total bank borrowings divided by equity attributable to equity holders of the Company.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital risk management *(Cont'd)*

The management considers the gearing ratio at the year end was as follows:

	2009 HK$'000	2008 HK$'000
Bank borrowings	23,815	41,507
Equity attributable to equity holders of the Company	233,644	204,889
Gearing ratio	10%	20%

The decrease in the gearing ratio during 2009 resulted primarily from the decrease in bank borrowings and increase in cash and bank balance, which is mainly due to the profit from operation.

6. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, during the year.

	2009 HK$'000	2008 HK$'000
Novelties and decorations products	99,887	125,184
Packaging products	76,639	138,352
PVC films and plastic materials	51,582	72,730
Toys products	176,498	178,505
	404,606	514,771

7. SEGMENTS REPORTING

(a) Application of HKFRS 8 Operating Segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. The adoption of HKFRS 8 has not resulted in any changes of presentation.

For management purposes, the Group is currently organised into four operating segments, namely the manufacture and sale of novelties and decorations products, the manufacture and sale of packaging products, the trading of PVC films and plastic materials and the manufacture and sale of toy products.

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

2009

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	99,887	76,639	51,582	176,498	–	404,606
Inter-segment sales	39	22,152	1,863	189	(24,243)	–
Total revenue	99,926	98,791	53,445	176,687	(24,243)	404,606
RESULT						
Segment result	4,882	(8,281)	860	26,228	–	23,689
Income from investments						21,477
Unallocated corporate income						1,351
Finance costs						(675)
Profit before tax						45,842
Income tax expenses						(7,156)
Profit for the year						38,686

Inter-segment sales are charged at prevailing market rates.

7. SEGMENTS REPORTING *(Cont'd)*

(a) Application of HKFRS 8 Operating Segments *(Cont'd)*

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	69,944	60,087	15,493	73,710	219,234
Unallocated corporate assets					105,890
Consolidated total assets					325,124
LIABILITIES					
Segment liabilities	41,989	10,514	1,533	19,794	73,830
Unallocated corporate liabilities					8,159
Consolidated total liabilities					81,989

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000
Additions of property, plant and equipment	1,312	2,472	–	2,415	6,199
Depreciation and amortisation	3,319	5,738	54	4,946	14,057
Release of prepaid lease payments	–	–	–	75	75

7. SEGMENTS REPORTING *(Cont'd)*

(a) Application of HKFRS 8 Operating Segments *(Cont'd)*

2008

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	125,184	138,352	72,730	178,505	–	514,771
Inter-segment sales	2,007	25,394	2,798	1,277	(31,476)	–
Total revenue	127,191	163,746	75,528	179,782	(31,476)	514,771
RESULT						
Segment result	1,992	3,765	461	4,939	(1,269)	9,888
Loss from investments						(83,860)
Unallocated corporate income						1,952
Finance costs						(1,785)
Loss before tax						(73,805)
Income tax expenses						(61)
Loss for the year						(73,866)

Inter-segment sales are charged at prevailing market rates.

7. SEGMENTS REPORTING *(Cont'd)*

(a) Application of HKFRS 8 Operating Segments *(Cont'd)*

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	61,253	78,446	23,174	91,769	254,642
Unallocated corporate assets					57,466
Consolidated total assets					312,108
LIABILITIES					
Segment liabilities	44,403	17,291	5,197	25,295	92,186
Unallocated corporate liabilities					5,742
Consolidated total liabilities					97,928

	Novelties and decorations products HK$'000	Packaging products HK$'000	PVC films and plastic materials HK$'000	Toy products HK$'000	Consolidated HK$'000
Additions of property, plant and equipment	1,904	3,789	–	2,677	8,370
Depreciation and amortisation	3,935	5,837	54	5,432	15,258
Release of prepaid lease payments	–	–	–	75	75

7. SEGMENTS REPORTING *(Cont'd)*

(a) Application of HKFRS 8 Operating Segments *(Cont'd)*

Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments other than those assets and liabilities related to central administration.

(b) Geographical Information

The following table provides an analysis of the Group's sales by geographical market:

	2009	2008
	HK$'000	HK$'000
Sales revenue by geographical market:		
Hong Kong	**147,382**	217,574
Europe	**122,083**	122,237
America	**72,164**	89,690
Asia (other than Hong Kong)	**52,350**	74,086
Others	**10,627**	11,184
	404,606	514,771

7. SEGMENTS REPORTING *(Cont'd)*

(b) Geographical Information *(Cont'd)*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**209,162**	161,784	**110**	1,036
The People's Republic of China (the "PRC")	**115,962**	150,324	**6,089**	7,334
	325,124	312,108	**6,199**	8,370

(c) Information about major customer

Included in revenues arising from sales of toy products of approximately HK$176,498,000 (2008: HK$178,505,000) are revenues of approximately HK$152,579,000 (2008: HK$145,996,000) which arose from sales to the Group's largest customer.

8. NET OTHER INCOME (LOSSES)

	2009	2008
	HK$'000	HK$'000
Bad debt recovered	**719**	–
Dividend incomes on investments held-for-trading	**1,211**	994
Exchange gain	**–**	91
Gain on settlement of equity-linked note	**2,845**	–
Gain on disposal of property, plant and equipment	**1**	–
Interest income	**62**	979
Loss on settlement of derivative financial instruments	**–**	(39,691)
Net change in fair value of equity-linked note	**–**	(2,845)
Net change in fair value of investments held-for-trading	**12,369**	(43,932)
Net change in fair value of derivative financial instruments	**(2,310)**	28,677
Rental income	**221**	242
Realised gain (loss) on disposal of investments held-for-trading	**6,606**	(28,240)
Sample sales	**758**	1,240
Scrap sales	**1,296**	536
Others	**1,127**	2,993
	24,905	(78,956)

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**675**	1,785

10. PROFIT (LOSS) BEFORE TAX

	2009 HK$'000	2008 HK$'000
Profit (loss) before tax has been arrived at after charging:		
Auditors' remuneration	**750**	750
Cost of inventories recognised as an expense	**181,744**	262,728
Depreciation of property, plant and equipment	**14,057**	15,258
Foreign exchange losses, net	**6,005**	1,981
Allowance for doubtful debts	**1,090**	4,330
Loss on disposals of property, plant and equipment	**–**	1,071
Release of prepaid leases prepayments	**75**	75
Share-based payments expenses	**1,226**	720
Staff costs (including Directors' emoluments)	**94,483**	115,800
Write down of inventories	**3,531**	1,040
Impairment loss on trade receivables	**–**	79
Impairment loss on other receivables	**297**	–

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the six Directors were as follows:

Emoluments	**Fees**	**Other emoluments: Salaries and other benefits**	**Other emoluments: Retirement benefit scheme contributions**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Poon Siu Chung	**–**	**1,400**	**40**	**1,440**
Ip Siu On	**–**	**1,824**	**30**	**1,854**
Tsui Yan Lee, Benjamin	**–**	**1,601**	**30**	**1,631**
Choy Wing Keung, David	**50**	**–**	**–**	**50**
Lam Yat Cheong	**50**	**–**	**–**	**50**
Yip Chi Hung	**50**	**–**	**–**	**50**
Total for 2009	**150**	**4,825**	**100**	**5,075**

The emoluments paid or payable to each of the seven Directors were as follows:

Emoluments	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Poon Siu Chung	–	2,100	45	2,145
Leung Ying Wai, Charles	–	–	–	–
Ip Siu On	–	2,100	30	2,130
Tsui Yan Lee, Benjamin	–	2,260	30	2,290
Lam Yat Cheong	50	–	–	50
Yip Chi Hung	50	–	–	50
Choy Wing Keung, David	50	–	–	50
Total for 2008	150	6,460	105	6,715

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(b) Employees' emoluments

Of the five individuals with the highest emoluments of the Group, three (2008: three) were Directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other benefits	**1,431**	1,432
Retirement benefit schemes contributions	**38**	39
	1,469	1,471

Their emoluments were within the following bands:

	2009 **Number of employees**	2008 Number of employees
Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**–**	–
	2	2

12. INCOME TAX EXPENSES

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**6,583**	1,771
PRC Enterprise Income Tax	**131**	2
	6,714	1,773
Under (over) provision in prior years:		
Hong Kong Profits Tax	**1,385**	(76)
PRC Enterprise Income Tax	**–**	–
	1,385	(76)
	8,099	1,697
Deferred tax (note 25)		
Current year	**(943)**	(1,636)
	7,156	61

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5%, which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both years). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. INCOME TAX EXPENSES *(Cont'd)*

The tax charge for the year can be reconciled to the profit (loss) before tax as follow:

	2009	2008
	HK$'000	HK$'000
Profit (loss) before tax	**45,842**	(73,805)
Tax at Hong Kong Profits Tax of 16.5%	**7,564**	(12,178)
Tax effect of income not taxable for tax purposes	**(7,548)**	(4,871)
Tax effect of expenses not deductible for tax purposes	**5,375**	3,112
Tax effect on temporary differences not recognised	**–**	33
Tax effect on tax losses not recognised	**492**	14,125
Utilisation of tax losses not previously recognised	**(94)**	(240)
Under (over) -provision in prior year	**1,385**	(76)
Effect of change in tax rate	**–**	(66)
Effect of different tax rates of group entities operating in the PRC	**(18)**	222
Tax charge for the year	**7,156**	61

13. DIVIDENDS

	2009	2008
	HK$'000	HK$'000
Interim, paid – 1.0 HK cent (2008: 0.5 HK cent) per share	**2,873**	1,521
Final, paid – 1.0 HK cent per share for 2008 (2008: 3.5 HK cents per share for 2007)	**2,949**	10,573
	5,822	12,094

The final dividend of 6.5 HK cents (2008: 1.0 HK cent) per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

14. 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 year of approximately HK$37,776,000 (2008: loss of HK$75,855,000) and the following data:

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**291,710,176**	302,942,624
Effect of dilutive potential ordinary shares on share options	**1,472,602**	1,161,256
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	**293,182,778**	304,103,880

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Factory premises	Furniture, fixtures and office equipment	Plant, machinery and moulds	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2008	190	40,185	34,450	223,303	5,135	303,263
Exchange alignments	–	–	3	15	–	18
Additions	–	1,834	1,331	5,202	3	8,370
Disposal	–	(333)	(179)	(2,058)	(258)	(2,828)
At 31 December 2008 and 1 January 2009	190	41,686	35,605	226,462	4,880	308,823
Additions	–	2,202	395	3,290	312	6,199
Disposal	–	–	(777)	(5,857)	(113)	(6,747)
At 31 December 2009	190	43,888	35,223	223,895	5,079	308,275
DEPRECIATION AND AMORTISATION						
At 1 January 2008	71	27,398	28,020	180,528	4,238	240,255
Exchange alignments	–	–	1	4	–	5
Provided for the year	2	2,646	1,364	10,786	460	15,258
Eliminated upon disposals	–	(133)	(83)	(827)	(257)	(1,300)
At 31 December 2008 and 1 January 2009	73	29,911	29,302	190,491	4,441	254,218
Provided for the year	2	2,694	1,227	9,809	325	14,057
Eliminated upon disposals	–	–	(769)	(5,227)	(113)	(6,109)
At 31 December 2009	75	32,605	29,760	195,073	4,653	262,166
CARRYING VALUES						
At 31 December 2009	115	11,283	5,463	28,822	426	46,109
At 31 December 2008	117	11,775	6,303	35,971	439	54,605

15. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	1%
Factory premises	5%
Furniture, fixtures and office equipment	15-20%
Plant, machinery and moulds	10-20%
Motor vehicles	25-30%

The Group has not obtained Certificate for Housing Ownership in respect of the Group's factory premises with an aggregate net book value of approximately HK$11,283,000 (2008: HK$11,775,000) at 31 December 2009.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009 HK$'000	2008 HK$'000
Medium-term leasehold land in Hong Kong	**54**	56
Medium-term leasehold land in PRC	**80**	153
	134	209
Analysed for reporting purposes as:		
Current assets	**75**	75
Non-current assets	**59**	134
	134	209

	2009 HK$'000	2008 HK$'000
Net book value at 1 January	**209**	284
Amortisation for the year	**(75)**	(75)
Net book value at 31 December	**134**	209
Current portion of non-current assets	**(75)**	(75)
Non-current portion	**59**	134

17. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	**32,296**	46,954
Work in progress	**3,601**	6,680
Finished goods	**14,260**	19,240
	50,157	72,874

Inventories of HK$Nil (2008: Nil) are expected to be recovered after more than twelve months

18. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**63,513**	91,182
Less: impairment loss on trade receivables	**(16,778)**	(16,736)
	46,735	74,446
Prepayment and other receivables	**8,399**	2,022
	55,134	76,468

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:

	2009 HK$'000	2008 HK$'000
0 – 60 days	**35,134**	48,218
61 – 90 days	**5,207**	11,851
91 – 120 days	**3,990**	7,612
Over 120 days	**2,404**	6,765
	46,735	74,446

18. TRADE AND OTHER RECEIVABLES *(Cont'd)*

The following is the movement in the allowance for doubtful debts:

	2009 **HK$'000**	2008 HK$'000
Balance at beginning of the year	**16,736**	12,406
Allowance for doubtful debts during the year	**1,090**	4,330
Amounts recovered during the year	**(719)**	–
Amounts written off during the year	**(329)**	–
Balance at end of the year	**16,778**	16,736

The fair value of the Group's trade and other receivables at 31 December 2009 approximate to the corresponding carrying amount.

19. OTHER FINANCIAL ASSETS

Bank balance and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 0.001% to 2.84% (2008: 1.70% to 3.94%) with an original maturity of three months or less. The fair value of these assets at 31 December 2009 approximates to the corresponding carrying amounts.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Equity decumulators	**98**	–
Financial liabilities		
Equity decumulators	**(2,919)**	–
Foreign currency forward contracts	**–**	(511)
	(2,919)	(511)

20. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

	2009 HK$'000	2008 HK$'000
Financial assets		
Beginning of the year	–	3,296
Change in fair value of derivative financial instruments	98	(3,296)
End of the year	98	–
Financial liabilities		
Beginning of the year	(511)	(32,484)
Change in fair value of derivative financial instruments	(2,408)	31,973
End of the year	(2,919)	(511)

The derivatives are measured at fair value at each reporting date. Their fair values are measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

At 31 December 2009, the major terms of the listed equity decumulators contracts are as follows:

Nominal Amount	Underlying Securities	Maturity	Forward Prices
HK$12,048,000	China Life Insurance Company Limited	1 February 2010	HK$29.88
HK$8,419,000	China Life Insurance Company Limited	2 February 2010	HK$27.84
HK$5,479,000	CNOOC Limited	15 March 2010	HK$9.17
HK$10,066,000	China Life Insurance Company Limited	17 March 2010	HK$30.97
HK$5,909,000	China Life Insurance Company Limited	26 March 2010	HK$32.83
HK$10,274,000	China Life Insurance Company Limited	28 June 2010	HK$37.51
HK$9,734,000	Bank of China	14 July 2010	HK$4.37
HK$9,263,000	China Construction Bank Corporation	11 August 2010	HK$7.44
HK$9,938,000	Industrial and Commercial Bank of China Limited	14 August 2010	HK$6.63
HK$9,594,000	China Life Insurance Company Limited	18 August 2010	HK$40.99
HK$9,984,000	China Life Insurance Company Limited	1 September 2010	HK$41.25
HK$9,493,000	China Life Insurance Company Limited	8 October 2010	HK$42.53
HK$9,125,000	HSBC Holdings Plc	9 November 2010	HK$104.11
HK$7,895,000	China Life Insurance Company Limited	9 November 2010	HK$46.63
HK$8,472,000	HSBC Holdings Plc	30 November 2010	HK$106.99
HK$9,327,000	China Life Insurance Company Limited	20 December 2010	HK$46.82

21. INVESTMENTS HELD-FOR-TRADING

	2009 HK$'000	2008 HK$'000
Equity securities listed in Hong Kong	**92,996**	52,709

The particular of investments held-for-trading as at 31 December 2009 which dominated over 10% of the Group's total assets is as follows:

Name of investee company	Number of shares held	Cost	Market value	Unrealised holding gain arising on revaluation
		HK$	HK$	HK$
China life Insurance Company Limited	1,276,871	38,368,704	48,968,003	10,599,299

Movements of investments held-for-trading during the year:

	2009 HK$'000	2008 HK$'000
Beginning of the year	**52,709**	19,392
Additions	**143,583**	250,589
Disposal	**(115,665)**	(173,340)
Change in fair value on investments held-for-trading	**12,369**	(43,932)
End of the year	**92,996**	52,709

The fair values of the held-for-trading investments are determined based on the quoted market bid prices available on the relevant exchange.

22. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

The deposits carry variable interest rate ranging from 0.001% to 2.84% (2008: 1.70% to 3.94%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31 December 2009 approximates to the corresponding carrying amount.

23. TRADE AND OTHER PAYABLES

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

	2009	2008
	HK$'000	HK$'000
0 – 60 days	**15,377**	24,565
61 – 90 days	**2,123**	3,776
91 – 120 days	**722**	1,572
Over 120 days	**522**	1,362
	18,744	31,275

The fair value of the Group's trade and other payables at 31 December 2009 approximates to the corresponding carrying amount.

24. BANK BORROWINGS

	2009	2008
	HK$'000	HK$'000
Unsecured bank loans	**23,815**	30,679
Unsecured trust receipt loans	**–**	5,976
Secured bank overdraft	**–**	4,852
	23,815	41,507

The unsecured bank loans and unsecured trust receipt loans were secured by corporate cross guarantee given by the Group. The unsecured bank loans and unsecured trust receipt loans will be charged at variable interest rates ranging from 0.64% to 4.69% (2008: 1.68% to 6.24%).

24. BANK BORROWINGS *(Cont'd)*

The amounts are repayable as follows:

	2009 HK$'000	2008 HK$'000
On demand or within one year	**6,865**	17,693
More than one year, but not exceeding two years	**6,865**	6,865
More than two years, but not exceeding five years	**10,085**	16,949
	23,815	41,507
Less: Amount due within one year shown under current liabilities	**(6,865)**	(17,693)
	16,950	23,814

During the period, the Group did not obtain any new bank loan. (2008:US$4,400,000 (approximately HK$34,319,000)). The bank loan was outstanding balance raised in 2008. The loan bears interest at market rate and is repayable in instalments over a period of 5 years. The proceeds are used to finance the working capital of the Group. The loan of approximately HK$6,865,000 was repaid during the period.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2008	2,573	(1,414)	1,159
Credit to income for the year	(855)	(781)	(1,636)
At 31 December 2008 and 1 January 2009	1,718	(2,195)	(477)
Credit to income for the year	(536)	(407)	(943)
At 31 December 2009	1,182	(2,602)	(1,420)

25. DEFERRED TAXATION *(Cont'd)*

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009	2008
	HK$'000	HK$'000
Deferred tax liabilities	**801**	1,359
Deferred tax assets	**(2,221)**	(1,836)
	(1,420)	(477)

At the end of reporting period, the Group has unused tax losses of approximately HK$96,254,000 (2008: HK$112,497,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of approximately HK$15,784,000 (2008: HK$13,304,000) of such losses. No deferred tax has been recognised in respect of the remaining HK$80,470,000 (2008: HK$99,193,000) due to the unpredictability of future profit streams.

26. SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.10 each				
At beginning of the year	**700,000**	700,000	**29,870**	29,975
Exercise of share options	**–**	–	**100**	650
Share repurchased and cancelled (note 1)	**–**	–	**(1,266)**	(755)
At end of the year	**700,000**	700,000	**28,704**	29,870

26. SHARE CAPITAL *(Cont'd)*

Note 1: During the year, the Company repurchased its own shares through the Stock Exchange as follows:

	No. of shares of HK$0.10 each	Price per share		Aggregate Consideration Paid
		Highest	Lowest	
		HK$	HK$	HK$
Month of repurchase				
Jan 2009	1,000,000	0.300	–	303,583
Feb 2009	510,000	0.325	0.320	166,069
March 2009	2,276,000	0.305	0.286	689,932
Jun 2009	600,000	0.350	–	212,258
Jul 2009	7,000,000	0.355	0.340	2,466,911
Dec 2009	1,272,000	0.750	0.700	897,217
	12,658,000			4,735,970

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

27. PLEDGE OF ASSETS

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$91,570,000 (2008: 52,709,000); and

(ii) Bank deposits of approximately HK$793,000 (2008: HK$121,000).

At 31 December 2009, the Group has utilised margin loan facilities from bank with an amount of approximately HK$Nil. (2008: HK$4,852,000).

28. OPERATING LEASES

The Group as lessee

	2009 HK$'000	2008 HK$'000
Minimum lease payments paid under operating leases during the year		
Rented premises	**6,600**	7,985

At 31 December 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**5,306**	6,899
In the second to fifth years inclusive	**11,972**	12,682
Over five years	**34,761**	34,400
	52,039	53,981

Operating lease payments represent rentals payable by the Group for certain of its office and factory properties. Leases are negotiated for a term from 2 to 35 years.

29. CAPITAL COMMITMENTS

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
Contracted but not provided for	**422**	–
Authorised for but not contracted for	**204**	1,396

30. OTHER COMMITMENTS

At 31 December 2009, the Group carried outstanding decumulator contracts which entailed a commitment for sale of equity shares of notional amount of approximately HK$85,108,000 (2008: HK$Nil) as disclosed in note 20.

31. CONTINGENT LIABILITIES

(a) Contingent liability in respect of legal claim

A subsidiary of the Group (the "Subsidiary") has served a writ and claimed against three former employees of the Subsidiary (the "Defendants"). The claim related to the misconduct of the Defendants during their employment with the Subsidiary. The Defendants has filed a defence and counterclaim against the Subsidiary for wages and other payments allegedly payable upon their termination of employment with the Subsidiary amounting to approximately HK$419,000 together with interest and costs. The Directors of the Company take the views that the amount of their claims against the Defendants well exceed the Defendants' claims, and accordingly, no provision for any liabilities that may result has been made in the financial statements of the Group.

(b) Financial guarantees issued

At the end of reporting period, the company has issued the following guarantees:

A corporate guarantee to banks in respect of banking facilities granted to its subsidiaries.

The Company is also one of the entities covered by a cross guarantee arrangement issued by the Company and its subsidiaries to banks in respect of banking facilities granted to the Group which remains in force so long as the group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

As at 31 December 2009, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees as the probability of default payment for the loans drawn down by the Subsidiaries is remote.

The Company has not recognised any deferred income in respect of the corporate guarantee as its fair value cannot be reliably measured and its transaction price was Nil.

32. SHARE-BASED PAYMENT TRANSACTIONS

The share option scheme (the "Scheme") was adopted on 17 May 2002 and will expire on 16 May 2012. The primary purpose of the Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Under the Scheme, the board of Directors of the Company may offer to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive Director or proposed executive and non-executive Director of the Company or any subsidiary options to subscribe for shares in the Company in accordance with the terms of the Scheme for the consideration of HK$1 for each lot of share options granted.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,800,000, representing approximately 9.9% of the shares of the Company in issue at that date.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of shares of the Company in issue, at any point at time, without prior approval from the Company's shareholder.

Options granted must remain open for acceptance until 5:00 p.m. on the 5th business day following the offer date provided that no such offer shall be opened for acceptance after the tenth anniversary of the adoption date or after the Scheme has been terminated. Option may be exercised during the period as the board of Directors of the Company may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the option and the board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Total consideration received during the year from the Directors and employees for taking up the options granted during the year is HK$5 (2008: HK$6).

All options were vested on the date of grant.

The exercise price is determined by the board of Directors of the Company and will be at least the highest of the followings:

a) the closing price of shares at the date of grant of a share option;

b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

c) the nominal value of a share.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

The followings table discloses details of the Company's share options held by employees and movements in such holdings during the year:

		Number of share options							
	Option type	At 1.1.2008	Granted during the year	Exercised during the year	At 31.12.2008 & 1.1.2009	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.2009
Directors	B	5,000,000	–	(3,000,000)	2,000,000	–	–	–	2,000,000
	D	900,000	–	–	900,000	–	–	–	900,000
	E	–	1,000,000	–	1,000,000	–	–	–	1,000,000
	F	–	–	–	–	2,800,000	(1,000,000)	–	1,800,000
		5,900,000	1,000,000	(3,000,000)	3,900,000	2,800,000	(1,000,000)	–	5.700.000
Employees	C	8,000,000	–	(3,500,000)	4,500,000	–	–	–	4,500,000
	D	9,500,000	–	–	9,500,000	–	–	(1,300,000)	8,200,000
	E	–	3,500,000	–	3,500,000	–	–	–	3,500,000
	F	–	–	–	–	3,900,000	–	–	3,900,000
		17,500,000	3,500,000	(3,500,000)	17,500,000	3,900,000	–	(1,300,000)	20,100,000
Others	A	1,000,000	–	–	1,000,000	–	–	–	1,000,000
	B	1,000,000	–	–	1,000,000	–	–	–	1,000,000
		2,000,000	–	–	2,000,000	–	–	–	2,000,000
Total		25,400,000	4,500,000	(6,500,000)	23,400,000	6,700,000	(1,000,000)	(1,300,000)	27,800,000

32. SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)*

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$
A	5 June 2002	5 July 2002 to 17 May 2012	0.664
B	2 February 2005	2 May 2005 to 31 December 2014	0.608
C	24 March 2006	24 April 2006 to 31 December 2014	0.540
D	2 November 2007	1 December 2007 to 31 December 2016	0.850
E	14 October 2008	1 November 2008 to 31 December 2017	0.389
F	20 May 2009	1 June 2009 to 31 December 2018	0.375

The closing price of the Company's shares on 5 June 2002, 2 February 2005, 24 March 2006, 2 November 2007, 14 October 2008, and 20 May 2009, the dates of grant of the options, were HK$0.64, HK$0.60, HK$0.52, HK$0.85, HK$0.335, and HK$0.375 respectively.

According to the Binomial Option Pricing Model, the details of the options granted during the year under the Scheme were as follows:

Date of grant	Number of shares issuable under options granted	Fair value of option granted	Closing share price at date of grant	Risk free rate (being the yield of 10-year exchange fund notes)	Expected volatility Note (i)	Expiration of the options	Expected ordinary dividend Note (iii)
20 May 2009	6,700,000	HK$1,494,100	HK$0.375	2.25%	74.27%	31 December 2018	4%

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on the daily closing prices over the one year immediately preceding the date of grant.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares on the Stock Exchange.

(iii) Expected ordinary dividend is based on 2009 prospective dividend yield of the shares as at 20 May 2009.

33. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme are required to switch to the MPF Scheme and all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at the rate of 5% of the employee's basic salary.

Employees of the Group in the PRC are members of the state-sponsored pension operated by the PRC Government. The Group are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

At the end of reporting period, there was no forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years.

The total cost recognised in the consolidated statement of comprehensive income of approximately HK$534,000 (2008: HK$634,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

34. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to year end, the Company has purchased 6,206,000 Shares of its own shares through the Stock Exchange:

	No. of shares of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate Consideration Paid HK$
15 Jan 2010	750,000	0.700	0.690	524,254
20 Jan 2010	2,390,000	0.740	0.700	1,746,054
25 Jan 2010	786,000	0.700	0.680	544,056
2 Feb 2010	1,174,000	0.720	0.700	835,009
8 Feb 2010	1,106,000	0.730	0.710	801,680
	6,206,000			4,451,053

(b) At 1 February 2010, the Group acquired 10% equity interest in its subsidiary, Perfectech Printing Company Limited, for an aggregate consideration of HK$678,000. The unaudited net assets of the subsidiary at the date of acquisition were approximately HK$396,000. After the acquisition, the subsidiary becomes a wholly owned subsidiary of the Group.

35. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with related parties who are not members of the Group:

	2009 HK$'000	2008 HK$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	**240**	240

35. RELATED PARTY TRANSACTIONS *(Cont'd)*

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**4,804**	7,559
Post-employment benefits	**127**	149
Share-based payments	**624**	160
	5,555	7,868

The remuneration of Directors and key executives is determined by the Board and reviewed by the remuneration committee having regard to the performance of individuals and market trends.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Asia Rich (Far East) Limited	Hong Kong	–	95.3%	HK$2	Investment holding
Benefit International Packing Materials Limited	Hong Kong	–	100%	HK$10,000	Trading of PVC films
Benefit Packing Materials Limited	Hong Kong	–	75%	HK$1,000,000	Trading of PVC films
Beyond Growth International Limited	Hong Kong	–	95.3%	HK$100,000	Manufacture and sales of toys
Dream Creation Limited	Hong Kong	–	95.3%	HK$2	Investment holding and distribution of toys

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Fareastern Trade Limited	British Virgin Islands ("BVI")	–	76.2%	US$87,618	Investment holding
Freshwater Trading Limited	BVI	–	100%	US$1	Investment holding
Golden Enterprise Holdings Limited	Hong Kong	–	100%	HK$2	Distribution of toys
Headfit Paper Bags Trading Limited	Hong Kong	–	100%	HK$10,000	Securities investments and trading of paper bags
iTech Limited	Hong Kong	–	100%	HK$2	Investment holding
Leader Packaging Company Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Leader Stationery & Gifts Manufacturing Company Limited	Hong Kong	–	100%	HK$1,000,000	Manufacture and sales of stationery products
Link Faith Company Limited	Hong Kong	–	100%	HK$100,000	Securities investments
Mars Technology Limited	BVI	–	95.3%	US$10	Investment holding
New Genius Technology Limited	BVI	–	100%	US$1	Investment holding
Onward Packing Manufacturer Limited	Hong Kong	–	100%	HK$320,000	Manufacture of novelties, festival decorations products

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Proportion of nominal value of issued/paid up capital held by the Company Indirectly	Paid up ordinary share capital	Principal activities
Perfectech Colour Centre Limited	Hong Kong	–	100%	HK$1,000,000	Dye stuff manufacturing
Perfectech Enterprises (B.V.I.) Limited	BVI	–	100%	US$1	Investment holding
Perfectech International (B.V.I.) Limited	BVI	100%	–	US$50	Investment holding
Perfectech International Toys Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Perfectech International Limited	Hong Kong	–	100%	HK$200 HK$80,000 (non-voting deferred shares)	Investment holding
Perfectech International Manufacturing Limited	BVI	–	100%	US$2,457,000	Investment holding
Perfectech International Packaging Products Company Limited	Hong Kong	–	100%	HK$450,000	Manufacture of packaging products
Perfectech International Trading Limited	Hong Kong	–	100%	HK$2	Trading of novelties and festival decorations
Perfectech Paper Products Company Limited	Hong Kong	–	99%	HK$1,000,000	Manufacture of paper products
Perfectech Plastics Limited	Hong Kong	–	100%	HK$1,000,000	Trading of plastic materials

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
Perfectech Printing Company Limited	Hong Kong	–	90%	HK$1,000,000	Manufacture of printing products
Perfectech Rigid (PVC) Pipe Manufacturing Limited	Hong Kong	–	100%	HK$1,000,000	Investment holding
Shouji Mold Engineering Company Limited	Hong Kong	–	76.2%	HK$2	Distribution of moulds
Shouji Tooling Factory Limited	Hong Kong	–	76.2%	HK$1,000	Manufacture and sales of moulds
Skyrocket Assets Limited	BVI	–	100%	US$1	Investment holding
Sunflower Garland Manufactory Limited	Hong Kong	–	100%	HK$2 HK$160,000 (non-voting deferred shares)	Securities investment
Yu-Me (H.K.) Limited	Hong Kong	–	100%	HK$2	Provision of management services
中山市威嘉紙品有限公司	The PRC	–	99%	HK$5,500,000	Manufacture of paper products
偉發模具塑膠(深圳)有限公司	The PRC	–	76.2%	HK$650,000	Manufacture and sales of moulds
珠海市多發塑膠制品有限公司	The PRC	–	100%	HK$500,000	Manufacture and trading of novelties and festival decorations products

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation or registration	Proportion of nominal value of issued/paid up capital held by the Company Directly	Indirectly	Paid up ordinary share capital	Principal activities
金正利貿易(深圳)有限公司	The PRC	–	100%	HK$1,000,000	Trading of PVC films
江門市安發塑膠制品有限公司	The PRC	–	100%	HK$300,000	Manufacture of novelties and festival decorations products

None of the subsidiaries had any debt securities outstanding at the end of the year.

37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2009 HK$'000	2008 HK$'000
Unlisted investments in subsidiaries	**32,061**	32,061
Bank balance and cash	**168**	41
Other current assets	**153,251**	170,991
Current liability	**(1,053)**	(10,653)
Tax liability	**(1,131)**	(243)
Net assets	**183,296**	192,197
Share capital (note 26)	**28,704**	29,870
Reserves	**154,592**	162,327
Total equity	**183,296**	192,197

Profit of the Company for 2009 amounted to HK$57,000 (2008: HK$1,700,000).

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2005 HK$'000 (as restated)	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Revenue	515,875	538,875	524,950	514,771	**404,606**
Profit (loss) before tax	14,465	39,663	38,326	(73,805)	**45,842**
Income tax expenses	(2,982)	(3,317)	(4,229)	(61)	**(7,156)**
Profit (loss) for the year	11,483	36,346	34,097	(73,866)	**38,686**
Attributable to:					
Equity holders of the Company	10,701	33,763	32,207	(75,855)	**37,776**
Non-controlling interests	782	2,583	1,890	1,989	**910**
Profit (loss) for the year	11,483	36,346	34,097	(73,866)	**38,686**

ASSETS AND LIABILITIES

	As at 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	327,718	351,782	389,269	312,108	**325,124**
Total liabilities	(60,250)	(59,251)	(89,679)	(97,928)	**(81,989)**
Total equity	267,468	292,531	299,590	214,180	**243,135**
Non-controlling interests	6,073	7,893	8,365	9,291	**9,491**
Equity attributable to equity holders of the Company	261,395	284,638	291,225	204,889	**233,644**
Total equity	267,468	292,531	299,590	214,180	**243,135**