KADER
Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED
開達集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 180)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors of Kader Holdings Company Limited (the "Company") announces that the results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2008 together with comparative figures for the year 2007 are summarised as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*3, 4*	**911,191**	721,709
Other revenue	*5(a)*	**11,009**	9,522
Other net (loss)/income	*5(b)*	**(2,773)**	2,459
Changes in inventories of finished goods and work in progress		**59,931**	27,568
Cost of purchase of finished goods		**(65,571)**	(35,058)
Raw materials and consumables used		**(340,775)**	(211,319)
Staff costs	*6(b)*	**(270,402)**	(211,554)
Depreciation expenses		**(26,065)**	(21,726)
Amortisation of interest in leasehold land held for own use		**(22)**	(22)
Other operating expenses		**(182,719)**	(190,683)

	Note	2008 HK$'000	2007 HK$'000
Profit from operations		**93,804**	90,896
Finance costs	*6(a)*	**(9,721)**	(11,599)
Share of profits less losses of associates		**(1,334)**	(12,596)
Valuation (losses)/gains on investment properties		**(47,429)**	104,288
Impairment of goodwill	*7*	**(31,200)**	–
Impairment of unlisted equity securities and related loan and interest receivable	*8*	**(27,661)**	–
(Loss)/profit before taxation	*6*	**(23,541)**	170,989
Income tax	*9*	**(2,488)**	(43,945)
(Loss)/profit for the year		**(26,029)**	127,044
Attributable to:			
Equity shareholders of the Company		**(27,652)**	126,599
Minority interests		**1,623**	445
(Loss)/profit for the year		**(26,029)**	127,044
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	*10(a)*	**–**	9,981
(Loss)/earnings per share			
Basic	*11(a)*	**(4.16)¢**	19.03¢
Diluted	*11(b)*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets			
– Investment properties		**598,878**	646,307
– Other property, plant and equipment		**139,857**	137,976
– Interest in leasehold land held for own use under an operating lease		**854**	876
		739,589	785,159
Intangible assets		**536**	570
Goodwill		**7,643**	31,200
Interests in associates		**46,596**	48,760
Other non-current financial assets		**5,506**	26,249
Deferred tax assets		**29,704**	24,551
		829,574	916,489
Current assets			
Inventories		**213,761**	177,624
Current tax recoverable		**1,397**	–
Trade and other receivables	*12*	**151,040**	114,121
Cash and cash equivalents		**32,904**	26,592
		399,102	318,337
Current liabilities			
Trade and other payables	*13*	**(222,112)**	(193,120)
Bank loans and overdrafts		**(144,237)**	(83,180)
Obligations under finance leases		**(602)**	(582)
Current tax payable		**(7,155)**	(6,135)
		(374,106)	(283,017)
Net current assets		**24,996**	35,320
Total assets less current liabilities carried forward		**854,570**	951,809

	Note	2008 HK$'000	2007 HK$'000
Total assets less current liabilities brought forward		**854,570**	951,809
Non-current liabilities			
Bank loans		**(67,747)**	(86,332)
Rental deposits		**(5,717)**	(3,661)
Obligations under finance leases		**(258)**	(498)
Deferred tax liabilities		**(72,989)**	(84,228)
Accrued employee benefits		**(1,502)**	(1,321)
		(148,213)	(176,040)
NET ASSETS		**706,357**	775,769
CAPITAL AND RESERVES			
Share capital		**66,541**	66,541
Reserves		**634,103**	706,172
Total equity attributable to equity shareholders of the Company		**700,644**	772,713
Minority interests		**5,713**	3,056
TOTAL EQUITY		**706,357**	775,769

Notes :–

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties and financial instruments classified as available-for-sale are stated at their fair value.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new amendment to HKFRSs that is first effective for the current accounting period of the Group.

Amendment to HKAS 39, Financial instruments: Recognition and measurement, and HKFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. TURNOVER

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment, investment holding and trading.

Turnover represents the sales value of goods supplied to customers and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sale of goods	**877,080**	691,426
Gross rentals from investment properties	**34,111**	30,283
	911,191	721,709

4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Toys and model trains:	The manufacture and sale of plastic, electronic and stuffed toys and model trains.
Property investment:	The leasing of office premises, industrial building and residential units to generate rental income and to gain from the appreciation in the properties' value in the long-term.
Investment holding:	The investment in securities.

For the year ended 31 December 2008

	Toys and model trains *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Unallocated inter-company and other balances *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	877,080	34,111	–	–	–	911,191
Inter-segment revenue	–	675	–	–	(675)	–
Other revenue from external customers	2,388	7,428	11	–	–	9,827
Total	879,468	42,214	11	–	(675)	921,018
Segment result	84,449	24,448	(22,588)	3,642	–	89,951
Unallocated operating income and expenses						3,853
Profit from operations						93,804
Finance costs						(9,721)
Share of profits less losses of associates	–	–	(1,334)	–	–	(1,334)
Valuation losses on investment properties	–	(47,429)	–	–	–	(47,429)
Impairment of goodwill	(31,200)	–	–	–	–	(31,200)
Impairment of investment in unlisted equity securities and related loan and interest receivable	(27,661)	–	–	–	–	(27,661)
Income tax						(2,488)
Loss after taxation						(26,029)
Depreciation and amortisation for the year	26,087	–	34	–	–	26,121
Impairment of fixed assets	86	–	–	–	–	86
Segment assets	479,473	609,689	7,095	502,835	(448,113)	1,150,979
Interests in associates						46,596
Unallocated assets						31,101
Total assets						1,228,676
Segment liabilities	566,898	36,056	192,348	94,986	(448,113)	442,175
Unallocated liabilities						80,144
Total liabilities						522,319
Capital expenditure incurred during the year	33,944	–	–	–	–	33,944

For the year ended 31 December 2007

	Toys and model trains *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Unallocated inter-company and other balances *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	691,426	30,283	–	–	–	721,709
Inter-segment revenue	–	979	–	–	(979)	–
Other revenue from external customers	2,131	5,699	809	–	–	8,639
Total	693,557	36,961	809	–	(979)	730,348
Segment result	116,703	33,107	(61,089)	598	–	89,319
Unallocated operating income and expenses						1,577
Profit from operations						90,896
Finance costs						(11,599)
Share of profits less losses of associates	–	–	(12,596)	–	–	(12,596)
Valuation gains on investment properties	–	104,288	–	–	–	104,288
Impairment of goodwill						–
Impairment of investment in unlisted equity securities and related loan and interest receivable						–
Income tax						(43,945)
Profit after taxation						127,044
Depreciation and amortisation for the year	21,748	–	33	–	–	21,781
Impairment of fixed assets	672	–	–	–	–	672
Segment assets	448,185	661,716	19,256	359,384	(327,026)	1,161,515
Interests in associates						48,760
Unallocated assets						24,551
Total assets						1,234,826
Segment liabilities	431,312	38,860	144,999	80,549	(327,026)	368,694
Unallocated liabilities						90,363
Total liabilities						459,057
Capital expenditure incurred during the year	35,962	–	–	–	–	35,962

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal economic environments. Hong Kong and Mainland China is a major market for the Group's toys and model trains and property investment business, and is the location of most of the Group's toys and model trains manufacturing. Toys and model trains are also sold to North America, Europe and other locations. The Group also has investments in North America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Hong Kong and Mainland China		**North America**		**Europe**		**Others**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**109,875**	83,684	**557,483**	376,609	**188,116**	214,774	**55,717**	46,642	**911,191**	721,709
Segment assets	**1,347,559**	1,165,795	**166,472**	194,061	**85,061**	128,685	**–**	–	**1,599,092**	1,488,541
Capital expenditure incurred during the year	**30,859**	26,765	**658**	8,380	**2,427**	817	**–**	–	**33,944**	35,962

5. OTHER REVENUE AND NET (LOSS)/INCOME

	2008 *HK$'000*	2007 *HK$'000*
(a) Other revenue		
Interest income	**1,182**	883
Air conditioning, management and maintenance service charges from tenants	**6,831**	5,150
Others	**2,996**	3,489
	11,009	9,522
(b) Other net (loss)/income		
Net gain on disposal of fixed assets	**1,992**	464
Gain on disposal of unlisted equity security	**–**	12
Gain on disposal of listed equity security (i)	**1,244**	–
Loss on disposal of partial interest in subsidiary (ii)	**(199)**	–
Net exchange (loss)/gain	**(5,810)**	1,983
	(2,773)	2,459

(i) During the year ended 31 December 2008, the Group disposed of a partial interest in a listed equity investment with a carrying value of HK$2,535,000 for total proceeds of HK$3,779,000 realising a net gain of HK$1,244,000.

(ii) During the year ended 31 December 2008, the Group disposed of a 13% interest in a subsidiary for total proceeds of HK$877,000 realising a loss of HK$199,000. The Group's interest in the subsidiary as at 31 December 2008 was 52% (2007: 65%).

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	2008 *HK$'000*	2007 *HK$'000*
(a) Finance costs		
Interest on bank borrowings repayable within five years	**7,756**	11,103
Interest on advances from directors	**–**	113
Interest on other loans	**1,929**	298
Finance charges on obligations under finance leases	**36**	85
	9,721	11,599

(b) Other items

	2008	2007
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**256,051**	192,902
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK$196,000 (2007: HK$47,000)	**14,351**	18,652
	270,402	211,554
Cost of inventories	**622,419**	426,756
Amortisation of intangible assets	**34**	33
Amortisation of interest in leasehold land held for own use	**22**	22
Depreciation		
– owned assets	**24,989**	20,469
– assets held under finance leases	**1,076**	1,257
Impairment:		
– fixed assets	**86**	672
– trade receivables	**4,214**	635
– other receivables	**1,011**	–
– amounts due from associates	**2,459**	–
– goodwill	**31,200**	–
– available-for-sale equity securities	**2,221**	–
– unlisted equity securities and related loan and interest receivable	**27,661**	–
Reversal of impairment loss on trade and other receivables	**(677)**	(171)
Auditors' remuneration	**2,404**	2,045
Operating lease charges		
– rental of land and buildings	**12,730**	11,504
– other rentals	**106**	112
Rentals receivable from investment properties less direct outgoings of HK$2,918,000 (2007: HK$2,338,000)	**(31,193)**	(27,945)

Cost of inventories includes HK$201,642,000 (2007: HK$136,877,000) relating to staff costs, depreciation charges, impairment loss in respect of fixed assets and operating lease charges, which amount is also included in the respective total amounts disclosed separately above and in the income statement for each of these types of expenses.

7. IMPAIRMENT OF GOODWILL

On 16 October 2007, a subsidiary based in the United States acquired the business and certain assets of Williams Reproductions Limited ("Williams"), a distributor of toy trains in the United States. The purchase price paid of HK$39,000,000 (equivalent to US$5,000,000) comprised primarily moulds and dies valued at HK$7,800,000 (equivalent to US$1,000,000) and goodwill of HK$31,200,000 (equivalent to US$4,000,000). An impairment loss of HK$31,200,000 was recognised during the year in respect of the goodwill arising on the acquisition of Williams.

8. IMPAIRMENT OF UNLISTED EQUITY SECURITIES AND RELATED LOAN AND INTEREST RECEIVABLE

On 12 March 2007, the Group invested HK$7,800,000 for a 16.5% interest in a newly established limited liability company ("LLC") in the United States. An additional HK$7,800,000 was advanced to LLC through a convertible note receivable which had a maturity date of 12 March 2012 and accrued interest at a rate of 6% per annum through to the maturity date. As defined in the agreement and under certain circumstances through to the maturity date, the Group could convert the note and any accrued interest into shares of LLC at a price based on the share price at the time of conversion. The Group exercised its right to conversion during the year ended 31 December 2008 and the convertible note was converted to equity while an additional HK$3,900,000 was invested. The Group's equity interest in LLC as at 31 December 2008 was 19.1% (2007: 16.5%).

During the prior year, US$1,000,000, equivalent to HK$7,800,000 as at 31 December 2008 (2007: equivalent to HK$7,760,000) was advanced to LLC.

Due to a significant decline in the performance of LLC, an impairment loss of HK$27,661,000 (2007: HK$Nil) was recognised in respect of the investment cost and loan and interest receivable during the year ended 31 December 2008.

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**16,074**	17,801
(Over)/under-provision in respect of prior years	**(1,988)**	900
	14,086	18,701
Current tax – Overseas including the PRC		
Provision for the year	**5,174**	7,698
(Over)/under-provision in respect of prior years	**(650)**	561
	4,524	8,259
Deferred tax		
Origination and reversal of temporary differences	**(12,096)**	16,960
Effect of decrease in tax rate on opening deferred tax balances		
– Hong Kong	**(4,026)**	–
– Overseas	**–**	25
	(16,122)	16,985
	2,488	43,945

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease is taken into account in the preparation of these financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balance of deferred tax has been re-estimated accordingly.

During the year ended 31 December 2007, the British Government announced a decrease in the corporation tax rate applicable to the Group's operations in the United Kingdom from 30% to 28% for 2008. This decrease is taken into account in the preparation of the Group's 2007 financial statements. Accordingly, the provision for taxation and deferred tax balances relevant to the Group's operations in the United Kingdom are calculated using a corporation tax rate of 28% (2007: 30%) and 28% (2007: 28%), respectively.

10. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2008	2007
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of HKNil cents per ordinary share (2007: HK1.5 cents per ordinary share)	**–**	9,981

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.5 cents per ordinary share (2007: HK1.5 cents per ordinary share)	**9,981**	9,981

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss) per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$27,652,000 (2007: profit of HK$126,599,000) and the weighted average of 665,412,000 ordinary shares (2007: 665,412,000 ordinary shares) in issue during the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is not presented as the Company did not have dilutive potential ordinary shares outstanding during both 2007 and 2008.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current	**67,229**	85,429
1 to 3 months past due	**20,454**	1,551
More than 3 months past due but less than 12 months past due	**4,373**	751
More than 12 months past due	**108**	15
	92,164	87,746

In respect of trade and other receivable, credit evaluations are performed on all customers requiring credit over a certain amount. Debtors are due within seven to sixty days from the date of billing. Debtors with balances that are more than three month overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers in its toys and model trains business. In respect of the Group's property investment business, deposits of between two to three months rent are received from lessees.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Due within 1 month or on demand	**52,186**	31,574
Due after 1 month but within 3 months	**1,618**	273
Due after 3 months but within 6 months	**84**	41
Due after 6 months	**33**	178
	53,921	32,066

BUSINESS REVIEW

2008 continued to be a challenging year for toy manufacturers. During the year under review, the industry faced adverse factors such as the financial crisis, high labour costs, spiraling raw material costs, increasing energy costs, appreciation of the Renminbi Yuan ("RMB") and product recalls by major toy retailers in the United States ("US"). However, the Group has managed these challenges and exercised measures to minimise the impact on the Group.

The New Labour Contract Law in Mainland China which came into effect on 1 January 2008 and the increase in statutory minimum wages announced by local government in Guangdong and Dongguan has increased labour costs, whilst the financial crisis has affected the global economy. Given the continued appreciation of the RMB, high labour costs and increasing commodity prices, the operating environment in 2009 is expected to be as challenging.

To face these challenges, the Group continued its stringent control policies in both production and financial management. The Group placed emphasis on modernising and scrutinising production methods to increase efficiency and to maximise productivity. The Group continues to develop high value added products and integrates technology with its toy products.

Looking back, the Group's ability to weather adverse operating conditions has been the foundation on which the Group has built its reputation as a trusted manufacturer. Looking forward, the Group will continue its mission of forging long-term relationships with customers by continuing to provide products they can trust.

Toys

For the financial year ended 31 December 2008, the turnover for the Group's OEM/ODM toys business was approximately HK$502.59 million, representing an increase of 80.49% as compared to last year.

The growth in OEM/ODM toy sales was partly attributable to the sales team which secured more bulk order business from existing customers and broadened our customer base.

The Group continues to be committed to maintaining its competitiveness in terms of productivity, quality, reliability and delivery. Efforts have also been placed in enhancing safety precautions and quality control. The Group is adhering to and fully supports the Code of Business Practice of the International Council of Toy Industries ("ICTI") and has passed and satisfied the ICTI audit, namely, the ICTI CARE Process.

Model Trains

The turnover for model trains for the year ended 31 December 2008 was approximately HK$374.49 million, a decrease of 9.32% as compared to last year.

During the year under review, despite decreased sales in the model trains business, the Company has followed a strategy of further improving the quality of the products, developing innovative products, enriching the product line and promoting the product image and brand name. This strategy has succeeded in gaining the loyalty of customers and helped maintain our leading position in the industry.

The Group is proud to announce that during the year, our subsidiary, Bachmann Europe Plc. was awarded "Manufacturer of the Year 2008" by Model Rail Magazine, RM Web and MREMAG. In addition, our Branchline OO scale model train Class 55 Deltic, G2 0-8-0 Steam and BR 12T Ventilated Van, Graham Farish N scale model train Class 108 and Stanier Coaches were awarded "Model of the Year 2008" under different categories.

The Group's model trains continued to receive encouraging responses from customers. The Bachmann's E-Z Command® series continued to be the key contributor to sales growth. This is a Digital Command Control ("DCC") system incorporating the latest digital technology to bring a DCC system to control speed, lighting and direction of multiple locomotives, that is easy to use and affordable for both the novice and experienced hobbyist. With the latest offerings of DCC Sound On Board locomotives, model railroads are able to come to life.

On 12 November 2008, the Group entered into an agreement with a third party pursuant to which the Group conditionally agreed to acquire all the issued shares of Sanda Kan (Cayman III) Holdings Company Limited ("Sanda Kan"), a company incorporated in the Cayman Islands with limited liability, for cash consideration of US$8.5 million (equivalent to HK$66.3 million). Sanda Kan is principally engaged in model trains and model race cars manufacturing on an OEM basis. Completion of the acquisition took place on 23 January 2009. The Group considers that the acquisition of Sanda Kan will increase the model trains production capacity of the Group, capture the high margin market segment and expand the Group's sources of revenue through the manufacturing of model trains and race cars on an OEM basis.

Property Investment

For the financial year ended 31 December 2008, the Group's rental income amounted to HK$34.11 million, representing a 12.65% increment over the previous year. In addition, the Group recorded a valuation loss of HK$47.43 million on its investment properties for the year, as compared to last year's valuation gain of HK$104.29 million.

The Group's major rental property, Kader Building, reported rental income of approximately HK$30.50 million in 2008, up 13% from 2007's HK$26.99 million. During the year under review, the Group managed to maintain the occupancy rate of Kader Building above 75% and increased rental rates upon lease renewals.

FINANCIAL REVIEW

Results

The Board of Directors have pleasure in announcing that the Group's turnover for the financial year ended 31 December 2008 amounted to approximately HK$911.19 million, representing an increase of 26.25% over that reported last year and that profit from operations for the year 2008 amounted to HK$93.80 million as compared to last year's figure of HK$90.90 million. The Group's loss attributable to shareholders for the financial year ended 31 December 2008 was approximately HK$27.65 million, which included valuation losses on investment properties amounting to HK$47.43 million, as compared to last year's profit attributable of shareholders of HK$126.60 million and valuation gains on investment properties of HK$104.29 million.

Liquidity and Financial Resources

As at 31 December 2008, the Group's net asset value per share was HK$1.06 (2007: HK$1.16); the current ratio was 1.07 (2007: 1.12); total bank borrowings were approximately HK$211.98 million (2007: HK$169.51 million) while the Group secured total banking facilities of approximately HK$441.47 million (2007: HK$422.05 million). The Group's financial gearing, based on the total interest bearing borrowings compared to the total equity, was 30.01% (2007: 21.99%). There is no significant seasonality in borrowing requirements except that during the peak production period in the second half of the year the Group's facilities for trade finance will be substantially utilised. The majority of borrowings are on floating interest rate terms.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated in Hong Kong Dollars, United States Dollars, Sterling Pounds, Renminbi Yuan and Euros. During the year under review, the majority of the Group's sales revenues were denominated in Hong Kong Dollars, United States Dollars and Sterling Pounds while the majority of its raw materials and equipment purchases were settled in Hong Kong Dollars. As such, the Group faces a certain degree of exchange rate risk mainly arising from Sterling Pounds denominated sales transactions for which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed approximately 6,545 (2007: 5,639) full time management, administrative and production staff in Hong Kong SAR, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plant while the number of management and administrative staff remains stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

Factors such as the volatility of raw material prices, the ever-increasing energy costs, high product safety standards, the appreciation of the RMB, the increase in statutory minimum wages and continually increasing labour costs are expected to affect the Group's profitability. The Group will continue its effort to strengthen its core business, streamline operational procedures without sacrificing controls, improve operational and production efficiency and develop automated processes. In order to broaden revenue sources, efforts will continue to be made in looking for acquisition opportunities, expanding new product lines and widening the customer base.

Given the factors mentioned above and the underlying business environment, the Group is cautious about ongoing performance and profit margins. Notwithstanding this, the Group is confident its efforts to uplift efficiency can provide stable business returns.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: HK1.5 cents per share).

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2008, the Group has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the deviation from CG Code E.1.2 as describe below:

Under CG Code E.1.2, the Chairman of the Board is required to attend the Company's annual general meeting. Due to another commitment which required the Chairman's attendance, the Chairman was not present at the annual general meeting of the Company held on 3 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company's Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on specific enquiries made, all Directors have confirmed that they have complied with the Model Code throughout the year.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the key accounting policies, and discussed auditing, internal controls and financial reporting matters, including a review of the annual results for the year ended 31 December 2008.

By order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 17 April 2009

As at the date of this announcement, the executive directors of the Company are Mr. Kenneth Ting Woo-shou, SBS, JP (Managing Director), Mr. Ivan Ting Tien-li and Mrs. Nancy Ting Wang Wan-sun; the non-executive directors of the Company are Dr. Dennis Ting Hok-shou, OBE, JP (Chairman) and Mr. Moses Cheng Mo-chi, GBS, OBE, JP; and the independent non-executive directors of the Company are Mr. Liu Chee-ming, Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai and Mr. Desmond Chum Kwan-yue.