



# eFORCE HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

# 2009

Interim Report

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## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2009</b> <i>HK\$'000</i> <b>(unaudited)</b>	2008 <i>HK\$'000</i> (unaudited)
<b>Turnover</b>		<b>48,431</b>	71,609
Cost of sales		<b>(39,871)</b>	(61,183)
<b>Gross profit</b>		<b>8,560</b>	10,426
Other income		<b>403</b>	3,216
Distribution costs		<b>(1,171)</b>	(1,962)
Administrative expenses		<b>(18,192)</b>	(19,699)
Other operating expenses		–	(50)
<b>Loss from operations</b>		<b>(10,400)</b>	(8,069)
Finance costs	5	<b>(771)</b>	(966)
<b>Loss before taxation</b>		<b>(11,171)</b>	(9,035)
Income tax expense	6	–	(1,143)
<b>Loss for the period attributable to owners of the Company</b>	7	<b><u>(11,171)</u></b>	<b><u>(10,178)</u></b>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share</b>	9		
Basic		<b><u>(0.42)</u></b>	<b><u>(0.38)</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Loss for the period attributable to owners of the Company</b>	<b>(11,171)</b>	(10,178)
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	60	1,207
<b>Other comprehensive income for the period, net of tax</b>	<b>60</b>	1,207
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>(11,111)</b>	(8,971)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	<i>Note</i>	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	21,927	22,923
Investment in a jointly controlled entity		(40)	(40)
		<u>21,887</u>	<u>22,883</u>
<b>Current assets</b>			
Inventories		13,106	14,707
Trade receivables	11	17,343	19,536
Prepayments, deposits and other receivables		2,789	3,173
Pledged bank deposits		1,500	1,533
Cash and bank balances		67,889	79,212
		<u>102,627</u>	<u>118,161</u>
<b>Current liabilities</b>			
Trade payables	12	(20,136)	(30,316)
Accruals and other payables		(31,600)	(31,791)
Borrowings		(11,747)	(4,335)
Unsecured other loans	13	(6,500)	(6,500)
Current tax liabilities		(4,448)	(4,448)
		<u>(74,431)</u>	<u>(77,390)</u>
<b>Net current assets</b>		<u>28,196</u>	<u>40,771</u>
<b>Total assets less current liabilities</b>		<b>50,083</b>	63,654
<b>Non-current liabilities</b>			
Borrowings		–	(2,460)
<b>NET ASSETS</b>		<u><b>50,083</b></u>	<u>61,194</u>
<b>Capital and reserves</b>			
Share capital	14	132,896	132,896
Reserves		(82,813)	(71,702)
<b>TOTAL EQUITY</b>		<u><b>50,083</b></u>	<u>61,194</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 – (Unaudited)

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Foreign currency translation reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2008	132,896	1,493,075	(4,997)	24,226	(1,560,300)	84,900
Total comprehensive income for the period	–	–	1,207	–	(10,178)	(8,971)
Change in equity for the period	–	–	1,207	–	(10,178)	(8,971)
At 30 June 2008	<u>132,896</u>	<u>1,493,075</u>	<u>(3,790)</u>	<u>24,226</u>	<u>(1,570,478)</u>	<u>75,929</u>
At 1 January 2009	132,896	1,493,075	(5,228)	24,226	(1,583,775)	61,194
Total comprehensive income for the period	–	–	60	–	(11,171)	(11,111)
Change in equity for the period	–	–	60	–	(11,171)	(11,111)
At 30 June 2009	<u>132,896</u>	<u>1,493,075</u>	<u>(5,168)</u>	<u>24,226</u>	<u>(1,594,946)</u>	<u>50,083</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(14,692)</b>	(6,494)
Purchases of property, plant and equipment	(1,181)	(2,062)
Other investing cash flows (net)	191	756
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(990)</b>	(1,306)
Inception of bank loans	26,355	728
Repayment of bank loans	(21,410)	(867)
Finance costs paid	(623)	(816)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>4,322</b>	(955)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(11,360)</b>	(8,755)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>79,212</b>	104,203
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>37</b>	50
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>	<b>67,889</b>	95,498
Bank and cash balances	67,889	95,498

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## 1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed financial statements should be read in conjunction with the 2008 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008 except as stated below.

These condensed financial statements were unaudited, but have been reviewed by the Company’s Audit Committee.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

### a. Presentation of Financial Statements

HKAS 1 (Revised) “Presentation of Financial Statements” affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in these condensed financial statements.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

#### b. Operating Segments

HKFRS 8 “Operating Segments” 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 in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 “Segment Reporting” required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s ‘system of internal financial reporting to key management personnel’ serving as the starting point for the identification of such segments. HKFRS 8 results in a re-designation of the Group’s reportable segments, but has had no impact on the reported results or financial position of the Group. The primary segments reported under HKAS 14 are the same segments reported under HKFRS 8. The segment accounting policies under HKFRS 8 are stated in note 4 to the condensed financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 3. COMPARATIVE FIGURES

Certain comparative figures in these condensed financial statements and the notes to the condensed financial statements have been reclassified to conform to the changes in presentation in the current period.

### 4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors and senior management. They review the Group’s internal reporting on a regular basis in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. During the period ended 30 June 2009, the Group is wholly engaged in the manufacture and sales of healthcare and household products. Accordingly, there is only one single reportable segment for the Group.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 4. SEGMENT INFORMATION (CONTINUED)

The following is the turnover of the Group by geographical location of customers:

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Turnover</b>		
North America	13,202	24,821
Europe	13,919	21,220
The People Republic of China (the "PRC")	8,820	8,471
Hong Kong and others	12,490	17,097
	<u>48,431</u>	<u>71,609</u>

The following is the segment assets of the Group based on the geographical location of the assets:

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
	<b>Segment Assets</b>	
The PRC	42,130	42,875
Hong Kong and others	82,384	98,169
	<u>124,514</u>	<u>141,044</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 5. FINANCE COSTS

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Interest on borrowings	493	547
Bank charges	278	419
	<u>771</u>	<u>966</u>

### 6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (2008: HK\$Nil).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The new PRC Enterprise Income Tax Law (the "EIT Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the Enterprise Income Tax rate for domestic and foreign-invested enterprises at 25%. The new EIT Law was effective from 1 January 2008. In addition, the new EIT Law also provides a five-year grandfathering period starting from its effective date for those enterprises which are established before 16 March 2007.

No deferred tax assets in respect of the accumulated losses has been recognised as it is not probable that future profits will be available against which the asset can be utilized.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 7. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Interest income	(119)	(475)
Depreciation	2,172	3,277
Directors' remuneration	826	2,404
Gain on disposal of property, plant and equipment	(4)	(42)

### 8. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2009 (2008: HK\$Nil).

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 9. LOSS PER SHARE

The calculation of basic loss per share is based on the following:

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to owners of the Company	<u><u>(11,171)</u></u>	<u><u>(10,178)</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period	<u><u>2,657,926,789</u></u>	<u><u>2,657,926,789</u></u>

No diluted loss per share is presented, as the inclusion of the effects of all potential dilutive ordinary shares would have an anti-dilutive effect on the basic loss per share for both the current and prior periods.

### 10. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group acquired property, plant and equipment of approximately HK\$1,181,000 (six months ended 30 June 2008: HK\$2,062,000).

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 11. TRADE RECEIVABLES

The Group normally allows credit terms to customers ranging from 30 to 45 days. The Group seeks to maintain strict control over its outstanding receivables and reviews overdue balances on a regular basis.

The ageing analysis of trade receivables as at the balance sheet date, based on the invoice date, and net of allowances is as follows:

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
0 – 30 days	7,965	11,656
31 – 90 days	9,180	7,665
91 – 180 days	–	–
181 – 365 days	3	1
Over 365 days	195	214
	<u>17,343</u>	<u>19,536</u>

### 12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 60 days from its suppliers.

The ageing analysis of the trade payables as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
0 – 30 days	8,044	7,903
31 – 90 days	7,711	13,756
91 – 180 days	1,830	6,554
Over 180 days	2,551	2,103
	<u>20,136</u>	<u>30,316</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 13. UNSECURED OTHER LOANS

On 1 February 2000, pursuant to a placing and underwriting agreement dated 16 December 1999 entered into between the Company and independent placing agents, 4% convertible notes with an aggregate principal amount of HK\$9 million were issued (the "Notes"). The Notes were convertible to ordinary shares of HK\$0.05 each of the Company at any time between 1 April 2000 and 27 January 2002 and Notes of HK\$2.5 million were converted during 2000.

Prior to maturity, holders of the remaining Notes of HK\$6.5 million had not exercised the conversion right, therefore, the directors of the Company consider that the conversion right attaching to the Notes has lapsed. The Notes should be regarded as unsecured other loans and the outstanding balances together with accrued interest of approximately HK\$8.5 million are due for repayment. As at the date of authorisation for issue of this interim financial report, the creditors have not yet requested the Company to repay the loans.

### 14. SHARE CAPITAL

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Authorised:		
6,000,000,000 ordinary shares of HK\$0.05 each	<b><u>300,000</u></b>	<u>300,000</u>
Issued and fully paid:		
2,657,926,789 (At 31 December 2008: 2,657,926,789) ordinary shares of HK\$0.05 each	<b><u>132,896</u></b>	<u>132,896</u>

### 15. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had no other transactions with its related parties during the period.

### 16. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities at 30 June 2009 (At 31 December 2008: HK\$Nil).

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 17. COMMITMENTS

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
<hr/>		
Contracted but not provided for:		
Quality guarantee deposit	<b>17,500</b>	17,500
Interest-free loan to a jointly controlled entity	<b>4,000</b>	4,000
	<hr/> <b>21,500</b> <hr/>	<hr/> 21,500 <hr/>
<hr/>		

### 18. APPROVAL OF FINANCIAL STATEMENTS

The unaudited interim financial statements were approved and authorised for issue by the Board of Directors on 18 September 2009.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The turnover of the Group for the six months ended 30 June 2009 was HK\$49 million (six months ended 30 Jun 2008: HK\$72 million) and represented a decrease of 32% as compared to the corresponding period last year. As global financial crisis and recession continued into the first half of 2009, the demand for consumer products has fallen significantly. Sales to North America were decreased by HK\$12 million to HK\$13 million (six months ended 30 Jun 2008: HK\$25 million) or by 48% compared the corresponding period in 2008. Sales to Europe were decreased by HK\$7 million to HK\$14 million (six months ended 30 Jun 2008: HK\$21 million) or by 33% compared the corresponding period in 2008. Sales to Hong Kong and others were decreased by HK\$4 million to HK\$13 million (six months ended 30 Jun 2008: HK\$17 million) or by 24% compared the corresponding period in 2008.

Gross profit margin was 18% for the six months ended 30 Jun 2009 compared to 15% for the six months ended 30 Jun 2008. Apart from the decrease in certain raw materials costs, the increase was also the result of various cost reduction exercises and cost saving measures implemented by the management. However, the decrease of turnover has out-weighted the rise in gross profit margin and gross profit was decreased by HK\$2 million to HK\$8 million (six months ended 30 Jun 2008: HK\$10 million) compared to the corresponding period in 2008.

Net loss of the Group increased by HK\$1 million to HK\$11 million (six months ended 30 Jun 2008: HK\$10 million). As compared to the corresponding period in 2008, this increase in net loss was due to a HK\$2 million decrease in gross profit and a HK\$ 3 million decrease in other income, partially offset by a HK\$2 million decrease in distribution costs and administrative expenses and a HK\$1 million decrease in income tax expenses. The decrease in other income was mainly due to the decrease in scrap sales. The decrease in distribution costs and administrative expenses was due the stringent costs control and the decrease in income tax expenses was due to no provision for both Hong Kong and PRC income tax is required during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OUTLOOK

We remain cautious of the business outlook given the current challenging economic conditions. Although there have been signs that the worst of recession may now over, we expect demand to remain weak in the consumers products market in the second half of 2009. At the operational level, we will continue the various cost reduction exercises and cost saving measures that have already implemented. It is critical that operating costs are maintained at a low level so that we can avoid the significant margin compression we had experienced last year.

Last but not least, we will continue exercise due care and diligence to explore suitable investment, merger or acquisition opportunities that will broaden our business base, in particular in the PRC market. With the encouragement of the PRC government to boost certain business sectors, we will adopt a proactive approach to benefit from this policy.

### LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2009, the Group had net current assets HK\$28 million (31 December 2008: HK\$41 million) and represents a decrease of 32% as compared to 31 December 2008. Total cash on hand was HK\$69 million (31 December 2008: HK\$81 million) which included a pledged fixed deposit of HK\$1.5 million (31 December 2008: HK\$1.5 million) and Renminbi deposits amounted to HK\$1 million (31 December 2008: HK\$1 million).

At 30 June 2009, the Group's total borrowings amounted to HK\$18 million (31 December 2008: HK\$13 million) of which all will be due within one year. Borrowings from bank are secured over the Group's leasehold land and buildings held for own use situated outside Hong Kong with a carrying amount of approximately HK\$15.5 million (31 December 2008: HK\$16 million), a fixed deposit approximately HK\$1.5 million (31 December 2008: HK\$1.5 million), the Company's guarantee and certain trade receivables of a subsidiary.

At 30 June 2009, the Group had a current ratio of 1.4 (31 December 2008: 1.5) and the gearing ratio was 14% (31 December 2008: 9%). The calculation of gearing ratio was based of the Group's total borrowings of HK\$18 million over total assets value of HK\$125 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES, INTEREST RATES AND RELATED HEDGES

The Group's borrowings and cash and cash equivalents were primarily denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and US dollars ("USD"). The Group does not hedge against foreign exchange risk associated with the USD, as the management believes that the HKD will remain pegged to the USD in the foreseeable future. The management will monitor closely to ensure measures are taken against any adverse impact on the exchange risk associated with the appreciating RMB.

The interest rates profile of the Group's borrowings comprises a mixture of fixed and floating rates. The Group does not hedge against interest rates risk, as the managements do not foresee the impact of any fluctuation in interest rates to be material to the Group.

### EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2009, the Group employed approximately 25 staffs (at 31 December 2008: 27) in Hong Kong and 973 employees (at 31 December 2008: 988) in Mainland China. Employees' remuneration are given and reviewed regularly based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's overall performance and employees' individual merit.

The Company had granted share options to certain employees of the Group on 10 July 2000, entitling them to subscribe for shares of the Company. However, with effect from 1 September 2001, the Company no longer can grant any options under the existing scheme unless the Company changes the terms of the scheme to comply with the requirements of Chapter 17 of the Listing Rules.

## **OTHER INFORMATION**

### **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Audit Committee has reviewed with management the unaudited interim financial statements for the six months ended 30 June 2009.

The unaudited interim financial statements for the six months ended 30 June 2009 were approved and authorised for issue by the Board of Directors on 18 September 2009.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: HK\$Nil).

### **CHANGES IN BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Change in brief details of directors and senior management subsequent to the publication of the 2008 annual report is as follows:

Mr. Lau Kam Ying (“Mr. Lau”) has resigned as an independent non-executive director and member of the audit committee and remuneration committee of the Company with effect from 19 August 2009.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

**(a) Interests and short positions of the directors and the chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations**

At 30 June 2009, the interests and short positions of each directors and chief executives of the Company in shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

*Long position in issued shares and underlying shares*

Name of director	Capacity/ Nature of interests	Number of shares held	Number of underlying shares held	% of total issued shares
Hu Xiao (“Mr. Hu”)	Interest in controlled corporation	938,974,000 <i>(Note)</i>	–	35.32%

*Note:* The 938,974,000 shares are held by Early State Enterprises Limited (“Early State”), a limited liability company incorporated in the British Virgin Islands (“BVI”). Mr. Hu is interested in the entire issued capital of Early State.

Save as disclosed above, as at 30 June 2009, none of the directors nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## OTHER INFORMATION

### (b) Share options

There are no changes in any terms of the share options scheme during the six months ended 30 June 2009. The detailed terms of the share options scheme were disclosed in the Company's 2008 annual reports.

Details of the share options outstanding at 30 June 2009 which have been granted under the scheme whereas follows:

Grantees	Date of grant	Exercise price per share (Adjusted)	Number of options				Outstanding at 30 June 2009
			Outstanding at 1 January 2009	Cancelled during the period	Acquired on Exercise of options during the period	Adjusted during the period	
Directors	-	-	-	-	-	-	-
Employees	10 July 2000	HK\$0.392	1,950,000	-	-	-	1,950,000
Others ( <i>Note</i> )	10 July 2000	HK\$0.392	28,190,000	-	-	-	28,190,000
			<u>30,140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,140,000</u>

*Note:* Ex-employees of the Group who are still entitled to the options under the terms of the share option scheme.

The options were granted under the share option scheme adopted by the Company on 2 June 1997. The options are exercisable subject to the terms and conditions stipulated each time options are granted. All the options granted will expire at the end of ten years from the date of grant. With effect from 1 September 2001, the Company no longer can grant any options under the existing scheme unless the Company changes the terms of the scheme to comply with the requirements of Chapter 17 of the Listing Rules.

Save as disclosed above, none of the directors or chief executive of the Company or their spouses or children under 18 years of age, had any right to subscribe for equity or debt securities of the Company, or had exercised any such right during the period.

Apart from the foregoing, at no time during the period was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors and chief executives of the Company or any of their spouses or children under 18 years of age to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

## OTHER INFORMATION

### (c) Interest and short positions of shareholders discloseable under the SFO

As at 30 June 2009, the following persons had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

*Long positions of substantial shareholders in the shares and underlying shares*

Name of Shareholder	Capacity/ Nature of Interest	Number of shares held	Number of underlying shares held	% of total issued shares
Early State Enterprises Limited ("Early State")	Beneficial Owner	938,974,000 <i>(Note)</i>	–	35.32%

*Note:* The 938,974,000 shares are held by Early State. Mr. Hu is interested in the entire issued capital of Early State. For the avoidance of doubt, the same interests have been disclosed by Mr. Hu under the heading "Interests and short positions of the directors and the chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations" above.

Save as disclosed above, as at 30 June 2009, the Company according to the records required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short positions in the shares or underlying shares of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2009.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

The Company has complied with all requirements set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules, except for the following:

Code Provision A.4.1, which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As their appointment will be reviewed when they are due for re-election and the Company is of the view that this meets the same objectives of the said code provision.

Upon the resignation of Mr. Lau on the 19 August 2009, the Board comprises of two executive directors and two independent non executive directors and the audit committee of the Company comprises of Mr. Yeung King Wah (“Mr. Yeung”) and Mr. Lam Bing Kwan (“Mr. Lam”) which falls below the minimum number required under Rule 3.10(1) and 3.21 of Listing Rules. As at the latest practicable date (the “Latest Practicable Date”) prior to the printing of this interim financial report, the Company is in the process of identifying a suitable candidate to replace Mr. Lau to meet the requirements of Rules 3.10(1) and 3.21 of the Listing Rules within the time allowed under Rule 3.11 of the Listing Rules.

### AUDIT COMMITTEE

In compliance with the Code, an Audit Committee was established on 28 December 1999 with written terms of reference. As at the Latest Practicable Date, the Audit Committee comprises two Independent Non-executive Directors, Mr. Yeung (Chairman of the Audit Committee) and Mr. Lam. Mr. Yeung has the professional qualifications as required under the Listing Rules.

The principal activities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. The Audit Committee has reviewed with management the unaudited interim financial statements for the six months ended 30 June 2009.



## OTHER INFORMATION

### REMUNERATION COMMITTEE

In compliance with the Code, the Company has established its remuneration committee (“Remuneration Committee”) on 1 August 2005.

The Remuneration Committee comprises two Independent Non-executive Directors, Mr. Lam (Chairman of the Remuneration Committee) and Mr. Yeung and an Executive Director, Mr. Tam Lup Wai Franky. The Remuneration Committee has adopted terms of reference, which are in line with the Code on Corporate Governance Practices.

By order of the Board

**Hu Xiao**

*Chairman and Executive Director*

Hong Kong, 18 September 2009

*As at the date of this interim financial report, the Board comprises Messrs. Hu Xiao and Tam Lup Wai Franky as Executive Directors and Messrs. Lam Bing Kwan and Yeung King Wah as Independent Non-Executive Directors.*