

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PERFECTECH INTERNATIONAL HOLDINGS LIMITED

威發國際集團有限公司*

(the “Company”)

(incorporated in Bermuda with limited liability)

(Stock Code: 0765)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

INTERIM RESULTS

The directors of the Company (the “Directors”) hereby announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 and the comparative figures in 2009 were as follow:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

		(Unaudited)	
		For the six months	
		ended 30 June	
		2010	2009
	Notes	HK\$'000	HK\$'000
Revenue	2 & 3	138,607	154,210
Cost of sales		(118,168)	(130,852)
Gross profit		20,439	23,358
Net other incomes	4	454	10,126
Distribution costs		(6,302)	(6,450)
Administrative expenses		(12,452)	(21,558)
Finance costs		(121)	(315)
Profit before tax	5	2,018	5,161
Income tax (expenses) credit	6	(42)	81
Profit for the period		1,976	5,242

		(Unaudited)	
		For the six months	
		ended 30 June	
		2010	2009
	<i>Notes</i>	HK\$'000	HK\$'000
Other comprehensive expenses			
Exchange differences on translation of overseas operations		<u>(24)</u>	<u>(66)</u>
Total comprehensive income for the period		<u>1,952</u>	<u>5,176</u>
Profit for the period attributable to:			
Owners of the Company		1,231	5,460
Non-controlling interests		<u>745</u>	<u>(218)</u>
Profit for the period		<u>1,976</u>	<u>5,242</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		1,207	5,394
Non-controlling interests		<u>745</u>	<u>(218)</u>
Total comprehensive income for the period		<u>1,952</u>	<u>5,176</u>
Dividends	7	<u>17,938</u>	<u>2,949</u>
Earnings per share	8		
Basic		<u>0.44 cent</u>	<u>1.85 cents</u>
Diluted		<u>0.43 cent</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010 AND 31 DECEMBER 2009

		(Unaudited) 30 June 2010 <i>HK\$'000</i>	(Audited) 31 December 2009 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		41,135	46,109
Prepaid lease payments		52	59
Deferred tax assets		3,010	2,221
		<u>44,197</u>	<u>48,389</u>
CURRENT ASSETS			
Inventories		91,593	50,157
Trade and other receivables	9	65,900	55,134
Prepaid lease payments		45	75
Taxation recoverable		177	462
Investments held-for-trading		84,255	92,996
Derivative financial instruments		1,124	98
Pledged bank deposits		4,132	793
Bank balances and cash		43,185	77,020
		<u>290,411</u>	<u>276,735</u>
CURRENT LIABILITIES			
Trade and other payables	10	58,109	47,620
Derivative financial instruments		262	2,919
Tax liabilities		7,582	6,834
Bank borrowings – due within one year		29,217	6,865
		<u>95,170</u>	<u>64,238</u>
NET CURRENT ASSETS		<u>195,241</u>	<u>212,497</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>239,438</u>	<u>260,886</u>

	(Unaudited) 30 June 2010 <i>Notes</i> <i>HK\$'000</i>	(Audited) 31 December 2009 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	797	801
Bank borrowings – due after one year	<u>23,118</u>	<u>16,950</u>
	<u>23,915</u>	<u>17,751</u>
NET ASSETS	<u>215,523</u>	<u>243,135</u>
CAPITAL AND RESERVES		
Share capital	27,501	28,704
Reserves	<u>178,185</u>	<u>204,940</u>
Equity attributable to owners of the Company	205,686	233,644
Non-controlling interests	<u>9,837</u>	<u>9,491</u>
TOTAL EQUITY	<u>215,523</u>	<u>243,135</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard (the “HKAS”) 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2010 as follows:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendments)	Classification of Rights Issues ²
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

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

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ 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.

The Directors of the Company anticipate that the application of these new or revised standards, amendments and interpretations will have no significant impact on the results and the financial position of the Group.

2. BUSINESS SEGMENTS

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

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

For the six months ended 30 June 2010 (Unaudited)

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	19,334	28,774	30,885	59,614	-	138,607
Inter-segment sales	88	8,449	412	-	(8,949)	-
Total revenue	<u>19,422</u>	<u>37,223</u>	<u>31,297</u>	<u>59,614</u>	<u>(8,949)</u>	<u>138,607</u>
RESULT						
Segment results	<u>2,067</u>	<u>(4,501)</u>	<u>583</u>	<u>5,594</u>	<u>-</u>	3,743
Loss from investments						(1,721)
Unallocated corporate income						117
Finance costs						<u>(121)</u>
Profit before tax						2,018
Income tax expenses						<u>(42)</u>
Profit for the period						<u>1,976</u>

Inter-segment sales are charged at prevailing market rates.

As at 30 June 2010 (Unaudited)

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	89,263	55,930	25,235	62,542	232,970
Unallocated corporate assets					101,638
					<hr/>
Consolidated total assets					334,608
					<hr/> <hr/>
LIABILITIES					
Segment liabilities	64,595	10,894	13,125	25,125	113,739
Unallocated corporate liabilities					5,346
					<hr/>
Consolidated total liabilities					119,085
					<hr/> <hr/>

OTHER INFORMATION

For the six months ended 30 June 2010 (Unaudited)

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	425	1,006	4	1,745	3,180
Depreciation and amortisation	1,333	2,510	27	2,313	6,183
Release of prepaid lease payments	-	-	-	37	37

For the six months ended 30 June 2009 (Unaudited)

	Novelties and decorations <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	17,729	37,316	27,017	72,148	–	154,210
Inter-segment sales	1	9,581	993	126	(10,701)	–
	<u>17,730</u>	<u>46,897</u>	<u>28,010</u>	<u>72,274</u>	<u>(10,701)</u>	<u>154,210</u>
RESULT						
Segment results	(2,358)	(5,056)	(385)	5,750	(410)	(2,459)
	<u>(2,358)</u>	<u>(5,056)</u>	<u>(385)</u>	<u>5,750</u>	<u>(410)</u>	<u>(2,459)</u>
Profit from investments						9,495
Unallocated corporate expenses						(1,560)
Finance costs						(315)
						<u>5,161</u>
Profit before tax						5,161
Income tax credit						81
						<u>5,242</u>

Inter-segment sales are charged at prevailing market rates.

As at 31 December 2009 (Audited)

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

OTHER INFORMATION

For the six months ended 30 June 2009 (Unaudited)

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

Information about major customer

Included in revenues arising from sales of toys products of approximately HK\$59,614,000 (2009: HK\$72,148,000) are revenues of approximately HK\$46,528,000 (2009: HK\$64,097,000) which arose from sales to the Group's largest customer.

3. GEOGRAPHICAL SEGMENTS

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

Sales revenue by geographical market:

	(Unaudited) For the six months ended 30 June	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	53,691	57,679
Europe	27,261	25,865
America	15,984	33,434
Asia (other than Hong Kong)	37,879	34,989
Others	3,792	2,243
	138,607	154,210

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

	(Unaudited) 30 June 2010 <i>HK\$'000</i>	(Audited) 31 December 2009 <i>HK\$'000</i>
Hong Kong	186,629	209,162
The People's Republic of China (the "PRC")	147,979	115,962
	334,608	325,124

The following is analysis of the additions to property, plant and equipment analysed by geographical areas in which the assets are located:

	(Unaudited)	
	For the six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	7	–
The PRC	3,173	4,019
	<u>3,180</u>	<u>4,019</u>

4. NET OTHER INCOMES

	(Unaudited)	
	For the six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bad debts recovered	165	–
Rental income	28	44
Interest income	32	34
Dividend income on listed investments	788	402
Realised (loss) gain on disposal of investments held-for-trading	(856)	3,148
Net change in fair value of equity-linked note	–	2,845
Net change in fair value of investments held-for-trading	(5,335)	3,998
Net change in fair value of derivative financial instruments	3,683	(918)
Gain on settlement of derivative financial instruments	–	8
Others	1,949	565
	<u>454</u>	<u>10,126</u>

5. PROFIT BEFORE TAX

Profit before tax has been arrived after charging:

	(Unaudited)	
	For the six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	6,183	7,101
Release of prepaid lease payments	37	37
Loss on disposals of property, plant and equipment	1,047	346
	<u>7,267</u>	<u>7,484</u>

6. INCOME TAX (EXPENSES) CREDIT

	(Unaudited)	
	For the six months	
	ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	(835)	(736)
PRC Enterprise Income tax	–	(637)
	<u>(835)</u>	<u>(1,373)</u>
Deferred taxation:		
Current year	793	1,454
	<u>(42)</u>	<u>81</u>

Hong Kong Profits Tax is stated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period.

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.

7. DIVIDENDS

	(Unaudited)	
	For the six months	
	ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Final paid:		
HK6.5 cents per share for 2009 (2009: HK1.0 cent per share for 2008)	<u>17,938</u>	<u>2,949</u>

The Directors have resolved to declare an interim dividend of HK1.0 cent (2009: HK1.0 cent) per share.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the net profit for the period of approximately HK\$1,231,000 (2009: HK\$5,460,000) and the following data:

	(Unaudited)	
	For the six months	
	ended 30 June	
	2010	2009
Weighted average number of ordinary shares for the purposes of basic earnings per share	279,727,122	295,813,960
Effect of dilutive potential ordinary shares :		
Share options	<u>3,915,719</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>283,642,841</u>	<u>295,813,960</u>

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

9. TRADE AND OTHER RECEIVABLES

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

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

	(Unaudited)	(Audited)
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
0 – 60 days	44,295	35,134
61 – 90 days	7,818	5,207
91 – 120 days	3,195	3,990
Over 120 days	<u>2,070</u>	<u>2,404</u>
	<u>57,378</u>	<u>46,735</u>

10. TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2010 <i>HK\$'000</i>	(Audited) 31 December 2009 <i>HK\$'000</i>
0 – 60 days	28,071	15,377
61 – 90 days	2,335	2,123
91 – 120 days	844	722
Over 120 days	410	522
	<hr/> 31,660 <hr/>	<hr/> 18,744 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Directors have resolved to declare an interim dividend of HK1.0 cent per share (2009: HK1.0 cent per share) for the six months ended 30 June 2010 payable on or about 6 October 2010 to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 22 September 2010.

Closure of Register of Members

The Register of Members will be closed from 20 September 2010 to 22 September 2010, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 17 September 2010.

Business Review

During the period under review, the total revenue of the Group stood at approximately HK\$138,607,000 (2009: HK\$154,210,000), representing a decrease of about 10%, and recorded a profit attributable to owners of the Company of approximately HK\$1,231,000 (2009: HK\$5,460,000), representing a decrease of about 77%.

For the first half of 2010, the contribution from the core business of the Group recorded a gain of approximately HK\$3,743,000 (2009: loss of HK\$2,459,000), representing an improvement of the results from core business. Detailed performance of each segment of the core business will be discussed below.

Included in the profit for the period was the loss from investment of approximately HK\$1,721,000 (2009: profit of HK\$9,495,000), details of the loss from investments will be further analysed below. Besides, administrative expenses dropped substantially by about 42% to approximately HK\$12,452,000 (2009: HK\$21,558,000). Such decrease was mainly due to the decrease in provision of doubtful debts and staff costs which included, amongst other things, the write-back of approximately HK\$2,800,000 (2009: nil) of over-provision of discretionary bonus in previous years and no share-based payments expenses incurred (2009: HK\$1,494,000) as no option granted during the period under review.

Novelties and decorations

The revenue of the novelties and decorations segment increased by about 9% amounting to approximately HK\$19,334,000 (2009: HK\$17,729,000), and recorded a gain of approximately HK\$2,067,000 (2009: loss of HK\$2,358,000). Included in the gain was an amount of approximately HK\$1,800,000 (2009: nil) of write-back of over-provision of discretionary bonus in previous years. Nevertheless, despite this item, the segment still resumed to contribute positive results in the first half of the year. The results of the segment are expected to be further improved in the second half of the year when in line with the seasonal trend shipments take place.

Packaging products

The revenue in the packaging segment dropped further by about 23% amounting to HK\$28,774,000 (2009: HK\$37,316,000), and recorded a loss of approximately HK\$4,501,000 (2009: HK\$5,056,000). Included in the loss was an amount of approximately HK\$1,000,000 (2009: nil) of write-back of over-provision of discretionary bonus in previous years. As certain business in this segment had been terminated, revenue dropped as expected. Together with the costs of removal of certain production facilities from Shenzhen to Zhongshan, overall loss of the segments continued. However, as the relocation of production facilities had been completed in July 2010, further expenses incurred for the relocation were not material. The scale of this segment would become more optimal and hence improvement in performance is expected.

PVC films and plastic materials

The revenue of the segment increased by about 14% to approximately HK\$30,885,000 (2009: HK\$27,017,000), and the results of the segment also showed a gain of approximately HK\$583,000 (2009: loss of HK\$385,000). The revenue and results of the segment tended to be stable as the Group's policy to maintain the segment for strategic purposes.

Toy products

The revenue of the segment decreased by about 17% amounting to approximately HK\$59,614,000 (2009: HK\$72,148,000), and recorded a profit of HK\$5,594,000 (2009: HK\$5,750,000), representing a slight decrease of about 3%. The segment continued to be the best performing one within the Group. Although certain costs of production increased since last year in certain sub-segment, the overall cost control and production efficiency of the segment still achieved a satisfactory result.

Investments

To better utilize the available cash on hand, the Group has invested in the listed securities of Hong Kong and related derivative products, including but not limited to equity linked deposits. During the period, loss from investments from aforesaid transactions amounted to approximately HK\$1,721,000 (2009: gain of HK\$9,495,000) as a result of the slow-down of the expected global economic growth. Such loss consisted of, among other things, the realized loss on disposal of investments held-for-trading of approximately HK\$856,000 (2009: gain of HK\$3,148,000), the decrease in fair value of investments held-for trading of approximately of HK\$5,335,000 (2009: increase of HK\$3,998,000) and the increase in fair value of derivative financial instruments of approximately HK\$3,683,000 (2009: decrease of HK\$918,000).

Investments held-for-trading are usually held for short-term purposes for capital gain in the value of the assets held. As at the reporting date, the market value of investment in securities was approximately HK\$84,255,000 (31 December 2009: HK\$92,996,000).

As at 30 June 2010, the Group carried outstanding forward contracts which entitled commitments for the disposal of listed securities of approximately HK\$88,791,000 (31 December 2009: HK\$85,108,000). All listed securities to be disposed of are now held by the Group for trading purposes, which are in the custody of the relevant financial institutions.

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

FUTURE PLAN AND PROSPECT

Looking ahead, the commercial environment, financial market and economic atmosphere will all become more complicated and unpredictable. The Group needs to change and innovate in order to survive. First of all, we plan to develop our own brand name and trademark in order to add value to our products. Secondly, we also plan to launch our products in the domestic market together with the mainland market. New items with more innovative ideas and techniques are under feasibility study.

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

With expected improvements of the performance of the core business in the second half of the year, the Directors are confident that shareholders of the Company will enjoy a beneficial return.

Liquidity and financial resources

As at 30 June 2010, the long-term bank borrowings of the Group were HK\$23,118,000 (31 December 2009: HK\$16,950,000), while the short-term bank borrowings were approximately HK\$29,217,000 (31 December 2009: HK\$6,865,000), and none of the Group's plant and machinery (31 December 2009: nil) was held under a finance lease. The gearing ratio of the Group, measured by total bank and other borrowings divided by equity attributable to owners of the Company, was approximately 25% (31 December 2009: 10%).

Finance costs

The Group's finance cost amounted to approximately HK\$121,000 (2009: HK\$315,000).

Pledge of Assets

As at 30 June 2010, the following assets were pledged to secure the margin loan facilities granted to the Group:

- (i) Investments held-for-trading with a carrying value of approximately of HK\$84,255,000 (31 December 2009: HK\$92,996,000); and
- (ii) Bank balances and cash of approximately HK\$4,132,000 (31 December 2009: HK\$793,000).

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

Net asset value

The net asset value of the Group as at 30 June 2010 was approximately HK\$0.78 (31 December 2009: HK\$0.85) per share based on the actual number of 275,005,607 shares in issue on that date.

Employees and remuneration policies

As at 30 June 2010, the Group employed approximately 2,600 (2009: 3,500) full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its employees.

Foreign currency exposure

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

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required.

As at the reporting date, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

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

During the period under review, the Company purchased its own shares through the Stock Exchange as follows:

	No. of shares of HK\$0.10 each	Price per share		Aggregate
		Highest HK\$	Lowest HK\$	consideration paid HK\$
Month of repurchase				
January 2010	3,926,000	0.740	0.680	2,814,364
February 2010	2,280,000	0.730	0.700	1,636,689
April 2010	4,790,000	0.950	0.900	4,467,264
May 2010	2,066,000	0.890	0.840	1,812,629
June 2010	1,770,000	0.860	0.740	1,417,070
	<u>14,832,000</u>			<u>12,148,016</u>

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance

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

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

Code A.2.1

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

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

Model Code for Securities Transactions by Directors

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

After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors’ securities transactions during the six months ended 30 June 2010.

Audit Committee

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 of the Company now reported on.

Remuneration Committee

The remuneration committee makes recommendations to the Board on the Company’s policy and structure of remuneration for the Directors and senior management.

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

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

DIRECTORS OF THE COMPANY

As at the date of this announcement, Mr. Poon Siu Chung, Mr. Ip Siu On, Mr. Tsui Yan Lee, Benjamin and Dr. Poon Wai Tsun, William are the executive Directors of the Company, Mr. Yip Chi Hung, Mr. Lam Yat Cheong and Mr. Choy Wing Keung, David are the independent non-executive Directors of the Company.

On behalf of the Board

Poon Siu Chung

Chairman & Managing Director

Hong Kong, 30 August 2010

* *for identification purpose only*