SEWCO INTERNATIONAL HOLDINGS LIMITED
崇高國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 209)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

ANNUAL RESULTS

The Board of Directors (the "Board") of Sewco International Holdings Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009 together with comparative figures for the corresponding year in 2008. The said annual results for the year ended 31 December 2009 have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
REVENUE	2	**325,060**	873,677
Cost of sales		**(290,772)**	(838,620)
Gross profit		**34,288**	35,057
Other income		**6,803**	11,681
Selling and distribution costs		**(11,312)**	(37,306)
Administrative expenses		**(42,611)**	(68,378)
Other operating expenses		**(480)**	(16,087)
Finance costs		**(3,084)**	(3,403)
Share of losses of associates		**–**	(2,402)
LOSS BEFORE TAX	3	**(16,396)**	(80,838)
Income tax expense	4	**(1,381)**	(3,436)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(17,777)**	(84,274)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	5	**(HK3.74 cents)**	(HK18.92 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
LOSS FOR THE YEAR	**(17,777)**	(84,274)
OTHER COMPREHENSIVE INCOME		
Surplus/(deficit) on revaluation of properties	**596**	(1,455)
Income tax effect	**(320)**	263
	276	(1,192)
Exchange differences on translation of foreign operations	**287**	8,636
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**563**	7,444
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(17,214)**	(76,830)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**158,037**	168,909
Deposit for items of property, plant and equipment		**1,646**	2,015
Prepaid land premiums		**9,541**	9,805
Interests in associates		**–**	–
Other intangible asset		**450**	600
Loan receivable		**215**	395
Total non-current assets		**169,889**	181,724
CURRENT ASSETS			
Inventories		**36,761**	103,706
Property held for sale		**4,400**	–
Prepaid land premiums		**266**	265
Trade receivables	6	**31,969**	60,034
Prepayments, deposits and other receivables		**5,773**	16,617
Loan receivable		**180**	180
Cash and cash equivalents		**62,207**	21,447
Total current assets		**141,556**	202,249
CURRENT LIABILITIES			
Trade payables	7	**33,801**	97,673
Other payables and accruals		**36,137**	35,937
Derivative financial instruments		**–**	349
Interest-bearing bank loans		**45,387**	79,412
Tax payable		**1,775**	1,512
Total current liabilities		**117,100**	214,883
NET CURRENT ASSETS/(LIABILITIES)		**24,456**	(12,634)

	Notes	2009 HK$'000	2008 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**194,345**	169,090
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,702**	1,819
Net assets		**192,643**	167,271
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Issued capital		**53,451**	44,543
Reserves		**139,192**	122,728
Total equity		**192,643**	167,271

Notes:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and 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 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*

HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segment determined in accordance with HKFRS 8 is the same as the business segment previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 2.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for first-time Adopters*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendment to HK(IFRIC)-Int14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable segment, which is the manufacturing and trading of toys. Revenue and operating results are the two key indicators provided to the Group's chief operating decision maker to make decisions about resource allocation and assess performance.

Geographical information

(a) Revenue from external customers

	2009 *HK$'000*	2008 *HK$'000*
The United States of America and Canada	**237,430**	683,014
Japan	**83,830**	165,125
Hong Kong and Mainland China	**3,800**	25,538
	325,060	873,677

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2009 *HK$'000*	2008 *HK$'000*
Hong Kong	**18,952**	20,209
Mainland China	**150,937**	161,515
	169,889	181,724

The non-current asset information above is based on the location of assets.

Information about major customers

	2009 *HK$'000*	2008 *HK$'000*
The largest customer	**150,008**	423,544
Second largest customer	**82,166**	186,989
Third largest customer	**72,611**	165,125
Others*	**20,275**	98,019
Total	**325,060**	873,677

* These include sales to all other customers who individually accounted for less than 10% of total revenue.

3. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**269,252**	819,290
Provision against slow-moving, obsolete and defective inventories, included in "Cost of sales" in the consolidated income statement	**21,520**	19,330
Depreciation*	**10,019**	12,094
Recognition of prepaid land premiums	**271**	270
Minimum lease payments under operating leases in respect of land and buildings	**849**	3,695
Auditors' remuneration:		
Current year	**820**	1,060
Under/(over) provision in prior years	**(140)**	60
	680	1,120
Employee benefit expense (excluding directors' remuneration)**:		
Wages and salaries	**103,670**	255,149
Other employee benefits	**647**	1,038
Pension schemes contributions	**6,608**	11,105
	110,925	267,292
Loss on disposal of items of property, plant and equipment***	**719**	191
Foreign exchange differences, net	**1,200**	1,802
Impairment of interests in associates***	**–**	4,964
Impairment of trade receivables***	**–**	14,984
Impairment of other intangible asset***	**150**	–
Fair value gains:		
Derivative instruments – transactions not qualifying as hedges***	**(405)**	(4,052)

* Depreciation of HK$6,048,000 (2008: HK$7,722,000) is also included in "Cost of inventories sold" above.

** Employee benefit expense of HK$90,076,000 (2008: HK$231,568,000) is also included in "Cost of inventories sold" above.

*** These items are included in "Other operating expenses" in the consolidated income statement.

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**37**	19
Underprovision in prior years	**–**	64
Current – Mainland China	**1,781**	2,824
Deferred	**(437)**	529
Total tax charge for the year	**1,381**	3,436

5. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of HK$17,777,000 (2008: HK$84,274,000) and the weighted average number of ordinary shares of 475,124,000 (2008: 445,430,000) in issue during the year, as adjusted to reflect the shares issued during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

6. TRADE RECEIVABLES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**46,953**	75,018
Impairment	**(14,984)**	(14,984)
	31,969	60,034

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 14 to 60 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables is an amount due from an associate of HK$14,984,000 (before deducting the impairment loss of HK$14,984,000) (2008: HK$14,984,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**22,631**	41,328
31 to 90 days	**9,338**	16,163
Over 90 days	**–**	2,543
	31,969	60,034

7. **TRADE PAYABLES**

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 30 days	**14,842**	34,466
31 to 90 days	**9,857**	39,210
Over 90 days	**9,102**	23,997
	33,801	97,673

The trade payables are non-interest-bearing and normally offered with 30 to 60 days' credit terms.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The management is pleased to report that the Group's results have been significantly improved with that loss attributable to equity holders of the Company was brought down to HK$17,777,000 for the year ended 31 December 2009, representing a 79% decrease from the previous year (2008: HK$84,274,000). The improvement in the Group's results was principally a combined effect of better profit margins and effective cost savings achieved by the Group's core toy manufacturing operation.

The Group's revenue for the year was HK$325,060,000, dropped by 63% when compared to the prior year (2008: HK$873,677,000) and was primarily due to the cessation of business with customers offered only low profit margin orders and the adverse impact of the global financial crises. Despite such revenue drop, the Group had managed to maintain its gross profit of HK$34,288,000 at a similar level to that of last year (2008: HK$35,057,000), which was mainly a result of the sharp rise of the Group's gross profit margin from 4.0% in 2008 to 10.5% in 2009. Such increase in the Group's gross profit margin was in turn primarily attributable to the higher profit margin of sales orders received this year resulting from active negotiations with customers; production costs savings resulting from increase in export tax refund rate in Mainland China and improved production efficiency resulting from tightened control on overheads.

The Group's other income decreased by 42% to HK$6,803,000 (2008: HK$11,681,000) and that selling and distribution costs decreased by 70% to HK$11,312,000 (2008: HK$37,306,000) from last year were primarily a result of drop of the Group's revenue. The Group's administrative expenses decreased by 38% to HK$42,611,000 (2008: HK$68,378,000) was also because of the decline in the Group's revenue as well as the effective implementation of the Group's operational restructuring plan adopted in late 2008.

The Group's other operating expenses dropped to only HK$480,000 (2008: HK$16,087,000) and share of losses of associates became nil this year (2008: HK$2,402,000) were mainly due to the non-recurrence of impairment losses provided for the related goodwill and trade receivables of an associate totaling HK$19,948,000 in 2008 (included as the Group's other operating expenses) and commencement of creditors' voluntary liquidation of the associate in 2008.

Financial Review

Liquidity and Financial Resources

The Group finances its operations primarily from internally generated resources, external bank financing and shareholders' funds. The Group satisfies its seasonal trade finance requirements through both external bank financing and internal resources, and will consider longer term funding arrangement to finance its longer term investments and fixed assets acquisition. In order to enhance the Group's financial position, the Company placed 89,084,000 shares at HK$0.49 per share to investors in September 2009 and raised net proceeds of HK$42,586,000 to fund its general working capital.

As at 31 December 2009, cash and cash equivalents held by the Group, mainly in Hong Kong dollars ("HKD"), United States dollars ("USD") and Renminbi ("RMB") totalled HK$62,207,000 (2008: HK$21,447,000). The Group's bank borrowings as at 31 December 2009, mainly in HKD and RMB and maturing within one year amounted to HK$45,387,000 (2008: HK$79,412,000). The increase in cash and cash equivalents and decrease in bank borrowings when compared to last year were mainly a result of the positive cash flows generated from Group's operations and funds raised from the placing of shares of the Company.

The Group's current assets decreased by 30% to HK$141,556,000 (2008: HK$202,249,000). The decrease was in line with the drop of the Group's revenue and the management's continuous efforts in reducing inventory to a healthy level. The Group's current liabilities also decreased by 46% to HK$117,100,000 (2008: HK$214,883,000) mainly due to the decrease of trade payables as a result of lowered volume of raw materials purchase. The Group's current ratio, determined as current assets divided by current liabilities, was improved to a healthy level of 1.21 (2008: 0.94) as at 31 December 2009.

The Group's gearing ratio is determined as its net debt divided by total capital plus net debt where net debt includes interest-bearing bank loans, trade payables and other payables and accruals less cash and cash equivalents, and capital represents the total equity of the Group. The Group's policy is to maintain its gearing ratio below 75% to ensure a healthy financial position. The gearing ratio of the Group as at 31 December 2009 was 22% (2008: 53%).

Financial Risk Management Policies

Other than liquidity risk, the main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk.

Interest rate risk arises from the Group's floating interest rate borrowing is mainly related to its seasonal working capital requirements. The Group will only try to hedge its interest rate risk when there is a significant funding requirement financed by floating interest long term debt borrowings.

Foreign currency risk arises from sales or costs and financial assets or liabilities incurred by the Group in currencies other than HKD. All of the Group's sales are denominated in HKD or USD; while its costs are approximately 49% (2008: 49%) denominated in HKD or USD, and approximately 51% (2008: 51%) denominated in RMB. The Group's financial assets as at 31 December 2009 are approximately 93% (2008: 84%) denominated in HKD or USD and are approximately 7% (2008: 16%) denominated in RMB. The Group's financial liabilities as at 31 December 2009 are approximately 51% (2008: 35%) denominated in HKD or USD and are approximately 49% (2008: 65%) denominated in RMB. As HKD is pegged to USD, the Group is mainly exposed to the currency fluctuation of RMB and will closely monitor its exposures through entering into forward contracts if fluctuations are expected to be significant.

Credit risk arises mainly from payment defaults from customers. The Group manages its credit risk by mainly trading with recognized and creditworthy third parties and closely monitoring customer concentration and payments.

CONTINGENT LIABILITIES

At the end of the reporting period, the Company had provided corporate guarantees of HK$22,700,000 (2008: HK$115,100,000) to a bank in respect of banking facilities granted to its subsidiaries. As at the end of the reporting period, HK$2,310,000 (2008: HK$19,696,000) of these facilities was utilized by these subsidiaries.

CHARGE ON ASSETS

At 31 December 2009, the Group's certain leasehold land and buildings and property held for sale in Mainland China and Hong Kong (including the prepaid land premiums) with aggregate net book values of approximately HK$122,107,000 (2008: HK$127,770,000) and HK$11,010,000 (2008: HK$15,450,000), respectively, were pledged to secure general banking facilities granted to the Group.

EMPLOYEES

As at 31 December 2009, the Group had a total of approximately 4,300 (2008: 8,500) employees in Hong Kong and Mainland China. The reduction in headcounts was mainly due to the implementation of the Group's operational restructuring plan since late 2008 aiming to cut overheads and improve profit margins. The Group provides remuneration packages to employees largely based on industry practice, individual performance, qualifications and experience. In addition, discretionary bonuses and share options under the Company's share option scheme may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides subsidies to staff for external training in order to enhance the Group's competitiveness.

OUTLOOK

The global toy industry continues its dramatic reform triggered by global giant Mattel Inc.'s massive toy recalls in 2007. The recalls led to new regulations around the globe to heighten toy safety standards and tighten control, making the industry as a whole more regulated than ever. Meanwhile, the industry continues to consolidate as a result of the global financial crisis.

These changes have sparked a reform in the contract toy manufacturing industry of its own as big players consolidate and upgrade its vendor base to limit risks of safety breaches. Manufacturers with the resources and will to invest in quality will be able to get ahead. Manufacturers can no longer be mere "order takers" but must play the role of long term partners willing and able to keep up with regulatory changes. As partners, they also must deliver value and play a more active role to support their customers' growth and success.

The Group has made it its mission to continuously improve its manufacturing operations and be at the forefront of the contract toy manufacturing industry as a trusted partner that can deliver quality, services and value.

To make this happen, the Group has invested substantially in expanding its internal quality control laboratories and improving its quality control systems. It also has invested in growing its product design and development capabilities. Meanwhile, the aggressive drive in 2009 to streamline its operations, control overhead costs, and improve production efficiencies by automation and third-party staff training have paid dividends, enabling the manufacturing operations to return to operational profitability despite lower sales and offer far better value to customers at the same time.

In order to enhance the Group's development and financial strength, the Group successfully completed a placement of new shares with net proceeds of approximately HK$42,586,000 during the current year.

In relation the above active measures, the Group is cautiously optimistic about its performance in 2010. Sales turnover is expected to rise as the global economy continues to recover. New manufacturing deals have been signed with several global toy companies, among them is one of the world's top firms. Operationally, the Group will continue its drive to improve operational and production efficiencies and control costs.

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

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met all the code provisions set out in the "Code on Corporate Governance Practices" contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board
Lo Ming Chi, Charles
Chief Executive Officer

Hong Kong, 15 March 2010

As at the date of this announcement, the Board comprises one Non-executive Director, namely Mr. Sue Ka Lok (Chairman), three Executive Directors, namely Mr. Lo Ming Chi, Charles (Chief Executive Officer), Ms. Chan Yuk Yee and Ms. Wang Jingyu; and three Independent Non-executive Directors, namely Mr. Kwok Ming Fai, Mr. Wong Kwok Tai and Ms. Leung Pik Har, Christine.

* *For identification purpose only*