

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



## **KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED**

*(incorporated in Bermuda with limited liability)*

**(stock code: 1159)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008**

#### **HIGHLIGHTS**

The Group's turnover from continuing operation was decreased by approximately 27.6% to approximately HK\$70,681,000.

Loss for the year from continuing operation was approximately HK\$77,012,000 while total loss, including both continuing and discontinued operations, was approximately HK\$169,728,000.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) from continuing operation, for the year, excluding a gain on fair value change of derivative financial instruments of approximately HK\$38,000 and impairment losses on available-for-sale investment of approximately HK\$23,268,000, was at a loss of approximately HK\$44,374,000.

The net assets were approximately HK\$253,270,000.

Basic loss per share from continuing operation was approximately HK12.08 cents while basic loss per share from both continuing and discontinued operations was approximately HK26.62 cents.

#### **ANNUAL RESULTS**

The board of directors (the "Directors") of Karce International Holdings Company Limited (the "Company") announced that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for year ended 31 December 2007 are as follows:

\* *For identification purposes only*

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK\$'000	2007 HK\$'000 (Restated)
<b>Continuing operation</b>			
Revenue	3	70,681	97,565
Cost of sales		<u>(100,612)</u>	<u>(93,971)</u>
Gross (loss)/profit		(29,931)	3,594
Other revenue and gain	4	203	95
Selling and distribution costs		(1,545)	(1,380)
Administrative expenses		(22,146)	(17,538)
Impairment loss recognised in respect of available-for-sale investment		(23,268)	(28,008)
Finance costs	5	<u>(291)</u>	<u>(554)</u>
Loss before taxation	6	(76,978)	(43,791)
Income tax expenses	7	<u>(34)</u>	<u>(352)</u>
Loss for the year from continuing operation		(77,012)	(44,143)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	13	<u>(92,716)</u>	<u>(20,607)</u>
Loss for the year		<u>(169,728)</u>	<u>(64,750)</u>
Attributable to:			
Equity holders of the Company		<u>(169,728)</u>	<u>(64,750)</u>
<b>Loss per share</b>			
9			
<b>From continuing and discontinued operations</b>			
Basic and diluted (HK cents per share)		<u>(26.62)</u>	<u>(11.89)</u>
<b>From continuing operation</b>			
Basic and diluted (HK cents per share)		<u>(12.08)</u>	<u>(8.11)</u>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Non-current Assets</b>			
Investment properties		–	71,579
Property, plant and equipment		53,676	252,095
Prepaid lease payments		3,526	18,046
Available-for-sale investment		8,241	–
Club debenture		600	1,180
		<u>66,043</u>	<u>342,900</u>
<b>Current Assets</b>			
Inventories		7,074	129,030
Trade and bills receivables	10	29,782	99,098
Prepayments, deposits and other receivables	11	28,899	10,179
Available-for-sale investment		–	29,541
Derivative financial instruments		–	5,543
Bank balances and cash		1,609	53,179
		<u>67,364</u>	<u>326,570</u>
Assets classified as held for sale	14	382,490	–
		<u>449,854</u>	<u>326,570</u>
<b>Current Liabilities</b>			
Trade and bills payables	12	22,139	131,010
Other payables and accruals		30,815	40,143
Amount due to a shareholder		15,500	–
Derivative financial instruments		–	22,734
Tax liabilities		20	18,651
Obligations under finance leases			
– due within one year		–	3,714
Bank loans			
– due within one year		–	46,494
		<u>68,474</u>	<u>262,746</u>
Liabilities associated with assets classified as held for sale	14	190,971	–
		<u>259,445</u>	<u>262,746</u>
<b>Net Current Assets</b>		<u>190,409</u>	<u>63,824</u>
<b>Total Assets less Current Liabilities</b>		<u>256,452</u>	<u>406,724</u>

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Equity attributable to equity holders of the Company</b>		
<b>Capital and Reserves</b>		
Share capital	<b>65,236</b>	54,436
Reserves	<u><b>188,034</b></u>	<u>320,595</u>
	<u><b>253,270</b></u>	<u>375,031</u>
<b>Non-current Liabilities</b>		
Obligations under finance leases		
– due after one year	–	1,887
Bank loans		
– due after one year	–	9,164
Deferred tax liabilities	<u><b>3,182</b></u>	<u>20,642</u>
	<u><b>3,182</b></u>	<u>31,693</u>
	<u><u><b>256,452</b></u></u>	<u><u>406,724</u></u>

Notes:

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendment)	Financial Instruments: Disclosures-Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>6</sup>
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>7</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2009
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2009
- <sup>4</sup> Effective for annual periods beginning on or after 30 June 2009
- <sup>5</sup> Effective for annual periods beginning on or after 1 July 2008
- <sup>6</sup> Effective for annual periods beginning on or after 1 October 2008
- <sup>7</sup> Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. 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 the financial position of the Group.

### **3. SEGMENT INFORMATION**

#### **Business segments**

For management purposes, the Group is organised into three principal operating divisions - electronic products, conductive silicon rubber keypads and printed circuit boards. These division are the basis on the Group reports its primary segment information: Inter-segment sales were made at cost plus mark up.

During the financial year, the Group disposed of its printed circuit boards business and the Directors announced a plan to dispose of the electronic products business (note 13).

Segment information about these businesses is presented below.

**2008**

	Continuing operation			Discontinued operations				Total Consolidated HK\$'000
	Conductive silicon rubber keypads HK\$'000	Eliminations HK\$'000	Total HK\$'000	Electronic products HK\$'000	Printed circuit boards HK\$'000	Eliminations HK\$'000	Total HK\$'000	
<b>REVENUE</b>								
External sales	70,681	-	70,681	512,847	61,555	-	574,402	645,083
Inter-segment sales	16,239	(16,239)	-	5,041	18,824	(23,865)	-	-
Total	<u>86,920</u>	<u>(16,239)</u>	<u>70,681</u>	<u>517,888</u>	<u>80,379</u>	<u>(23,865)</u>	<u>574,402</u>	<u>645,083</u>
<b>RESULT</b>								
Segment results	<u>(28,809)</u>	<u>(14,957)</u>	(43,766)	<u>(8,951)</u>	<u>(50,392)</u>	<u>14,957</u>	(44,386)	(88,152)
Unallocated corporate expenses			(9,691)				-	(9,691)
Loss on disposal of subsidiaries			-				(31,606)	(31,606)
Finance costs			(291)				(4,412)	(4,703)
Impairment loss recognised in respect of available-for-sale investment			(23,268)				-	(23,268)
Gain/(loss) on fair value change of derivative financial instruments			38				(5,917)	(5,879)
Loss before taxation			(76,978)				(86,321)	(163,299)
Income tax expenses			(34)				(6,395)	(6,429)
Loss for the year			<u>(77,012)</u>				<u>(92,716)</u>	<u>(169,728)</u>

2008

**BALANCE SHEET**

	<b>Conductive silicon rubber keypads <i>HK\$'000</i></b>	<b>Electronic products (discontinued operation) <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
<b>ASSETS</b>			
Segment assets	90,886	382,490	473,376
Unallocated corporate assets			<u>42,521</u>
Consolidated total assets			<u><u>515,897</u></u>
<b>LIABILITIES</b>			
Segment liabilities	32,225	190,971	223,196
Unallocated corporate liabilities			<u>39,431</u>
Consolidated total liabilities			<u><u>262,627</u></u>

**OTHER INFORMATION**

	<u>Continuing operation</u>	<u>Discontinued operations</u>				
	<b>Conductive silicon rubber keypads <i>HK\$'000</i></b>	<b>Electronic products <i>HK\$'000</i></b>	<b>Printed circuit boards <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
Additions to property, plant and equipment	6,496	10,362	3,882	14,244	-	20,740
Depreciation of property, plant and equipment	8,006	21,159	7,478	28,637	980	37,623
Amortisation of prepaid lease payments	97	368	24	392	-	489
Written down/(reversal) of obsolete and slow moving inventories	1,065	-	(2,499)	(2,499)	-	(1,434)
Impairment loss recognised in respect of trade receivables	<u>594</u>	<u>5,695</u>	<u>572</u>	<u>6,267</u>	<u>-</u>	<u>6,861</u>



2007

	Continuing operation			Discontinued operations			Total Consolidated HK\$'000	
	Conductive silicon rubber keypads HK\$'000	Eliminations HK\$'000	Total HK\$'000	Electronic products HK\$'000	Printed circuit boards HK\$'000	Eliminations HK\$'000		
<b>REVENUE</b>								
External sales	97,565	-	97,565	538,627	98,922	-	637,549	735,114
Inter-segment sales	16,486	(16,486)	-	3,273	28,159	(31,432)	-	-
Total	<u>114,051</u>	<u>(16,486)</u>	<u>97,565</u>	<u>541,900</u>	<u>127,081</u>	<u>(31,432)</u>	<u>637,549</u>	<u>735,114</u>
<b>RESULT</b>								
Segment results	<u>1,819</u>	<u>(15,348)</u>	(13,529)	<u>(10,462)</u>	<u>(13,421)</u>	<u>15,348</u>	(8,535)	(22,064)
Unallocated corporate expenses			(2,445)				-	(2,445)
Finance costs			(554)				(4,072)	(4,626)
Impairment loss recognised in respect of available-for-sale investment			(28,008)				-	(28,008)
Gain/(loss) on fair value change of derivative financial instruments			745				(6,428)	(5,683)
Loss before taxation			(43,791)				(19,035)	(62,826)
Income tax expenses			(352)				(1,572)	(1,924)
Loss for the year			<u>(44,143)</u>				<u>(20,607)</u>	<u>(64,750)</u>

2007

**BALANCE SHEET**

	<b>Conductive silicon rubber keypads <i>HK\$'000</i></b>	<b>Electronic products (discontinued operation) <i>HK\$'000</i></b>	<b>Printed circuit boards (discontinued operation) <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
<b>ASSETS</b>				
Segment assets	103,624	419,441	108,003	631,068
Unallocated corporate assets				38,402
Consolidated total assets				<u>669,470</u>
<b>LIABILITIES</b>				
Segment liabilities	23,392	106,227	39,080	168,699
Unallocated corporate liabilities				125,740
Consolidated total liabilities				<u>294,439</u>

**OTHER INFORMATION**

	<u>Continuing operation</u>	<u>Discontinued operations</u>			<u>Unallocated <i>HK\$'000</i></u>	<u>Consolidated <i>HK\$'000</i></u>
	<b>Conductive silicon rubber keypads <i>HK\$'000</i></b>	<b>Electronic products <i>HK\$'000</i></b>	<b>Printed circuit boards <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>		
Additions to property, plant and equipment	5,186	13,206	13,494	26,700	–	31,886
Depreciation of property, plant and equipment	8,016	18,426	8,200	26,626	602	35,244
Amortisation of prepaid lease payments	88	345	28	373	–	461
(Reversal of)/written down of obsolete and slow moving inventories	(371)	3,061	493	3,554	–	3,183
Impairment loss recognised in respect of trade receivables	<u>2,520</u>	<u>1,163</u>	<u>847</u>	<u>2,010</u>	<u>–</u>	<u>4,530</u>

## Geographical segments

The Group's customers are principally located in Hong Kong, The People's Republic of China (the "PRC") (other than Hong Kong), Europe, Japan, other Asian countries and America.

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

	Revenue from external customers		Revenue from external customers		Consolidated	
	Continuing operation		Discontinued operations			
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	14,403	68,779	193,674	215,734	208,077	284,513
PRC	56,252	23,757	26,190	27,851	82,442	51,608
Europe	26	125	164,861	169,399	164,887	169,524
Japan	-	-	68,633	84,882	68,633	84,882
Other Asian countries	-	4,904	54,061	67,800	54,061	72,704
America	-	-	42,399	55,089	42,399	55,089
Others	-	-	24,584	16,794	24,584	16,794
	<u>70,681</u>	<u>97,565</u>	<u>574,402</u>	<u>637,549</u>	<u>645,083</u>	<u>735,114</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	87,964	145,732	2,568	132
PRC	<u>385,412</u>	<u>485,336</u>	<u>18,172</u>	<u>31,754</u>
	<u>473,376</u>	<u>631,068</u>	<u>20,740</u>	<u>31,886</u>

#### 4. OTHER REVENUE AND GAIN

	Continuing operation		Discontinued operations		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Interest income	64	95	329	1,235	393	1,330
Gain on disposal of property, plant and equipment	67	–	149	127	216	127
Reversal of impairment loss recognised in respect of trade receivables	72	–	451	–	523	–
Revaluation surplus on buildings	–	–	484	331	484	331
Gain on fair value change on investment properties	–	–	128	3,252	128	3,252
	<u>203</u>	<u>95</u>	<u>1,541</u>	<u>4,945</u>	<u>1,744</u>	<u>5,040</u>

#### 5. FINANCE COSTS

	Continuing operation		Discontinued operations		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Interest on:						
Bank loans wholly repayable within five years	102	554	2,466	3,539	2,568	4,093
Obligations under finance leases	–	–	192	533	192	533
Overdraft and other finance costs	189	–	1,754	–	1,943	–
	<u>291</u>	<u>554</u>	<u>4,412</u>	<u>4,072</u>	<u>4,703</u>	<u>4,626</u>

## 6. LOSS BEFORE TAXATION

	Continuing operation		Discontinued operations		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Loss before taxation has been arrived at after charging:</b>						
Auditors' remuneration	309	994	511	427	820	1,421
Depreciation:						
– Owned assets	8,339	7,970	28,067	24,769	36,406	32,739
– Assets held under finance leases	647	648	570	1,857	1,217	2,505
Amortisation of prepaid lease payments	97	88	392	373	489	461
Impairment loss recognised in respect of trade receivables	594	2,520	6,267	2,010	6,861	4,530
Impairment loss recognised in respect of club debenture	580	–	–	–	580	–
Loss on disposal of available-for-sale investment	258	–	–	–	258	–
Cost of inventories recognised as expense	99,520	93,971	528,001	570,410	627,521	664,381
Write down/(reversal) of obsolete and slow moving inventories	1,065	(371)	(2,499)	3,554	(1,434)	3,183
Directors' remuneration	530	600	4,823	5,273	5,353	5,873
Other staff costs	33,998	31,932	130,019	120,784	164,017	152,716
Retirement benefits scheme contribution	671	559	2,724	3,265	3,395	3,824
Staff costs	35,199	33,091	137,566	129,322	172,765	162,413
Operating lease rentals	81	146	418	1,283	499	1,429
Loss on disposal of property, plant and equipment	92	–	364	–	456	–
Loss on fair value change of derivative financial instruments comprised of:						
– Realised (gain)/loss	(38)	(1,684)	5,202	(7,792)	5,164	(9,476)
– Unrealised loss	–	939	715	14,220	715	15,159
	(38)	(745)	5,917	6,428	5,879	5,683
<b>and after crediting:</b>						
Gross rental income from investment properties	–	–	185	7,457	185	7,457
Less: Direct operating expenses from investment properties that generate rental income during the year	–	–	(36)	(520)	(36)	(520)
	–	–	149	6,937	149	6,937
Foreign exchange gain net	–	–	7,667	577	7,667	577

## 7. INCOME TAX EXPENSES

	Continuing operation		Discontinued operations		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current tax:						
Hong Kong Profits Tax	-	-	-	75	-	75
PRC Enterprise Income Tax	-	352	5,185	2,037	5,185	2,389
	<u>-</u>	<u>352</u>	<u>5,185</u>	<u>2,112</u>	<u>5,185</u>	<u>2,464</u>
(Over)/under provision of current tax in prior years:						
Hong Kong Profits Tax	34	-	-	(351)	34	(351)
PRC Enterprise Income Tax	-	-	1,098	(943)	1,098	(943)
	<u>34</u>	<u>-</u>	<u>1,098</u>	<u>(1,294)</u>	<u>1,132</u>	<u>(1,294)</u>
Deferred tax						
Current year	-	-	112	813	112	813
Attributable to a change in tax rate	-	-	-	(59)	-	(59)
	<u>-</u>	<u>-</u>	<u>112</u>	<u>754</u>	<u>112</u>	<u>754</u>
	<u><b>34</b></u>	<u>352</u>	<u><b>6,395</b></u>	<u>1,572</u>	<u><b>6,429</b></u>	<u>1,924</u>

During the year ended 31 December 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2007: 27%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council issued Implementation Regulation of the New Law. The New Law and Implementation Regulation changed the tax rate of the PRC subsidiaries to 25% from 1 January 2008 onwards.

## 8. DIVIDEND

Dividends recognised as distributions during the year:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Final dividend, paid:		
(2007: payment for 2006 final dividends of HK 1 cent per share)	<u>          -</u>	<u>      5,444</u>

No dividend was proposed by directors for the year ended 31 December 2008. (2007: Nil)

## 9. LOSS PER SHARE

### From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<i>Loss</i>		
Loss for the year attributable to the equity holders of the Company for the purpose of basic loss per share	<u>      169,728</u>	<u>      64,750</u>
	<i>'000</i>	<i>'000</i>
<i>Number of ordinary shares</i>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>      637,602</u>	<u>      544,356</u>

There was no diluting event existed during the years ended 31 December 2008 and 2007.

### From continuing operation

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Loss figures are calculated as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the Company	<b>169,728</b>	64,750
Less: Loss for the year from discontinued operations	<u><b>(92,716)</b></u>	<u>(20,607)</u>
Loss for the purpose of basic loss per shares from continuing operation	<u><b>77,012</b></u>	<u>44,143</u>

The denominators used are the same as those detailed above for both basic and dilutive earnings per share.

There was no diluting event existed during the years ended 31 December 2008 and 2007.

### From discontinued operations

Basic loss per share for the discontinued operations is HK14.54 cents per share (2007: HK3.79 cents per share) based on the loss for the year from discontinued operations of approximately HK\$92,716,000 (2007: HK\$20,607,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

There was no diluting event existed during the years ended 31 December 2008 and 2007.

## 10. TRADE AND BILLS RECEIVABLES

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Trade receivables</b>	<b>31,036</b>	103,349
Less: Impairment loss recognised in respect of trade receivables	<u><b>(1,915)</b></u>	<u>(6,544)</u>
	<b>29,121</b>	96,805
<b>Bills receivables</b>	<u><b>661</b></u>	<u>2,293</u>
	<u><b>29,782</b></u>	<u>99,098</u>



The Group allows an average credit period of 60 days to its trade customers. An aged analysis of trade receivables and bills receivables, net of provision for impairment loss recognised in respect of trade receivables, is as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not yet due	17,630	69,780
Overdue within 30 days	6,151	13,289
Overdue for 31-60 days	3,022	5,158
Overdue for 61-90 days	2,877	7,692
Overdue for more than 90 days	102	3,179
	<u>29,782</u>	<u>99,098</u>

#### 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Prepayments, deposits and other receivables</b>	29,367	10,273
Less: Impairment loss recognised in respect of other receivables	<u>(566)</u>	<u>(566)</u>
	<u>28,801</u>	<u>9,707</u>
<b>Prepaid lease payments</b>	<u>98</u>	<u>472</u>
	<u>28,899</u>	<u>10,179</u>

#### 12. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables is as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not yet due or overdue within 30 days	12,886	117,746
Overdue for 31-60 days	3,376	6,166
Overdue for 61-90 days	2,066	2,385
Overdue for more than 90 days	3,811	4,713
	<u>22,139</u>	<u>131,010</u>

### **13. DISCONTINUED OPERATIONS**

#### **Disposal of the printed circuit boards business**

On 12 September 2008, the Group has entered into a conditional sale and purchase agreement with KFE Hong Kong Co., Limited (“KFE Hong Kong”), as the purchaser and KFE Japan Co. Ltd. (“KFE Japan”), as the issuer of the subscription shares, under which the Group has agreed to sell and KFE Hong Kong has agreed to purchase (i) the entire issued share capital of Jet Master Limited (“Jet Master”) and the entire registered capital of Dongguan Tai Shan Electronics Co., Ltd., (“Tai Shan”) which was wholly owned by Jet Master and (ii) the factory land, production setup, properties with relevant licenses and the lease, machinery and sewage facilities.

Subsequently on 26 September 2008, the Group has entered into a supplementary agreement with KFE Hong Kong and KFE Japan, under which the Group has agreed to sell and KFE Hong Kong has agreed to purchase the entire inventory of Tai Shan as at 30 September 2008 at market value. For further details, please refer to the circular dated 17 October 2008. The disposal was completed on 30 September 2008.

#### **Plan to dispose of the electronic products business**

On 2 May 2008, the Group has entered into a conditional sale and purchase agreement with Extract Group Limited (“Extract Group”), under which the Group has agreed to sell and Extract Group has agreed to purchase the entire interest in and the shareholder’s loans due from Habermann Limited, Joyham Jade Limited, Sabic Electronic Limited and Xinyu Electronics Limited. For further details, please refer to the circular dated 30 September 2008. The disposal was completed on 26 February 2009. Please refer to note 14 for details.

The combined results and cash flows of the discontinued operations (i.e. the printed circuit boards and electronic products businesses) included in the consolidated income statement and the consolidated cash flow statement are set out below.

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Loss for the year from discontinued operations</b>		
Revenue	<b>574,402</b>	637,549
Expenses	<u><b>(629,117)</b></u>	<u>(656,584)</u>
Loss before taxation	<b>(54,715)</b>	(19,035)
Income tax expenses	<u><b>(6,395)</b></u>	<u>(1,572)</u>
	<b>(61,110)</b>	(20,607)
Loss on disposal of operations	<u><b>(31,606)</b></u>	<u>–</u>
Loss for the year from discontinued operations	<u><u><b>(92,716)</b></u></u>	<u><u>(20,607)</u></u>
<b>Cash flows from discontinued operations</b>		
Net cash outflows from operating activities	<b>(25,586)</b>	(590)
Net cash outflows from investing activities	<b>(61)</b>	(17,817)
Net cash (outflows)/inflows from financing activities	<u><b>(3,777)</b></u>	<u>9,086</u>
Net cash outflows	<u><u><b>(29,424)</b></u></u>	<u><u>(9,321)</u></u>

The electronic products business has been classified and accounted for at 31 December 2008 as a disposal group held for sale.

#### 14. ASSETS CLASSIFIED AS HELD FOR SALE

	<b>2008</b> <i>HK\$'000</i>
Assets related to the electronic products business	<b>382,490</b>
Liabilities associated with assets classified as held for sale	<u><b>(190,971)</b></u>
Net assets of electronic products business classified as held for sale ( <i>Note</i> )	<u><u><b>191,519</b></u></u>
Reserves of disposal group classified as held for sale ( <i>Note</i> )	<u><u><b>101,967</b></u></u>

*Note:*

As described in note 13, the Group has entered into an agreement to dispose of its electronic products business and the disposal was completed on 26 February 2009. The major classes of assets and liabilities comprising the operation classified as held for sale at the balance sheet date are as follows:

	<b>2008</b> <b>HK\$'000</b>
Investment properties	77,402
Property, plant and equipment	141,804
Prepaid lease payments	14,366
Inventories	83,954
Trade and bills receivables	49,094
Prepayments, deposits and other receivables	1,002
Bank balances and cash	<u>14,868</u>
Assets of electronic products business classified as held for sale	<u>382,490</u>
Trade and bills payables	(63,708)
Other payables and accruals	(28,234)
Tax liabilities	(21,980)
Derivative financial instruments	(715)
Obligations under finance leases	(2,770)
Amount due to a director ( <i>Note i</i> )	(1,500)
Bank loans ( <i>Note ii</i> )	(54,712)
Deferred tax liabilities	<u>(17,352)</u>
Liabilities of electronic products business associated with assets classified as held for sale	<u>(190,971)</u>
Net assets of electronic products business classified as held for sale	<u><u>191,519</u></u>
Capital reserve	9,513
Special reserve	15,930
Asset revaluation reserve	40,534
Exchange reserve	<u>35,990</u>
Reserves of electronic products business classified as held for sale	<u><u>101,967</u></u>

*Note i:* The amount due was unsecured, interest-free and repayable on demand. The directors consider that the carrying amount approximates to its fair value.

*Note ii:* The Group's bank loans carry floating interests at 1% to 2% above Hong Kong Inter Bank Offer Rate ("HIBOR"). Their effective interest rates are ranging from 2.31% to 5.26% (2007: 4.35% to 7.07%) per annum.

## **DIVIDEND**

As a prudent measure to safeguard the Group's interests in a turbulent environment, the Directors have decided not to recommend a final dividend for the year ended 31 December 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Group will not be closed.

## **RESULT OF THE YEAR**

The Group recorded revenue from continuing operation (i.e. the conductive silicon rubber keypads business) of approximately HK\$70,681,000 for the year ended 31 December 2008, representing a decrease of approximately 27.6% as compared with approximately HK\$97,565,000 of the corresponding year in 2007.

In view of the persistent increasing high costs in the People's Republic of China (the "PRC") for wages, electricity, transportation and material costs, the Group's gross margin from continuing operation dropped from approximately HK\$3,594,000 profit in 2007 to approximately HK\$29,931,000 loss in 2008.

During the year under review, the Group has entered into some foreign exchange and interest rate derivative financial instruments for the management of its exchange rate and interest rate risk exposure. The fair value of these derivative financial instruments has to be re-measured at the balance sheet date. As a summary, the Group has made a gain of approximately HK\$38,000 (2007: approximately HK\$745,000) on fair value change of derivative financial instruments from continuing operation, but a total loss (including both continuing and discontinued operations) of approximately HK\$5,879,000 (2007: approximately HK\$5,683,000).

In addition, the Directors made an impairment loss on available-for-sale investment of approximately HK\$23,268,000 (2007: approximately HK\$28,008,000) for the year ended 31 December 2008.

Moreover, a loss of approximately HK\$92,716,000 (2007: approximately HK\$20,607,000) was incurred on the discontinued operations (i.e. the electronic products and printed circuit boards businesses) for the year ended 31 December 2008.

As a result, the Group recorded a net loss attributable to shareholders of approximately HK\$169,728,000 for the year ended 31 December 2008 (2007: approximately HK\$64,750,000), including a net loss from continuing operation of approximately HK\$77,012,000 (2007: approximately HK\$44,143,000).

In analysing the profitability of the Group the EBITDA from continuing operation, excluding a gain on fair value change of derivative financial instruments, impairment loss on available-for-sale investment, was at a loss of approximately HK\$44,374,000 (2007: approximately HK\$7,268,000).

Basic loss per share from both continuing and discontinued operations was approximately HK26.62 cents (2007: approximately HK11.89 cents) for the year ended 31 December 2008 while basic loss per share from continuing operation only was approximately HK12.08 cents (2007: approximately HK8.11 cents)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business and Operational Review**

During the year ended 31 December 2008, the Group was organised into three principal operating divisions - conductive silicon rubber keypads, electronic products and printed circuit boards.

On 30 September 2008, the non-performing printed circuit boards segment was disposed of. On 23 May 2008, the Group announced the disposal of the electronic products segment. The disposal was completed on 26 February 2009.

For the year ended 31 December 2008, the Group recorded a decrease in sales volume and recorded a turnover from continuing operation of approximately HK\$70,681,000, representing a decrease of approximately 27.6% as compared with approximately HK\$97,565,000 of the corresponding year in 2007.

On a positive note, despite the business and operational environment remained uncertain in general, global outsourcing remains an irreversible trend. At the same time, manufacturers continue to witness mounting challenges at the production end, especially in the PRC.

As conductive silicon rubber keypads manufacturing is highly labour intensive, continuing increases in the cost of and the shortage of skilled and experienced workers in the PRC have added to the already difficult operating environment. Operational efficiency and optimum utilization of production facilities were also affected. Other

The core profitability of the Group was eroded by increasing cost elements in several areas. First, high crude oil prices have driven up the costs of plastic components and of related inward freight costs, resulting in an increase in materials costs.

In addition, the continuous appreciation of Renminbi (“RMB”) led to a heavy strike on export enterprises. The labour cost in the PRC factories for the conductive silicon rubber keypads business was increased by approximately HK\$5,681,000 for the year ended 31 December 2008.

These factors, together with escalating electricity costs, led to a drastic increase in the Group’s overall cost of sales. As a result, the gross margin from continuing operations dropped from approximately HK\$3,594,000 profit in 2007 to approximately HK\$29,931,000 loss in 2008.

Cost control disciplines have long been embedded in the Group's operations. During the year under review, continuing efforts were also made to control and reduce costs of sales and administrative expenses. Particular strong action has been applied in the second half of the year.

## **Segmental analysis**

### *Conductive silicon rubber keypads*

For the year ended 31 December 2008, the turnover contributed from the conductive silicon rubber keypads business decreased by approximately 27.6% to approximately HK\$70,681,000 (2007: approximately HK\$97,565,000). The decrease is mainly due to the competition in the high value-added plastic plus rubber ("P+R") telephone keypads products and roller markets, which have changed much faster than expected.

During the year under review, this segment faced unstable material costs for mainly conductive silicon rubber and plastic components. Some customers held back their decision in placing order and shortened the lead time to deliver finished goods. Consequently, there was pressure on the average selling price.

Accordingly, this segment results dropped from approximately HK\$13,529,000 loss in previous year to a loss of approximately HK\$43,766,000 in current year, despite vigorous efforts in containing costs have been made and operational efficiency has been improved.

In fact, conductive silicon rubber keypads are crucial components in the production of electronic calculators, electronic organizers, mobile phones and audio visual products. With the variety of different electronic products launched in the market, this business remains an important sector of the Group.

The Directors are confident that the maintenance of high quality and reliability standards and customer support can bring a positive contribution to the Group.

### *Electronic products*

Through development of businesses on Origin Design Manufacturing Products ("ODM products") and Origin Equipment Manufacturing ("OEM products"), such as electronic learning machines, electronic educational game products, SIM card reader for on-line banking system, digital printer control panel, security systems, printer/fax/scanner/copier (multi-function) control panels, electronic D-box for vehicles, interactive handheld dictionary and RF price tags, the turnover of electronic products remained strong. However, the economic tsunami has caused a drop of approximately 4.8% to approximately HK\$512,847,000 (2007: approximately HK\$538,627,000).

The management of the Group has implemented a series of tight cost control and operational efficiency measures in order to keep the product pricing at a profitable and acceptable level. For instance, the administrative labour cost has been reduced by approximately HK\$974,000 or 2.7%.

Nevertheless, because of the enforcement of Labour Contract Act in China in 2008, the Group's production labour cost has been increased by approximately 7.8%. In addition, material costs remained high, representing approximately 63.0% of turnover. (2007: approximately 62.8%)

In view of the high cost above, the operating results derived from electronic products suffered a loss of approximately HK\$8,951,000 for the year ended 31 December 2008 (2007: approximately HK\$10,462,000).

On 23 May 2008, the Group announced the investment in the production and distribution LCoS Television through acquisition. The acquisition was completed on 15 January 2009 while as explained in the Group's announcement dated 20 April 2009, the pledge created on the LCoS's TMDC sale machineries has not been discharged, the implementation of the production and sales plan of the Suzhou Plant and the LCoS has been delayed. The Directors are of the view that the LCoS technology is of considerable development potential. If the original production and sales plan of the acquired group may be caught up, the investment is likely to contribute significantly to the Group's core profitability in the future. The Group expects LCoS Television to be the major category over the next few years.

The Group has been and will be monitoring the above situation closely and taking all necessary actions to procure the trial production at the Suzhou Plant to commence as soon as practicable, so that the commercial production and operations of the LCoS may catch up with what was originally planned.

Also on 23 May 2008, the Group announced the disposal of the electronic products segment where the disposal was completed on 26 February 2009. The financial results of the electronic products segment disposed have been presented as the discontinued operations.

#### *Printed circuit boards ("PCB")*

The market for PCB was fiercely competitive during the year under review. For the period from 1 January 2008 to 30 September 2008, the turnover of PCB was about HK\$61,555,000 (2007 Full Year: approximately HK\$98,922,000). During the period under review, the business strategy was focused to consolidate on its key client base and serve a range of well known customers in Japan and the Asian Pacific Region.

Because of continuous increase in prices of raw materials and components, the PCB segment results recorded an operating loss of approximately HK\$50,392,000 for the nine months ended 30 September 2008 (2007 Full Year: approximately HK\$13,422,000).

Due to the deteriorating result, the Group finally disposed of the PCB segment on 30 September 2008. This resulted in a disposal loss of HK\$31,606,000. Despite that, the Directors were of the view that the disposal provided the Group with the opportunity to realize the loss-making business for immediate cash inflow for financing its existing business operations and general working capital of the Group.



Following the completion, the group became a shareholder of KFE Japan by subscribing for the KFE Japan Subscription Shares, which is listed on the Nagoya Stock Exchange. The group had been selling PCB to KFE Japan which was principally engaged in the development, trading and manufacture of electronic products in Japan. The Directors of the Group believe that the KFE Japan share subscription would be a better investment than running the PCB segment. The value of KFE Japan Subscription Shares is accounted for as available-for-sale investment.

### **Available-for-sale investment**

Ascalade Communications Inc. (“Ascalade Inc.”), a corporation incorporated pursuant to the laws of the Province of British Columbia and whose securities were once listed on the Toronto Stock Exchange, with the stock symbol “ACG” was privatized on 3 December 2008. As at 31 December 2008, the Group’s attributable equity interest in Ascalade Inc. maintained at approximately 9.8%. Ascalade Inc. is classified as an available-for sale investment.

Following the completion of disposal of the PCB segment, the group became a shareholder of KFE Japan on 1 October 2008 by subscribing for the KFE Japan Subscription Shares, which is listed on the Nagoya Stock Exchange. The group had been selling PCB to KFE Japan which was principally engaged in the development, trading and manufacture of electronic products in Japan. The value of KFE Japan Subscription Shares is accounted for as available-for-sale investment.

The Group’s available-for-sale investment is measured at fair value at each balance sheet date, which expose the Group to equity security price risk. As such, the Directors regularly reviews the value of the available-for-sale investment and will consider adequate impairment to be made when necessary.

The share price of Ascalade Inc. has been decreasing consistently from CAD2.5 on 29 June 2007 to CAD1.25 on 31 December 2007. As a result, the Directors consider that it is a prudent decision to realise part of the Group’s investment in Ascalade Inc. through the disposal so as to balance its possible risk, enhance its liquidity and improve the cash flow within a relatively short period of time. For the period from 1 January to 28 February 2008, the Group disposed of approximately 4.9% Ascalade Inc.’s shares to the market and realized a loss on disposal of approximately HK\$258,000.

As announced by the Group on 4 March 2008 and 8 April 2008, the Directors noted that Ascalade Inc. sought a protection from creditors under the Companies’ Creditors Arrangement Act (“CCAA”) with the British Columbia Supreme Court on 3 March 2008 (Canadian time) due to its inability to fund operations to meet customer demand and obtained an order for CCAA protection. In addition, the subsidiary of Ascalade Inc. filed a scheme arrangement under section 166 of the Companies Ordinance (Chapter 32, Laws of Hong Kong). From the press releases of Ascalade Inc., the Directors further noted the operation of Ascalade Inc’s factory in the PRC began focusing on the orderly wind down of operations and dispositions of its inventory and other assets, and Ascalade Inc. has ceased taking new orders as of 31 March 2008 (Canadian time). The details relating to the CCAA protection of Ascalade Inc. were disclosed in the Group’s announcements dated 4 March 2008 and 8 April 2008.

As a result of Ascalade Inc. being under CCAA protection and the fact that it was delisted on 3 December 2008, the Group decided to write off the value of Ascalade Inc.'s shares held by the group completely. Consequently, the Group incurred further impairment loss on available-for-sale investment of HK\$23,268,000 for the year ended 31 December 2008 (2007: approximately HK\$28,008,000).

The Directors will update the shareholders on the progress when appropriate.

Additional information of Ascalade Inc. may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

On the other hand, the value of KFE Japan's shares has also been decreasing because of global economic tsunami. However, the appreciation of Japanese Yen has caused an overall increase in value of the investment. The value of the investment in Hong Kong dollars as at 31 December 2008 is HK\$8,241,000.

## **FUTURE PLANS AND PROSPECTS**

Looking ahead to 2009, the Group is facing the most challenging environment in recent times with growth slowing in most markets and many of world's major economies in recession. The financial crisis which originated in the United States has led to global economic activity slowing sharply in the last quarter of 2008 and through January to March of 2009 and this has already affected Hong Kong. However, with the support of the Central Government's initiative, the Mainland economy has been maintained healthily and the impact of external economic factors affecting Hong Kong should be mitigated to a large extent.

In the current global economic environment, the Group has focused on maintaining strict operational and financial discipline to successfully execute its business strategy. The Group will continue to consolidate existing business and enhance productivity and efficiency for conductive silicon rubber keypads products segment.

On 23 May 2008, the Group announced the investment in the production and distribution LCoS Television through acquisition. The acquisition was completed on 15 January 2009. As explained in the Group's announcement dated 20 April 2009, the pledge created on the LCoS's TMDC sale machineries has not been discharged, the implementation of the production and sales plan of the Suzhou Plant and the LCoS has been delayed.

The Group has been and will be monitoring the above situation closely and taking all necessary actions to procure the trial production at the Suzhou Plant to commence as soon as practicable, so that the commercial production and operations of the LCoS may catch up with what was originally planned.

The Directors are of the view that the LCoS technology is of considerable development potential and will deliver sustained improvement in the Group's core profitability in the future. The Group expects LCoS Television to be the major category over the next few years.

Also on 23 May 2008, the Group announced the disposal of the electronic products segment. The disposal was completed on 26 February 2009.

## **CAPITAL STRUCTURE**

Shareholders' equity decreased to approximately HK\$253,270,000 as at 31 December 2008 from approximately HK\$375,031,000 as at 31 December 2007. As at 31 December 2008, the short term and long term interest bearing debts to shareholders' equity was approximately 22.7% (2007: approximately 16.3%).

As announced by the Group on 11 February 2008, the Group carried out a top-up placing exercise in February 2008 and raised approximately HK\$31,311,000 net of related expenses from the issue of 108,000,000 new shares of HK\$0.10 each in the capital of the Group at a price of HK\$0.30 per share.

Part of the net proceeds from the Subscription was used by the Group for part consideration in connection with the very substantial acquisition of LCoS Television segment. Another part of the net proceeds were used by the Group for settling bank loans, while the remaining net proceeds were used for paying professional parties fees incurred for the said very substantial acquisition and the very substantial disposal of the electronic products segment. There is no unutilized amount of the above net proceeds.

As announced by the Group on 20 January 2009, the Group entered into Subscription Agreements with each of the subscribers for the subscription of 50,000,000 new shares for a total consideration of HK\$5,000,000 at the Subscription Price of HK\$0.10 per Subscription Share.

The Subscription Shares of 50,000,000 new shares represent about 7.66% of the then existing issued share capital of the Group and about 7.12% of the enlarged share capital of the Group immediately after the Subscription. The Subscription Shares were issued under the General Mandate and rank equally among themselves and with the then existing shares.

The Directors believe that the above fund raising exercise can provide an opportunity to broaden the shareholder base and strengthen its capital base and financial position for its future business developments. Further, the Group considers that the Subscription is currently a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved. The Group will use the net proceeds of the Subscription as general working capital of the Group.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

Most of the Group's assets and liabilities, revenues and expenditure are denominated in Hong Kong dollars, the United States dollars and the Renminbi. It is the Group's policy to adopt a conservative approach on foreign exchange exposure management. However, the Group will continue to monitor its foreign exchange exposure and market conditions to determine if any hedging is required. The Group generally finances its operation with internal resources and bank facilities provided by the banks in Hong Kong.

As a measure of additional prudence, the Group uses different low-risk derivative instruments to manage its exposure to foreign currency risks on the receivables and payables.

The fair value of the Group's outstanding derivative instruments as at 31 December 2008 represents the net amount the Group would receive/pay if these contracts were closed out at 31 December 2008. The fair value of these outstanding derivatives has been recognised as assets or liabilities

The exposure to foreign currency of the Group mainly arose from the net cash flow and the net working capital translation of its PRC subsidiaries. The management of the Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options. Speculative currency transactions are strictly prohibited. The management of currency risk is centralised in the headquarter of the Group in Hong Kong.

Apart from the above, most of the Group's assets and liabilities, revenues and expenditure are either denominated in Hong Kong dollars, the United States dollars and the Renminbi. Therefore, the Directors consider the exposure risk to foreign currency fluctuations is minimal.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE**

The Directors consider that the Group has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2008, save for deviation as stated hereof. Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") of the Group should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of the Group should be clearly established and set out in writing. The roles of the chairman and the CEO of the Group was not separated and was performed by the same individual, Mr. Tong Shek Lun throughout 2008. Mr. Chim Kim Lun, Ricky succeeded the roles of chairman and CEO following Mr. Tong's resignation on 2 March 2009. Mr. Sun Ying Chung further succeeded the roles of chairman and CEO following Mr. Chim's resignation on 16 April 2009. The Directors meet regularly to consider major matters affecting the operations of the Group. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

In relation to the Directors' securities transactions, the Group has adopted a code of conduct on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2008.

## **AUDIT COMMITTEE**

The Audit Committee (the "Committee") has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including a review of the audited consolidated results for the year ended 31 December 2008.

The members of the Committee included independent non-executive Directors below:

Mr. Sun Yaoquan

(resigned on 1 February 2009)

Mr. Goh Gen Cheung

(resigned on 9 February 2009)

Mr. Chan Ho Man

(resigned on 27 May 2008)

Mr. Wan Hon Keung

(appointed 27 May 2008)

Mr. Tse Yuk Kong

(appointed on 2 March 2009)

Mr. Chan Siu Wing, Raymond

(appointed on 2 April 2009)

## **PURCHASE, SALE AND REDEMPTION OF SECURITIES**

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **PUBLICATION OF OTHER FINANCIAL INFORMATION**

Other financial information containing all the information required by paragraphs 45(1) to 45(3) (both paragraphs inclusive) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board

**Sun Ying Chung**

*Chairman and Managing Director*

Hong Kong, 27 April 2009

*As at the date of this announcement, the Board consists of two executive Directors, Mr. Sun Ying Chung and Mr. Chan Sung Wai, two non-executive Directors, Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey and three independent non-executive Director, Mr. Wan Hon Keung, Mr. Chan Siu Wing, Raymond and Mr. Tse Yuk Kong.*