KITH HOLDINGS LIMITED
僑威集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

INTERIM RESULTS

The Board of Directors (the "Board") of Kith Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2010, together with the comparative figures for the corresponding period of 2009. The details are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended 30th June,	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**863,196**	604,536
Cost of sales		**(744,976)**	(500,358)
Gross profit		**118,220**	104,178
Other revenue		**7,114**	10,666
Distribution costs		**(2,209)**	(1,307)
Administrative expenses		**(48,534)**	(40,842)
Fair value gain on held-for-trading investments		**414**	694
Fair value gain (loss) on other financial assets		**1,463**	(740)
Profit from operations		**76,468**	72,649
Finance costs		**(8,050)**	(11,328)
Profit for the period before taxation	4	**68,418**	61,321
Taxation	5	**(12,605)**	(10,891)
Profit for the period		**55,813**	50,430
Attributable to:			
Owners of the Company		**31,803**	30,048
Minority interests		**24,010**	20,382
		55,813	50,430
Interim dividend		**6,013**	5,752
		HK cents	*HK cents*
Earnings per share	6		
– Basic		**12.16**	11.49
– Diluted		**N/A**	11.49

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30th June,	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period	**55,813**	50,430
Other comprehensive income for the period:		
Exchange differences arising on translation of foreign operations	**8,129**	(1,345)
Fair value adjustment on available-for-sale investments	**(477)**	494
	7,652	(851)
Total comprehensive income for the period	**63,465**	49,579
Attributable to:		
Owners of the Company	**36,291**	29,691
Minority interests	**27,174**	19,888
	63,465	49,579

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**(Unaudited) As at 30th June, 2010** *HK$'000*	(Audited) As at 31st December, 2009 *HK$'000*
Non-current Assets			
Property, plant and equipment		**580,632**	582,080
Prepaid lease payments		**18,964**	19,270
Deposits paid for acquisition of property, plant and equipment		**37,002**	27,260
Goodwill		**2,695**	2,695
Available-for-sale investments		**22,060**	19,222
Deferred tax assets		**595**	595
		661,948	651,122
Current Assets			
Inventories		**128,088**	130,341
Trade and other receivables from third parties, deposits and prepayments	7	**546,727**	467,580
Trade and other receivables from minority shareholders	8	**55,477**	24,609
Prepaid lease payments		**613**	613
Short-term loans receivable		**81,289**	87,368
Held-for-trading investments		**3,606**	3,845
Other financial assets		**1,477**	260
Bank balances and cash		**104,678**	113,726
		921,955	828,342
Assets of a disposal group classified as held for sale		**8,759**	8,759
		930,714	837,101

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

	Notes	(Unaudited) As at 30th June, 2010 HK$'000	(Audited) As at 31st December, 2009 HK$'000
Current Liabilities			
Trade and other payables	9	**205,223**	223,409
Tax liabilities		**10,381**	8,751
Dividend payable		**19,583**	1,309
Borrowings – due within one year	10	**459,978**	388,925
Obligation under finance lease – due within one year		**775**	775
		695,940	623,169
Liabilities directly associated with a disposal group classified as held for sale		**2,258**	2,258
Total current liabilities		**698,198**	625,427
Net Current Assets		**232,516**	211,674
Total Assets Less Current Liabilities		**894,464**	862,796
Non-current Liabilities			
Borrowings – due after one year	10	**47,410**	34,654
Obligation under finance lease – due after one year		**1,356**	1,744
Deferred tax liabilities		**36,264**	36,765
Total non-current liabilities		**85,030**	73,163
Net Assets		**809,434**	789,633
Capital and Reserves			
Share capital	11	**26,145**	26,145
Reserves		**493,313**	476,892
Equity attributable to owners of the Company		**519,458**	503,037
Minority interests		**289,976**	286,596
Total Equity		**809,434**	789,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The Group's unaudited condensed interim financial information has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December, 2009.

2. Principal accounting policies

The condensed consolidated interim financial information has been prepared on the historical cost basis except for property, plant and equipment and certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009, except as described below.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretations ("Int") ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2010.

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
Annual Improvements Project	Improvements to HKFRSs 2009

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

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

[1] Effective for annual periods beginning on or after 1st February, 2010
[2] Effective for annual periods beginning on or after 1st July, 2010
[3] Effective for annual periods beginning on or after 1st January, 2011
[4] Effective for annual periods beginning on or after 1st January, 2011 (unless otherwise specified)
[5] Effective for annual periods beginning on or after 1st January, 2013

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

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

3. Revenue and segment information

Description of segments

Management has determined the operating segments based on the internal reports reviewed by the chief operating decision makers, namely, the executive directors, for the purpose of allocating resources to segments and assessing their performance. The Group's operating and reportable segments are printing and manufacturing of packaging products, and distribution of products.

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable segment.

	Printing and manufacturing of packaging products *HK$'000*	**Distribution of products** *HK$'000*	**Total** *HK$'000*
Six months ended 30th June, 2010 (Unaudited)			
SEGMENT REVENUE			
Reportable segment revenue	288,612	579,124	867,736
Elimination of inter-segment revenue	(38)	(4,502)	(4,540)
Consolidated revenue	288,574	574,622	863,196
SEGMENT RESULTS			
Reportable segment profit	63,293	16,181	79,474
Interest income			4,504
Fair value gain on held-for-trading investments			414
Fair value gain on other financial assets			1,463
Unallocated corporate expenses			(9,387)
Finance costs			(8,050)
Consolidated profit before tax			68,418

	Printing and manufacturing of packaging products *HK$'000*	Distribution of products *HK$'000*	Total *HK$'000*
Six months ended 30th June, 2009 (Unaudited)			
SEGMENT REVENUE			
Consolidated revenue	276,382	328,154	604,536
SEGMENT RESULTS			
Reportable segment profit	61,836	12,616	74,452
Interest income			6,801
Fair value gain on held-for-trading investments			694
Fair value loss on other financial assets			(740)
Unallocated corporate expenses			(8,558)
Finance costs			(11,328)
Consolidated profit before tax			61,321

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of investment and other income, and finance costs. This is the measure reported for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets

The following is an analysis of the Group's assets by reportable segment.

	Printing and manufacturing of packaging products *HK$'000*	**Distribution of products** *HK$'000*	**Total** *HK$'000*
At 30th June, 2010 (Unaudited)			
SEGMENT ASSETS			
Reportable segment assets	**1,075,386**	**468,117**	**1,543,503**
Available-for-sale investments			**22,060**
Deferred tax assets			**595**
Held-for-trading investments			**3,606**
Other financial assets			**1,477**
Unallocated corporate assets			**21,421**
Consolidated total assets			**1,592,662**

	Printing and manufacturing of packaging products *HK$'000*	Distribution of products *HK$'000*	Total *HK$'000*
At 31st December, 2009 (Audited)			
SEGMENT ASSETS			
Reportable segment assets	1,059,769	386,154	1,445,923
Available-for-sale investments			19,222
Deferred tax assets			595
Held-for-trading investments			3,845
Other financial assets			260
Unallocated corporate assets			18,378
Consolidated total assets			1,488,223

4. Profit for the period before taxation

Profit for the period before taxation has been arrived at after charging/(crediting):

	Six months ended 30th June,	
	(Unaudited)	(Unaudited)
	2010	2009
	HK$'000	*HK$'000*
Staff costs	**39,744**	30,361
Retirement benefits scheme contributions	**5,162**	4,113
Share-based payment expenses	**–**	63
Total staff costs including directors' emoluments	**44,906**	34,537
Cost of inventories recognised as an expense	**744,976**	500,358
Depreciation and amortisation of property, plant and equipment	**21,133**	20,247
Amortisation of prepaid lease payments	**306**	306
Interest income	**(4,504)**	(6,801)

5. Taxation

	Six months ended 30th June,	
	(Unaudited)	(Unaudited)
	2010	2009
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**1,147**	1,160
Taxation outside Hong Kong	**11,959**	8,235
	13,106	9,395
Deferred tax	**(501)**	1,496
	12,605	10,891

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Taxation outside Hong Kong represents the enterprise income tax of the People's Republic of China (the "PRC") calculated at the applicable rates on the estimated assessable profit of the Group's PRC subsidiaries for the relevant period.

6. Earnings per share

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30th June,	
	(Unaudited)	(Unaudited)
	2010	2009
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share		
Profit for the period attributable to owners of the Company	**31,803**	30,048

	Six months ended 30th June,	
	(Unaudited)	(Unaudited)
	2010	2009
	HK$'000	*HK$'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**261,453,600**	261,453,600
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**261,453,600**	261,453,600

For the six months ended 30th June, 2010, there are no outstanding share options or other securities that have a potential dilutive effect on the earnings per share attributable to the owners of the Company.

For the six months ended 30th June, 2009, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average daily market prices for the period.

7. Trade and other receivables from third parties, deposits and prepayments

The Group allows an average credit period of 30 to 120 days to its trade customers. Included within trade and other receivables from third parties, deposits and prepayments are trade receivables balance of HK$462,415,000 (31st December, 2009: HK$400,866,000), the aged analysis of this balance is as follows:

	(Unaudited) 30th June, 2010 *HK$'000*	(Audited) 31st December, 2009 *HK$'000*
Within 60 days	**308,350**	224,845
Within 61 – 90 days	**90,629**	88,688
More than 90 days	**63,436**	87,333
	462,415	400,866

8. Trade and other receivables from minority shareholders

The Group allows an average credit period of 30 to 90 days to the minority shareholders. Included within trade and other receivables from minority shareholders are trade receivables balance of HK$54,634,000 (31st December, 2009: HK$23,765,000), the aged analysis of this balance is as follows:

	(Unaudited) 30th June, 2010 *HK$'000*	(Audited) 31st December, 2009 *HK$'000*
Within 60 days	**52,976**	22,068
Within 61 – 90 days	**–**	–
More than 90 days	**1,658**	1,697
	54,634	23,765

9. Trade and other payables

Included within trade and other payables are trade payables balance of HK$168,061,000 (31st December, 2009: HK$190,699,000), the aged analysis of this balance is as follows:

	(Unaudited) 30th June, 2010 *HK$'000*	(Audited) 31st December, 2009 *HK$'000*
Within 60 days	**73,221**	62,948
Within 61 – 90 days	**37,113**	39,459
More than 90 days	**57,727**	88,292
	168,061	190,699

10. Borrowings

	(Unaudited) 30th June, 2010 *HK$'000*	(Audited) 31st December, 2009 *HK$'000*
Bank loans	**196,845**	248,496
Trust receipt and export loans	**310,543**	171,083
Other loan	**–**	4,000
	507,388	423,579
Analysed as		
– secured *(Note)*	**97,293**	59,084
– unsecured	**410,095**	364,495
	507,388	423,579
Within one year or on demand	**459,978**	388,925
More than one year but not exceeding two years	**10,666**	23,645
More than two years but not exceeding five years	**36,744**	11,009
	507,388	423,579
Less: Amount due within one year shown under current liabilities	**(459,978)**	(388,925)
Amount due after one year	**47,410**	34,654

Note: Included in secured borrowings are bank loans totalling HK$97,293,000 (31st December, 2009: HK$59,084,000) which are secured by the assets of a Company's subsidiary in the PRC according to the terms of the relevant loan agreements.

11. Share capital

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2009, 1st January, 2010 and 30th June, 2010	**1,000,000,000**	100,000
Issued and fully paid:		
At 1st January, 2009, 1st January, 2010 and 30th June, 2010	**261,453,600**	26,145

12. Total assets less current liabilities and net current assets

The Group's total assets less current liabilities amounted to HK$894,464,000 and HK$862,796,000 at 30th June, 2010 and 31st December, 2009 respectively. The Group's net current assets, defined as current assets less current liabilities, amounted to HK$232,516,000 and HK$211,674,000 at 30th June, 2010 and 31st December, 2009 respectively.

13. Capital commitments

	(Unaudited) 30th June, 2010	(Audited) 31st December, 2009
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of tangible assets contracted but not provided in the consolidated financial statements	**16,386**	30,557
Commitment for future aggregate minimum premium payments under an investment savings plan in respect of available-for-sale investments:		
– Within one year	**1,560**	4,680

14. Contingent liabilities

The Group had no significant contingent liabilities at the date of condensed consolidated statement of financial position.

15. Related party transactions

During the period under review, the Group had transactions with the related parties as follows:

		Six months ended 30th June,	
		(Unaudited)	(Unaudited)
Related parties	**Nature of transactions**	**2010**	2009
		HK$'000	*HK$'000*
Finance Bureau of Zhaotong City, Yunnan Province	Rental paid by the Group	**57**	**57**
Oncapital Limited	Rental paid by the Group	**438**	**–**

Details of the Group's outstanding balances with the related parties are set out on the condensed consolidated statement of financial position.

Save as disclosed above, there were no other significant transactions with related parties during the period or significant balances with them as at 30th June, 2010.

16. Events after the balance sheet date

Apex Digital Inc. ("Apex"), a major customer of the Group's distribution business in the United States of America ("US") of product, procured by the Group, has informed the Company that it intends to discontinue its television business and that it has filed a voluntary petition for reorganisation under Chapter 11 of the United States Bankruptcy Code on 17th August, 2010.

As at 13th August, 2010, Apex owed Kith Electronics Limited ("KEL"), a wholly-owned subsidiary of the Company, the debt, being an amount of US$12,068,000 (approximately HK$94,128,000) representing the balance of trade receivables due from Apex plus the US attorney's fee of KEL. The debt is secured by a first priority security interest and lien against Apex's assets, including its accounts, accounts receivables, inventory and deposit accounts and all of the proceeds derived from the foregoing assets. In conjunction with the filing of the voluntary petition by Apex, Apex and KEL has entered into a Stipulation Regarding Interim Use of Cash Collateral which sets out the terms upon which cash or cash equivalent received by Apex after the date of petition on an interim basis pending a final hearing.

On 17th August, 2010, Kith Consumer Product Inc. ("KCP"), a wholly-owned subsidiary of the Company, entered into the Consulting and Settlement Agreement (the "Agreement") with Apex, pursuant to which KCP has agreed to purchase, and Apex has agreed to sell the Purchased Assets, being the assets relating to the television business of Apex as defined in the Agreement. Amongst other conditions, the Agreement and transactions contemplated thereunder requires the approval of the Bankruptcy Court in the US.

The consideration for the Purchased Assets shall be KCP's assumption of a portion of the debt in the amount of US$10,698,000 (approximately HK$83,445,000) owed by Apex to KEL. Apex has also agreed under the Agreement to provide consulting services to the Group. US$1,500,000 of any remainder of the debt will continue to be secured by KEL's first priority security interest and lien against Apex's assets.

In the opinion of the directors, the completion of the Agreement will not have any significant effect on the Group's income and financial position on a consolidated basis.

INTERIM DIVIDEND

The Board has declared the payment of an interim cash dividend of HK2.3 cents (2009: HK2.2 cents) per share for the six months ended 30th June, 2010 payable on 15th October, 2010 to shareholders whose names appear on the Register of Members of the Company on 16th September, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17th September, 2010 to 22nd September, 2010 (both days inclusive) during which period no transfer of shares will be registered. All transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, of 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 16th September, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operation Results

Total turnover of the Group for the six months ended 30th June, 2010 amounted to HK$863,196,000, representing an increase of 42.79% from the corresponding period in 2009. Profit attributable to owners of the Company stood at HK$31,803,000 for the six months ended 30th June, 2010, representing an increase of approximately 5.84% compared with the corresponding period in 2009. The significant increase in turnover is mainly due to the increase in turnover of the distribution business of the Group. The Group has successfully addressed the declining converter box business. The distribution of liquid crystal display television sets and panels, hard disk drives, flash drives and "netbook" computers has generated a much larger turnover compared to the converter box business, albeit at a lower gross profit margin. On the other hand, the package printing business continued to enjoy growth in both turnover and gross profit margin. As a result, there was overall a slight increase in the profit attributable to owners of the Company compared to that of the last period.

Business Overview

Package Printing Division

The turnover from package printing business for the six months ended 30th June, 2010 was HK$288,574,000, representing an increase of 4.41% from the same period of 2009. Gross profit margin increased from 30.10% to approximately 33.81% in the first half of 2010. The increase in gross profit margin was a result of a change in the product mix of selling more higher profit margin products. The Group strived to control its cost through leveraging its bargaining power with suppliers and developing more efficient production techniques. Gross profit from the package printing business, which remains the core business of the Group, accounted for approximately 82.52% of the Group's total gross profit for the six months ended 30th June, 2010.

The demand for tobacco is still growing strong in the PRC. The steady growth in the PRC's economy and improvement in living standards continued to fuel the robust growth of the demand for lifestyle and fashionable consumer products which required better product design and packaging. Turnover from the tobacco printed packaging during the period still remained the core product line in the package printing division, constituting approximately 90.50% of the turnover from package printing division. The Group has continued to invest in the expansion of its production capacity and to research new technologies. The Group's new 10,000m^2 production building in its Kunming's production centre and the installation of a new advanced offset printing machine are near completion. The total investment for this expansion together with other capital expenditures is approximately HK$45,000,000. Besides, increasing its production capacity, this investment enable the Group to better cater for its pharmaceutical and wine customers in the Yunnan Province, who are poised to become a significant growth factor of its package printing business. The Group's business model of teaming with local government and major customer as a strategic partner in the Group's major joint ventures has continued to serve the Group well. One of the joint venture's partners of the Group's Yunnan joint venture, already one of the leading tobacco enterprises in the PRC, is expected to double its production volume in the next five years. With the continual support of its joint venture's partners, the Group will naturally gain and benefit from the above growth.

Distribution Business

Turnover from the distribution business during the period amounted to HK$574,622,000, representing a huge increase of 75.11% from the corresponding period in 2009. The gross profit margin decreased from 6.39% in the first half of 2009 to 3.60% in the same period of 2010. The large jump in turnover was result of successfully replacing the converter box business by distributing other consumer electronic products. Sales of converter box has dropped significantly since the second half of 2009, which was foreseen by the Group because converter box is a transitional product. The Group by actively leveraging its expertise in the consumer electronic product business, succeeded in not only replacing the previous business volume attributed to the sale of converter box, but managed to surpass it through the sale of its other products by a large amount. However, the gross profit margin of these products were not as high as the converter box. Hence, a drop in the overall gross profit margin.

In the second half of 2010, the Group has began to sell its consumer electronic products directly to major retail chain stores in the US. The Group foresees this will be a major growth factor in the coming years.

Human Resources Development

As at 30th June, 2010, the Group employed a total of approximately 1,000 employees. There was no substantial change in the number of employees during the period and most of them were hired by the Group's production plants in the PRC during the period. The Group has provided training to employees to update their expertise and enhance their development. Competitive remuneration packages and fringe benefits, including provident fund and medical insurance, are provided to attract, retain and motivate employees.

Listing of Taiwan Depositary Receipts

The Group has achieved another milestone in early 2010 as the Company has obtained the approval of the Taiwan Stock Exchange to issue Taiwan Depositary Receipts ("TDRs") for trading in the Taiwan Stock Exchange. The TDRs were listed on 4th February, 2010 and 60,000,000 units of TDRs were issued, with each unit of TDR representing one ordinary share of the Company. The issue of TDRs will provide the Group more business and investment opportunities in Taiwan and offers alternative channels of funding for the Group in the future, which will ultimately be beneficial to the long-term growth of the Group.

Future Prospects

The management is optimistic that the demand for high quality consumer products, mainly tobacco, which is the major market segment of the Group, will continue to maintain steady growth with the stable economic growth and improving living standards in the PRC. With its leading edge anti-counterfeit techniques and experience in tobacco package printing product design, the Group is confident in achieving a leading position in the package printing segment for other fast growing premium consumer products. As a result, the Group is seeking opportunities to diversify itself from the tobacco package printing to other markets, like pharmaceutical, wine and health foods.

In the past two years, the electronic product distribution division had made substantial contribution to the Group's turnover and profit. With the Group beginning to do business directly with major retail chain stores in the US, this division will continue to provide good returns to the Group in the future.

The Group will continue to seek other business opportunities for further development and diversification, which include expanding its product portfolio and geographical coverage for the package printing division through setting up new joint ventures with potential business partners in the PRC and existing distribution markets on consumer electronic products. In the short run, the Group will adopt a prudent approach towards expansion, closely monitor its working capital and implement cost saving measures.

The Board is pleased to announce that the directors of the Group's Yunnan joint venture have agreed to extend the business operation period of the joint venture for a further 25 years to a total of 50 years. This means that the business operation period of the Group's Yunnan joint venture will be extended to the year 2043. This extension of the business operation period is subject to the formal approval of the relevant authorities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30th June, 2010 with net current assets of HK$232,516,000 (31st December, 2009: HK$211,674,000) and bank balances and cash of HK$104,678,000 (31st December, 2009: HK$113,726,000). The net debt to equity ratio (Interest bearing liabilities less cash/Shareholders' equity plus minority interests) increased from 39.6% as of 31st December, 2009, to 50.00%. The increase in the net debt to equity ratio was a result of the increase in the use of bank financing to support the Group's business of distribution of consumer electronic products.

CAPITAL STRUCTURE

During the period, there was no change to the share capital of the Company.

EXCHANGE EXPOSURE

All sales and purchases for the package printing division are denominated in Renminbi ("RMB") and most of the sales and purchases for the distribution division are denominated either in US dollar or Hong Kong dollar. Through the currency match for sales and purchases, the exposure to exchange risks is minimised.

DIRECTORS, INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2010, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("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 (the "Model Code") contained in the Listing Rules, were as follows:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Hui King Chun, Andrew	Held by trust	165,869,000 *(Note)*	63.44%

Note: These shares are registered in the name of Accufit Investments Inc., a company indirectly wholly-owned by a discretionary trust, the beneficiaries of which are the family members of Mr. Hui King Chun, Andrew.

DIRECTORS, INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2010, as required to be 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interest disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.10 each of the Company

Names of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Basab Inc.	Beneficiary of trusts	165,869,000 *(Note)*	63.44%
Safeguard Trustee Limited	Beneficiary of trusts	165,869,000 *(Note)*	63.44%

Note: These shares are registered in the name of Accufit Investments Inc., which is 100% owned by Basab Inc. as trustee of the Basab Unit Trust which is a unit trust owned by Safeguard Trustee Limited as trustee of a discretionary trust, the beneficiaries of which are the family members of Mr. Hui King Chun, Andrew.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued capital of the Company as at 30th June, 2010.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to the annual general meeting of the Company held on 15th May, 2002 for the primary purpose of providing incentives to selected participants for their contribution to the Group, and will expire on 14th May, 2012. Under the Scheme, the Board may grant options to all directors of the Company (including independent non-executive directors) and any employee of the Group, and any participant from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe shares in the Company.

Details of the share options granted under the Scheme to directors of the Company and certain employees of the Group under the Scheme during the period and movements in such holding during the period are as follows:

	Date of grant	Vesting period	Exercisable period	Exercise price per share	Outstanding as at 1st January, 2010 and 30th June, 2010
Directors	28th August, 2007	28th August, 2007 to 27th February, 2009	28th February, 2009 to 27th August, 2009	2.673	–
Employees	28th August, 2007	28th August, 2007 to 27th February, 2009	28th February, 2009 to 27th August, 2009	2.673	–
					–

No share options were granted, exercised, cancelled or lapsed during the period. All share options became lapsed on 27th August, 2009.

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

During the six months period ended 30th June, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has adopted all the Code Provisions in Appendix 14 of the Listing Rules except the following deviations:

1. Mr. Hui King Chun, Andrew is the founder and Chairman of the Group. The Company does not at present have any officer with the title "Chief Executive Officer" and Mr. Hui has assumed the role of both Chairman and Managing Director since the establishment of the Company, and is in charge of the overall management of the Company. The Board intends to maintain this structure in future as it believes that this structure can ensure efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and management of the Company. (Code Provision A.2.1)

2. All the independent non-executive directors are not appointed for specific term but are subject to retirement and rotation and re-election at the Company's Annual General Meeting in accordance with Article 87(1) of the Company's Bye-Laws. (Code Provision A.4.1)

The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

AUDIT COMMITTEE

In accordance with the Appendix 14 of the Listing Rules, the Board established an Audit Committee since 1998 and the Audit Committee currently comprises three independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed the financial reporting matters in respect of the unaudited interim financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee includes the executive director, Mr. Hui King Chun, Andrew, and three independent non- executive directors, Mr. Ng Chi Yeung, Simon (chairman of the committee), Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong. The Remuneration Committee has adopted terms of reference, which are in line with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2010.

By Order of the Board
Hui King Chun, Andrew
Chairman

Hong Kong, 26th August, 2010