

interim report

2009

**Perfectech**

**Perfectech International Holdings Limited**

(Incorporated in Bermuda with limited liability)

[Stock Code: 765]

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors:*

Mr. Poon Siu Chung  
(*Chairman and Managing Director*)

Mr. Leung Ying Wai, Charles  
(*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

### 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  
Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong)  
Limited  
Chong Hing Bank Limited

### HONG KONG SHARE AND WARRANT REGISTRARS AND TRANSFER OFFICE

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		(Unaudited) For the six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
			(Restated)
	Notes		
Revenue	2 & 3	<b>154,210</b>	199,363
Cost of sales		<b>(130,852)</b>	(168,731)
Gross profit		<b>23,358</b>	30,632
Net other incomes (losses)	4	<b>10,126</b>	(61,333)
Distribution costs		<b>(6,450)</b>	(8,031)
Administrative expenses		<b>(21,558)</b>	(19,436)
Finance costs		<b>(315)</b>	(348)
Profit (loss) before tax	5	<b>5,161</b>	(58,516)
Income tax credit (expenses)	6	<b>81</b>	(308)
Profit (loss) for the period		<b>5,242</b>	(58,824)
Other comprehensive income			
Exchange difference on translation of overseas operations		<b>(66)</b>	34
Total comprehensive income (loss) for the period		<b>5,176</b>	(58,790)
Profit (loss) for the period attributable to:			
Equity holders of the Company		<b>5,460</b>	(58,796)
Non-controlling interests		<b>(218)</b>	(28)
Profit (loss) for the period		<b>5,242</b>	(58,824)
Total comprehensive income (loss) for the period attributable to:			
Equity holders of the Company		<b>5,394</b>	(58,762)
Non-controlling interests		<b>(218)</b>	(28)
Total comprehensive income (loss) for the period		<b>5,176</b>	(58,790)
Dividends	7	<b>2,949</b>	10,573
Earnings (loss) per share	8		
Basic		<b>1.85 cents</b>	(19.46) cents
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009 AND 31 DECEMBER 2008

	Notes	(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	51,015	54,605
Prepaid lease payments		97	134
Deferred tax assets		2,826	1,836
		<b>53,938</b>	56,575
<b>CURRENT ASSETS</b>			
Inventories		89,493	72,874
Trade and other receivables	10	64,925	76,468
Prepaid lease payments		75	75
Taxation recoverable		1,295	1,214
Investments held-for-trading	11	61,750	52,709
Equity-linked note		–	4,955
Pledged bank deposits		383	121
Bank balances and cash		54,090	47,117
		<b>272,011</b>	255,533
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	56,851	53,654
Derivative financial instruments		1,429	511
Tax liabilities		2,152	897
Bank borrowings – due within one year	13	27,710	12,841
Secured bank overdraft		–	4,852
		<b>88,142</b>	72,755
<b>NET CURRENT ASSETS</b>		<b>183,869</b>	182,778
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>237,807</b>	239,353
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities		895	1,359
Bank borrowings – due after one year	13	20,383	23,814
		<b>21,278</b>	25,173
<b>NET ASSETS</b>		<b>216,529</b>	214,180
<b>CAPITAL AND RESERVES</b>			
Share capital	14	29,431	29,870
Reserves		178,025	175,019
Equity attributable to equity holders of the Company		207,456	204,889
Non-controlling interests		9,073	9,291
<b>TOTAL EQUITY</b>		<b>216,529</b>	214,180

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

(Unaudited)

	Share capital	Share premium	Capital redemption reserve	Translation reserve	Share option reserve	Retained profits	Attributable to equity holders of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	29,870	82,900	4,639	49	3,902	83,529	204,889	9,291	214,180
Dividends	-	-	-	-	-	(2,949)	(2,949)	-	(2,949)
Repurchase and cancellation of shares	(439)	-	439	-	-	(1,372)	(1,372)	-	(1,372)
Recognition of equity-settled share based payment	-	-	-	-	1,494	-	1,494	-	1,494
Exchange difference arising on translation of foreign operations	-	-	-	(66)	-	-	(66)	-	(66)
Profit for the period	-	-	-	-	-	5,460	5,460	(218)	5,242
At 30 June 2009	<u>29,431</u>	<u>82,900</u>	<u>5,078</u>	<u>(17)</u>	<u>5,396</u>	<u>84,668</u>	<u>207,456</u>	<u>9,073</u>	<u>216,529</u>
(Restated)									
At 1 January 2008	29,975	78,944	3,884	55	4,074	174,293	291,225	8,365	299,590
Dividends	-	-	-	-	-	(10,573)	(10,573)	-	(10,573)
Shares issued upon exercise of options	390	2,430	-	-	(510)	-	2,310	-	2,310
Repurchase and cancellation of shares	(66)	-	66	-	-	(427)	(427)	-	(427)
Exchange difference arising on translation of foreign operations	-	-	-	34	-	-	34	-	34
Loss for the period	-	-	-	-	-	(58,796)	(58,796)	(28)	(58,824)
At 30 June 2008	<u>30,299</u>	<u>81,374</u>	<u>3,950</u>	<u>89</u>	<u>3,564</u>	<u>104,497</u>	<u>223,773</u>	<u>8,337</u>	<u>232,110</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)  
For the six months  
ended 30 June

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<b>2,552</b>	(49,941)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<b>2,222</b>	(14,079)
NET CASH FROM FINANCING ACTIVITIES	<b>7,117</b>	35,065
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>11,891</b>	(28,955)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		
Bank balances and cash	<b>47,117</b>	53,400
Bank overdrafts	<b>(4,852)</b>	–
Effect of foreign exchange rate changes	<b>(66)</b>	21
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>54,090</b>	24,466
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>54,090</b>	26,371
Bank overdrafts	<b>–</b>	(1,905)
	<b>54,090</b>	24,466

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2009 as follows:

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

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

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

## 2 BUSINESS SEGMENTS

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

For the six months ended 30 June 2009 (Unaudited)

	Novelties and decorations 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	17,729	37,316	27,017	72,148	-	154,210
Inter-segment sales	1	9,581	993	126	(10,701)	-
Total revenue	<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	<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						<u>(315)</u>
Profit before tax						5,161
Income tax credit						<u>81</u>
Profit for the period						<u>5,242</u>

Inter-segment sales are charged at prevailing market rates.



BALANCE SHEET

As at 30 June 2009 (Unaudited)

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

OTHER INFORMATION

For the six months ended 30 June 2009 (Unaudited)

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

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*For the six months ended 30 June 2008 (Unaudited)*

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

Inter-segment sales are charged at prevailing market rates.

BALANCE SHEET

As at 31 December 2008 (Audited)

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

OTHER INFORMATION

For the six months ended 30 June 2008 (Unaudited)

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

### 3 GEOGRAPHICAL SEGMENTS

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

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

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

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Hong Kong	<b>164,940</b>	161,784
The People's Republic of China (the "PRC")	<b>161,009</b>	150,324
	<hr/> <b>325,949</b> <hr/>	<hr/> 312,108 <hr/>

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

	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Hong Kong	–	1,033
The PRC	<b>4,019</b>	3,071
	<b>4,019</b>	4,104

#### 4 NET OTHER INCOMES (LOSSES)

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

5 PROFIT (LOSS) BEFORE TAX

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

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

6 INCOME TAX CREDIT (EXPENSES)

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

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

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

## 7 DIVIDENDS

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

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

## 8 EARNINGS (LOSS) PER SHARE

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

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

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

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

## 9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$4,019,000 (2008: HK\$4,104,000).

## 10 TRADE AND OTHER RECEIVABLES

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

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

	<b>(Unaudited)</b> <b>30 June</b> <b>2009</b> <b>HK\$'000</b>	(Audited) 31 December 2008 HK\$'000
0-60 days	<b>49,948</b>	48,218
61-90 days	<b>7,942</b>	11,851
91-120 days	<b>1,839</b>	7,612
Over 120 days	<b>1,632</b>	6,765
	<b>61,361</b>	74,446

## 11 INVESTMENTS HELD-FOR-TRADING

Particulars of the largest investment as at 30 June 2009 are as follows:

Name of investee company	Number of shares held	Proportion of investee's capital owned	Proportion of total assets of the Group	Cost	Market value	Unrealised holding gain arising on revaluation
				HK\$	HK\$	HK\$
China Life Insurance Company Limited	1,175,865	0.004%	10.280%	28,446,645	33,512,153	5,065,508

A brief description of the business and financial information of the listed investee company which represents a significant proportion of the Group's assets, based on its latest published annual report is as follows:

China Life Insurance Company Limited ("China Life") was incorporated in the People's Republic of China and principally engaged in the writing of life insurance business, providing life, annuities, accident and health insurance products in China.



For the year ended 31 December 2008, the audited consolidated profit from ordinary activities attributable to shareholders of China Life was RMB21,277 million and the basic earnings per share was RMB0.75. As at 31 December 2008, its audited consolidated net asset value was RMB180,649 million.

## 12 TRADE AND OTHER PAYABLES

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

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

## 13 BANK BORROWINGS

	<b>(Unaudited)</b> <b>30 June</b> <b>2009</b> <b>HK\$'000</b>	(Audited) 31 December 2008 HK\$'000
Unsecured bank loans	<b>27,247</b>	30,679
Unsecured trust receipt loans	<b>20,846</b>	5,976
Secured bank overdraft	<b>-</b>	4,852
	<b>48,093</b>	41,507

The amounts bear interest at prevailing market rates and are repayable as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2009</b> <b>HK\$'000</b>	(Audited) 31 December 2008 HK\$'000
Within one year	<b>27,710</b>	17,693
In the second year to the fifth year	<b>20,383</b>	23,814
	<b>48,093</b>	41,507
Less: Amount due within one year shown under current liabilities	<b>(27,710)</b>	(17,693)
	<b>20,383</b>	23,814

In 2008, the Group obtained a new bank loan of US\$4,400,000 (approximately HK\$34,319,000). 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. During the period, the loan of approximately HK\$3,432,000 was repaid. Besides, the Group raised new trust receipt loans of approximately HK\$30,945,000 and repaid the trust receipt loans of approximately HK\$16,075,000.

#### 14 SHARE CAPITAL

	<b>(Unaudited)</b>			
	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>For the six months ended 30 June</b>			
	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period	<b>70,000</b>	70,000	<b>29,870</b>	29,975
Issue of shares on exercise of options	-	-	-	390
Share repurchased and cancelled	-	-	<b>(439)</b>	(66)
At end of the period	<b>70,000</b>	70,000	<b>29,431</b>	30,299

## 15 COMMITMENTS

### (a) Capital commitments for property, plant and equipment

	<b>(Unaudited)</b> <b>30 June</b> <b>2009</b> <b>HK\$'000</b>	(Audited) 31 December 2008 HK\$'000
Contracted but not provided for	<b>167</b>	–
Authorised but not contracted for	<b>85</b>	1,396
	<b>252</b>	1,396

### (b) Operating lease commitments

At end of the period, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented premises which fall due as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2009</b> <b>HK\$'000</b>	(Audited) 31 December 2008 HK\$'000
Within one year	<b>5,481</b>	6,899
Over 1 year but within 5 years	<b>12,534</b>	12,682
Over five years	<b>36,469</b>	34,400
	<b>54,484</b>	53,981

Operating lease payments represent rental payable by the Group for certain of its office and factory properties. Leases are negotiated for a term from 2 years to 38 years.

## 16 OTHER COMMITMENTS

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

## 17 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 have 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 interests and costs. The Directors take the views that the amount of their claims against the Defendants will 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

As at the balance sheet date, 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 the balance sheet date, 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 of approximately HK\$48,093,000 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.

## 18 RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties who are not members of the Group:

	<b>(Unaudited)</b> <b>For the six months</b> <b>ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Rental expenses paid to:		
Mr. Poon Siu Chung	<b>120</b>	120

The above transactions were determined by the directors by reference to the relevant estimated market values.

## 19 POST BALANCE SHEET EVENT

Subsequent to period end, the Company has purchased 7,000,000 Shares of its own shares through the Stock Exchange:

	<b>No. of shares</b> <b>of HK\$0.10</b> <b>each</b>	<b>Price per share</b>		<b>Aggregate</b> <b>Consideration</b> <b>Paid</b>
		<b>Highest</b>	<b>Lowest</b>	<b>Paid</b>
		HK\$	HK\$	HK\$
2 Jul 2009	3,000,000	0.355	0.340	1,053,111
8 Jul 2009	2,000,000	0.350	0.340	706,273
13 Jul 2009	2,000,000	0.350	0.350	707,527
	<u>7,000,000</u>			<u>2,466,911</u>

## SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant in the annual general meeting held 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 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.

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 as at the date of adoption of the Scheme. 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 shareholders.

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 open for acceptance after the tenth anniversary of the adoption date or after the Scheme has been terminated. Options may be exercised during the period as the Directors 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 options 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 period from the Directors and employees for taking up the options granted during the period is HK\$5 (2008: nil).

All options were vested on the date of grant.

The exercise price is determined by the board of Directors 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.

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 30,100,000, representing approximately 10.48% of the shares of the Company in issue at that date.

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

	Number of Number of options outstanding at 1/1/2009	issued options granted during the period	Number of shares and exercise of options during the period	Number of options outstanding at 30/6/2009	Date granted	Exercise price per share HK\$	Exercisable Period
Directors							
- Ip Siu On	1,000,000	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	-	1,900,000	-	1,900,000	20-May-09	0.375	01-Jun-09 to 31-Dec-18
- Tsui Yan Lee, Benjamin	1,000,000	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	1,000,000	-	-	1,000,000	14-Oct-08	0.389	01-Nov-08 to 31-Dec-17
	-	900,000	-	900,000	20-May-09	0.375	01-Jun-09 to 31-Dec-18
- Yip Chi Hung	300,000	-	-	300,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
- Lam Yat Cheong	300,000	-	-	300,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
- Choy Wing Keung, David	300,000	-	-	300,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
Employees	4,500,000	-	-	4,500,000	24-Mar-06	0.540	24-Apr-06 to 31-Dec-14
	9,500,000	-	-	9,500,000	02-Nov-07	0.850	01-Dec-07 to 31-Dec-16
	3,500,000	-	-	3,500,000	14-Oct-08	0.389	01-Nov-08 to 31-Dec-17
	-	3,900,000	-	3,900,000	20-May-09	0.375	01-Jun-09 to 31-Dec-18
	<u>21,400,000</u>	<u>6,700,000</u>	<u>-</u>	<u>28,100,000</u>			
Others	1,000,000	-	-	1,000,000	05-Jun-02	0.664	05-Jul-02 to 17-May-12
	1,000,000	-	-	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>			
Grand Total	<u>23,400,000</u>	<u>6,700,000</u>	<u>-</u>	<u>30,100,000</u>			

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 period under the Scheme were as follows:

<b>Date of grant</b>	<b>Number of shares issuable under options granted</b>	<b>Option value</b>	<b>Closing shareprice at date of grant</b>	<b>Risk free rate (being the yield of 10-year Exchange Fund notes)</b>	<b>Expected volatility</b> <i>note (i)</i>	<b>Expiration of the options</b>	<b>Expected ordinary dividend</b> <i>note (ii)</i>
20 May 2009	6,700,000	HK\$1,494,100	HK\$0.375	2.25%	74.27%	31 December 2018	4.00%

- (i) The volatility measured at the standard deviation of the 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.

## DIRECTORS' INTERESTS IN SHARES

At 30 June 2009, the interests and short positions 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 by the Company pursuant to Section 352 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 shares of the Company

<b>Directors</b>	<b>Capacity</b>	<b>No. of shares held</b>	<b>Total</b>	<b>% of issued share capital of the Company</b>
Mr. Poon Siu Chung	Beneficial owner	19,726,000		
	Interest of spouse and controlled corporation	102,403,430	122,129,430 (a)	41.50
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	63,097,200 (b)	21.44
Mr. Ip Siu On	Beneficial owner	5,803,600	5,803,600	1.97
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	2,111,000	2,111,000	0.72
Mr. Yip Chi Hung	Interest of controlled corporation	2,200,000	2,200,000 (c)	0.75

Notes:

- (a) Mr. Poon Siu Chung was the beneficial owner of 19,726,000 shares ("Shares") of the Company and he was deemed to be interested in 1,264,000 Shares and 101,139,430 Shares which were held by his spouse, Ms. Lau Kwai Ngor and 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) Mr. Leung Ying Wai, Charles was deemed to be interested in 63,097,200 Shares which were held through Nielsen Limited, a limited company incorporated in Hong Kong and beneficially owned by Mr. Leung Ying Wai, Charles, his spouse, Ms. Tai Yee Foon and his family members.
- (c) Mr. Yip Chi Hung was deemed to be interested in 2,200,000 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) Right to acquire shares of the Company

Other than the share options disclosed in the section "Share Option Scheme", at no time during the period was the Company or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by the means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

(C) Long Position in shares of associated corporations of Company

<b>Directors</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>No. of shares held</b>	<b>Total</b>	<b>% of issued share capital of associated corporation</b>
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. Leung Ying Wai, Charles	Perfectech International Limited	Interest of spouse	400	400(f)	50
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.
- (f) Mr. Leung Ying Wai, Charles was deemed to be interested in 400 Perfectech Shares through interests of his spouse, Ms. Tai Yee Foon.

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 in any securities of the Company or any of its associated corporations as defined in the SFO.

## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Annual Report 2008, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are that the basic salary (including allowances) of three of the executive Directors, Mr. Poon Siu Chung, Mr. Ip Siu On and Mr. Tsui Yan Lee, Benjamin, was reduced downwards by 10% with effect from 1 May 2009, while other terms of employment remained unchanged.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in the section "Directors' Interests in Shares", as at 30 June 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 share capital of the Company as follows:

## Long Positions in shares of the Company

<b>Shareholders</b>	<b>Capacity</b>	<b>No. of shares held</b>	<b>Total</b>	<b>% of issued share capital of the Company</b>
Ms. Lau Kwai Ngor	Beneficial owner	1,264,000		
	Interest of spouse and controlled corporation	120,865,430	122,129,430 (g)	41.50
Ms. Tai Yee Foon	Interest of spouse and controlled corporation	63,097,200	63,097,200 (h)	21.44
Commerzbank AG	Interest of controlled corporation	32,681,296	32,681,296 (i)	11.10
Dresdner Bank VPV NV	Investment Manager	32,681,296	32,681,296 (i)	11.10

Notes:

- (g) Under SFO, Ms. Lau Kwai Ngor was the beneficial owner of 1,264,000 Shares and was deemed to be interested in 120,865,430 Shares of the Company through interests of her spouse, Mr. Poon Siu Chung (Please refer to Note (a) above).
- (h) Under SFO, Ms. Tai Yee Foon was deemed to be interested in 63,097,200 Shares through interests of her spouse, Mr. Leung Ying Wai, Charles (Please refer to Note (b) above).
- (i) Under SFO, Commerzbank AG was deemed to be interested in the 32,681,296 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Dividend

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

### Closure of Register of Members

The Register of Members will be closed from 5 October 2009 to 6 October 2009, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 2 October 2009.

### Business Review

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

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

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

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

### *Novelties and decorations*

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

### *Packaging products*

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

### *PVC films and plastic materials*

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

### *Toy products*

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

### *Investments*

To better utilize the available cash on hand, the Group has invested in the listed securities of Hong Kong and related derivative products, including but not limited to equity linked deposits, together with the financial instruments for hedging foreign exchanges. During the period, income from investments from aforesaid transactions amounted to approximately HK\$9,495,000 (2008: loss of HK\$63,193,000) as a result of the recovery of the financial market, especially in the second quarter of the year. Such income consisted of, among other things, the realized gain on disposal of investments held-for-trading of approximately HK\$3,148,000 (2008: loss of HK\$8,746,000), the increase in fair value of investments held-for trading of approximately of HK\$3,998,000 (2008: loss of HK\$22,401,000) and the decrease in fair value of derivative financial instruments of approximately HK\$918,000 (2008: HK\$14,935,000).

Investments held-for-trading are usually held for short-term purposes for capital gain in the value of the assets held. As at the balance sheet date, the market value of investment in securities was approximately HK\$61,750,000 (31 December 2008: HK\$52,709,000).

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

Details of the guidelines on investment transactions of the Group are posted on the Company's website, [www.perfectech.com.hk](http://www.perfectech.com.hk).

## FUTURE PLAN AND PROSPECT

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

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

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

### *Liquidity and financial resources*

As at 30 June 2009, the long-term bank borrowings of the Group were HK\$20,383,000 (31 December 2008: HK\$23,814,000), while the short-term bank borrowings were approximately HK\$27,710,000 (31 December 2008: HK\$17,693,000), and none of the Group's plant and machinery (31 December 2008: nil) was held under a finance lease. The gearing ratio of the Group, measured by total bank and other borrowings divided by equity, was approximately 23% (31 December 2008: 20%).

### *Finance costs*

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

### *Pledge of Assets*

As at 30 June 2009, the following assets were pledged to secure the margin loan facilities granted to the Group:

- (i) Investments held-for-trading with a carrying value of approximately of HK\$61,750,000 (31 December, 2008: HK\$52,709,000); and
- (ii) Bank balances and cash of approximately HK\$383,000 (31 December 2008: HK\$121,000).

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



### *Employees and remuneration policies*

As at 30 June 2009, the Group employed approximately 3,500 (2008: 4,300) full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

### *Foreign currency exposure*

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

As at the balance sheet date, the Group entered into one financial instrument with its major banker for the hedging of exposure in US Dollars.

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

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

	No. of shares of HK\$0.10 each	Price per share		Aggregate
		Highest	Lowest	consideration
		HK\$	HK\$	paid 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	<u>600,000</u>	0.350	0.350	<u>212,258</u>
	<u>4,386,000</u>			<u>1,371,843</u>

## CORPORATE GOVERNANCE

### Compliance with the Code on Corporate Governance

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

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

#### *Code A.2.1*

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

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

### Model Code for Securities Transactions by Directors

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

After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions during the six months ended 30 June 2009.

## Audit Committee

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 of the Company now reported on.

## Remuneration Committee

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

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

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

## DIRECTORS OF THE COMPANY

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

On behalf of the Board

**Poon Siu Chung**

*Chairman & Managing Director*

Hong Kong, 8 September 2009