# PEAKTOP INTERNATIONAL HOLDINGS LIMITED

## 元昇國際集團有限公司*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 925)**

## FINAL RESULTS ANNOUNCEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2007

### RESULTS

The Board of Directors ( the "Board") of Peaktop International Holdings Limited (the "Company") announces the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for last year as follows:

### CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|---|
| **Turnover** | 3 | **495,047** | 1,089,187 |
| Cost of sales | | **(447,677)** | (666,368) |
| **Gross profit** | | **47,370** | 422,819 |
| Valuation gain on investment property | | **2,670** | – |
| Other revenue | 4 | **12,705** | 13,890 |
| Other net (loss)/income | 4 | **(393)** | 20,411 |
| Distribution costs | | **(89,184)** | (267,206) |
| Administrative expenses | | **(130,011)** | (128,934) |
| Other operating expenses | | **(11,944)** | (2,924) |
| Loss on disposal of subsidiaries, net | | **–** | (14,958) |
| **(Loss)/profit from operations** | | **(168,787)** | 43,098 |
| Finance costs | 5(a) | **(20,148)** | (29,288) |
| **(Loss)/profit before taxation** | 5 | **(188,935)** | 13,810 |
| Income tax | 6 | **(5,104)** | (102) |
| **(Loss)/profit for the year** | | **(194,039)** | 13,708 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(193,838)** | 13,766 |
| Minority interests | | **(201)** | (58) |
| **(Loss)/profit for the year** | | **(194,039)** | 13,708 |
| **(Loss)/earnings per share** | 7 | | |
| Basic | | **HK(21.8) cents** | HK1.6 cents |
| Diluted | | **N/A** | N/A |

* *For identification purpose only*

## CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

| | Note | 2007 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2006 HK$'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | **164,248** | | 188,881 |
| Investment property | | | **12,640** | | 9,970 |
| Prepaid lease payments | | | **61,388** | | 66,652 |
| Intangible assets | | | **927** | | 5,796 |
| Goodwill | | | **–** | | 3,459 |
| Interest in an associate | | | **–** | | (46) |
| Other non-current financial assets | | | **31,891** | | 33,167 |
| Deferred tax assets | | | **–** | | 1,484 |
| | | | **271,094** | | 309,363 |
| **Current assets** | | | | | |
| Trading securities | | **942** | | 936 | |
| Inventories | | **77,353** | | 152,852 | |
| Trade and other receivables | 8 | **124,111** | | 148,451 | |
| Cash and cash equivalents | | **42,253** | | 28,793 | |
| | | **244,659** | | 331,032 | |
| **Non-current assets held for sale** | | **22,933** | | – | |
| **Total current assets** | | **267,592** | | 331,032 | |
| **Current liabilities** | | | | | |
| Trade and other payables | 9 | **142,893** | | 131,862 | |
| Derivative financial instruments | | **2,113** | | – | |
| Bank loans and overdrafts | | **209,757** | | 244,276 | |
| Other loan, unsecured | | **9,852** | | – | |
| Obligations under finance leases | | **320** | | 1,345 | |
| Current taxation | | **2,377** | | 1,351 | |
| | | **367,312** | | 378,834 | |
| **Net current liabilities** | | | **(99,720)** | | (47,802) |
| **Total assets less current liabilities** | | | **171,374** | | 261,561 |

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| **Non-current liabilities** | | | | |
| Bank loans | **14,788** | | 4,677 | |
| Obligations under finance leases | **–** | | 675 | |
| Deferred tax liabilities | **633** | | – | |
| | | **15,421** | | 5,352 |
| **NET ASSETS** | | **155,953** | | 256,209 |
| **CAPITAL AND RESERVES** | | | | |
| Share capital | | **99,920** | | 85,720 |
| Reserves | | **56,033** | | 170,288 |
| **Total equity attributable to equity shareholders of the Company** | | **155,953** | | 256,008 |
| **Minority interests** | | **–** | | 201 |
| **TOTAL EQUITY** | | **155,953** | | 256,209 |

## NOTES TO THE AUDITED FINANCIAL STATEMENTS:

For the year ended 31 December 2007

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures, and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

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

### (c) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC)-Int 11 | HKFRS 2: Group and Treasury Share Transactions[2] |
| HK(IFRIC)-Int 12 | Service Concession Arrangements[3] |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes[4] |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3] |

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

**(d) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

In preparing the financial statements, the directors have considered the future liquidity of the Group notwithstanding:

– the consolidated loss attributable to equity shareholders of the Company of approximately HK$193,838,000 for the year ended 31 December 2007;

– the consolidated net current liabilities of approximately HK$99,720,000 as at 31 December 2007;

– the outstanding bank loans and overdrafts of approximately HK$224,545,000, and other loan of approximately HK$9,852,000, out of which an aggregate of approximately HK$219,609,000 was due for repayment within the next twelve months after 31 December 2007; and

– the breach of covenants relating to certain of the Group's bank facilities.

The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, immediate liquidity and cash flow position of the Group:

(i) The Group will negotiate with its bankers to secure the necessary facilities in order to meet the Group's working capital and financial requirements in the near future.

Subsequent to 31 December 2007, the Group obtained new bank loans of approximately HK$17,032,000, which was repayable in April 2009.

In addition, at 31 December 2007, the Group has breached the covenants of certain utilised banking facilities in relation to the amount of HK$27,901,000. Subsequent to 31 December 2007, certain banks granted waivers to the Group from compliance with these covenants in relation to the amount of approximately HK$16,666,000.

(ii) The Group is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group. Subsequent to 31 December 2007, certain directors and a substantial shareholder advanced to the Group an aggregate of approximately HK$44,958,000.

(iii) Subsequent to 31 December 2007, the Group disposed of its interest in certain subsidiaries for an aggregate consideration of approximately HK$237,322,000, of which the directors expect approximately HK$96,275,000 to be receivable in 2008 and approximately HK$141,047,000 to be receivable after 2008, to finance the operations of the Group.

(iv) The Group would take relevant measures in order to tighten cost controls over various operating expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. The Group is expected to derive sufficient cash flow in 2008.

In the opinion of the directors, in light of the various measures/arrangements implemented to date together with the expected results of other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

## 2. PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the business of design, manufacture and sale of home, garden and plastic decorative products.

## 3. SEGMENT INFORMATION

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

### (a) Geographical segments

| | United States of America | | Europe | | Asia Pacific | | Others | | Inter-segment elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2007 HK$'000 | 2006 HK$'000 |
| Revenue from external customers | 362,215 | 675,033 | 52,419 | 267,664 | 80,410 | 146,187 | 3 | 303 | – | – | 495,047 | 1,089,187 |
| Inter-segment revenue | 82,675 | 244,720 | 694 | 4,510 | 52,851 | 1,221 | – | – | (136,220) | (250,451) | – | – |
| Total | 444,890 | 919,753 | 53,113 | 272,174 | 133,261 | 147,408 | 3 | 303 | (136,220) | (250,451) | 495,047 | 1,089,187 |
| Segment result | (62,278) | 58,160 | (34,899) | 10,503 | (49,975) | 12,174 | – | 270 | | | (147,152) | 81,107 |
| Interest income | | | | | | | | | | | 945 | 1,562 |
| Unallocated operating income and expenses | | | | | | | | | | | (22,580) | (39,571) |
| (Loss)/profit from operations | | | | | | | | | | | (168,787) | 43,098 |
| Finance costs | | | | | | | | | | | (20,148) | (29,288) |
| (Loss)/profit before taxation | | | | | | | | | | | (188,935) | 13,810 |
| Taxation | | | | | | | | | | | (5,104) | (102) |
| (Loss)/profit for the year | | | | | | | | | | | (194,039) | 13,708 |
| Depreciation and amortisation for the year | 26,341 | 38,542 | 1,178 | 1,135 | 11,494 | 5,400 | – | – | | | 39,013 | 45,077 |
| Impairment of | | | | | | | | | | | | |
| – goodwill | – | – | – | – | 3,459 | – | – | – | | | 3,459 | – |
| – trade and other receivables | – | – | 1,269 | 1,749 | 4,953 | 1,175 | – | – | | | 6,222 | 2,924 |
| Written-off of trade and other receivables | – | – | – | – | – | – | 2,032 | – | | | 2,032 | – |
| Segment assets | 170,601 | 188,570 | 40,063 | 89,040 | 216,973 | 308,088 | 1 | 113 | (10,249) | (32,447) | 417,389 | 553,364 |
| Unallocated assets | | | | | | | | | | | 121,297 | 87,031 |
| Total assets | | | | | | | | | | | 538,686 | 640,395 |
| Segment liabilities | 17,728 | 25,110 | 3,443 | 5,547 | 137,339 | 125,536 | – | – | (10,510) | (20,955) | 148,000 | 135,238 |
| Unallocated liabilities | | | | | | | | | | | 234,733 | 248,948 |
| Total liabilities | | | | | | | | | | | 382,733 | 384,186 |
| Capital expenditure incurred during the year | 2,159 | 2,690 | – | 263 | 21,610 | 28,424 | 166 | – | | | 23,935 | 31,377 |

Additional information concerning geographical segments:

| | United States of America | | Europe | | Asia Pacific | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 |
| Segment assets by the location of the assets | **58,871** | 84,150 | **571** | 19,828 | **468,745** | 528,550 | **10,499** | 7,867 | **538,686** | 640,395 |
| Capital expenditure incurred during the year to acquire segment assets by location of the assets | **2,159** | 2,539 | **–** | 263 | **21,610** | 12,852 | **166** | 15,723 | **23,935** | 31,377 |

**(b) Business segments**

| | Outdoor decoration | | Indoor decoration | | Plastic injection | | Others | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 |
| Revenue from external customers | **207,439** | 679,007 | **246,638** | 315,511 | **21,429** | 64,070 | **19,541** | 30,599 | **–** | – | **495,047** | 1,089,187 |
| Carrying amount of segment assets | **244,824** | 381,245 | **210,665** | 152,228 | **17,416** | 30,770 | **11,431** | 25,524 | **54,350** | 50,628 | **538,686** | 640,395 |
| Capital expenditure incurred during the year | **10,029** | 19,561 | **11,925** | 9,089 | **1,036** | 1,846 | **945** | 881 | **–** | – | **23,935** | 31,377 |

## 4. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| **Other revenue** | | |
| Interest income on financial assets not at fair value through profit or loss | | |
| – interest income from bank deposits | **945** | 1,562 |
| Gross rentals from investment properties | **482** | 939 |
| Dividend income from unlisted securities | **22** | – |
| Commission income | **1,739** | 9,087 |
| Compensation from legal claim | **7,771** | – |
| Others | **1,746** | 2,302 |
| | **12,705** | 13,890 |
| **Other net (loss)/income** | | |
| Fair value gain on financial assets at fair value through profit or loss# | **611** | – |
| Gain on disposal of available-for-sale financial assets | **6,243** | – |
| Unrealised gain on trading securities | **6** | – |
| Gain on disposal of non-current assets held for sale* | **–** | 20,927 |
| Net loss on sale of property, plant and equipment | **(7,253)** | (516) |
| | **(393)** | 20,411 |

# Included in fair value gain on financial assets at fair value through profit or loss is interest income of approximately HK$1,754,000 on financial assets at fair value through profit or loss.

* In 2005, the Group entered into agreements with an independent third party in relation to the disposal of a property located in Hong Kong and accordingly the Group classified certain building and prepaid lease payments as non-current assets held for sale. The transaction was completed in 2006 and resulted in a gain of approximately HK$20,927,000.

## 5. (LOSS)/PROFIT BEFORE TAXATION

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

### (a) Finance costs

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Interest on bank advances and other borrowings wholly repayable within five years | **20,037** | 28,957 |
| Finance charges on obligations under finance leases | **111** | 331 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **20,148** | 29,288 |

### (b) Staff costs (including directors' remuneration)#

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Salaries, wages and other benefits | **124,643** | 154,068 |
| Contributions to defined retirement plans | **1,819** | 2,314 |
| | **126,462** | 156,382 |

### (c) Other items

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Amortisation# | | |
| – prepaid lease payments | **1,626** | 1,594 |
| – intangible assets | **5,033** | 12,176 |
| Depreciation# | **32,354** | 31,307 |
| Impairment losses * | | |
| – trade and other receivables | **6,222** | 2,924 |
| – goodwill | **3,459** | – |
| Write-off of trade and other receivables – others * | **2,032** | – |
| Research and development costs (including amortisation of capitalised development costs of HK$4,802,000 (2006: HK$12,176,000)) | **20,006** | 18,243 |
| Net foreign exchange (gain)/loss | **(121)** | 541 |
| Net loss on forward foreign exchange contracts | **2,113** | – |
| Auditors' remuneration | **1,875** | 1,808 |
| Operating leases charges in respect of property rentals: minimum lease payments# | **12,904** | 9,568 |
| Rentals receivable from investment property less direct outgoings of HK$61,000 (2006: HK$151,000) | **421** | 788 |
| Cost of inventories # | **454,522** | 666,509 |

# Cost of inventories includes approximately HK$93,564,000 (2006: HK$102,751,000) relating to staff costs, depreciation, amortisation and operating lease charges in respect of property rentals, which are also included in the respective total amounts disclosed separately above or in the note 5(b) for each of these types of expenses.

* These expenses are included in "other operating expenses" as disclosed in the consolidated income statement.

## 6. INCOME TAX

**Taxation in the consolidated income statement represents:**

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Current tax – Overseas** | | |
| Provision for the year | **2,867** | 638 |
| (Over)/under-provision in respect of prior years | **(50)** | 1,981 |
| | **2,817** | 2,619 |
| **Deferred tax** | | |
| Original and reversal of temporary differences | **2,287** | (2,517) |
| | **5,104** | 102 |

For the year ended 31 December 2007, no Hong Kong profits tax has been provided for in the financial statement as the Group has no estimated assessable profits during the year. For the year ended 31 December 2006, no Hong Kong profits tax has been provided for in the financial statements as the Group has accumulated tax losses brought forward which exceed the estimated assessable profits for that year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year.

Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprise income tax is calculated based on a statutory rate of 33% of the assessable profit of the companies comprising the Group, except for certain subsidiaries, which are exempted or taxed at preferential rates ranging from 12% to 21%.

During the year, certain subsidiaries in the PRC were entitled to preferential tax treatments. They were fully exempted from PRC enterprise income tax for a tax concession period of one year or were entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilized its five-year tax holiday will be allowed to continue to receive benefits of the full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

The income tax rate that is applicable to the subsidiaries of the Group in the PRC would be changed from 33% (or 12% to 21% if subsidiaries taxed at preferential rates) to 25% effective from 1 January 2008. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable or deferred tax.

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group as at 31 December 2007.

## 7. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to ordinary equity shareholders of the Company of HK$193,838,000 (2006: a profit of HK$13,766,000) and the weighted average number of 889,928,000 ordinary shares (2006: 857,196,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

| | 2007 | 2006 |
|---|---|---|
| | '000 | '000 |
| Issued ordinary shares at 1 January | **857,196** | 857,196 |
| Effect of shares issued under the placing | **32,732** | – |
| Weighted average number of ordinary shares at 31 December | **889,928** | 857,196 |

### (b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is not presented as there were no dilutive securities outstanding during the years presented.

## 8. TRADE AND OTHER RECEIVABLES

The ageing analysis of trade receivables as at the balance sheet date is as follows:

| | The Group | |
|---|---|---|
| | 2007 | 2006 |
| | HK$'000 | HK$'000 |
| Current | **56,094** | 81,279 |
| Less than 1 month past due | **1,714** | 4,660 |
| 1 to 3 months past due | **709** | 1,812 |
| More than 3 months past due | **4,535** | 1,439 |
| Amounts past due | **6,958** | 7,911 |
| | **63,052** | 89,190 |
| Other receivables, deposits and prepayments | **61,059** | 59,261 |
| | **124,111** | 148,451 |

Debts are generally due within three to six months from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' requests. Normally, the Group does not obtain collateral from customers.

## 9. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables as at the balance sheet date is as follows:

| | The Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Due within 1 month or on demand | **37,707** | 57,131 |
| Due after 1 month but within 2 months | **17,675** | 20,035 |
| Due after 2 months but within 3 months | **10,660** | 9,272 |
| Due after 3 months | **12,273** | 10,472 |
| | **78,315** | 96,910 |
| Other payables | **64,578** | 34,952 |
| | **142,893** | 131,862 |

## 10. DIVIDEND

No dividend was proposed for the year ended 31 December 2007 (2006: Nil).

## MODIFICATION TO THE INDEPENDENT AUDITOR'S REPORT

The auditors modified their auditor's report on the consolidated financial statements for the year ended 31 December 2007 in respect of material uncertainties relating to the going concern.

Without qualifying their opinion, the auditors draw attention to note 1(d) above which indicate that the Group incurred a consolidated loss attributable to equity shareholder of the Company of approximately HK$193,838,000 for the year ended 31 December 2007, the Group's current liabilities exceeded its current assets by approximately HK$99,720,000 as at 31 December 2007 and it did not comply with certain financial covenants of certain bank facilities. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the success of the measures to improve the Group's profitability and cash flows, to obtain financing from other resources, to secure the necessary facilities from its existing bankers, and to remedy its breaches in certain bank loan covenants. These conditions, along with other matters as set forth in note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF RESULTS

The Group's consolidated turnover for year 2007 was HK$495,047,000 (2006: HK$1,089,187,000), decreased by 55% as compared to that of year 2006. The major reason for the decrease in consolidated turnover was the losses of the customers' orders from a few major customers.

Loss attributable to shareholders for year 2007 amounted to HK$193,838,000 (2006: profit of HK$13,766,000). The loss includes a total of one-time write-off of HK$58,492,000 which are 1. HK$15,308,000 for laying off the redundant labor in the factories in the PRC; 2. HK$369,000, HK$166,000, HK$6,718,000 for write-offs of the assets for winding up the factories in Zhongshan, Fuqing, and other minor facilities respectively; 3. HK$1,917,000 and HK$17,312,000 for write-offs of the investment and inter-company receivables of the 70% owned subsidiary in United Kingdom, Heissner UK, respectively; 4. HK$312,000 and HK$1,449,000 for write-offs of accounts receivable and fixed assets of the 90% owned subsidiary in Australia, Waterwerks, respectively; 5. HK$8,096,000 for paying the legal costs for the legal cases in Hong Kong, the United States, and the PRC; and 6. HK$6,845,000 for provision of slow-moving inventories.

## SEGMENTAL TURNOVER

In year 2007, the United States and Europe remained the Group's largest markets.

The Group's export sales to the United States decreased by 46% to HK$362,215,000 (2006: HK$675,033,000), representing 73% (2006: 62%) of the Group's total turnover. The Group's export sales to Europe decreased 80% to HK$52,419,000 (2006: HK$267,664,000), representing 11% (2006: 25%) of the Group's total turnover. The decrease in the Group's export sales to Europe was due to the completion of the disposal of the German subsidiary, Heissner AG, in June 2006. The Group had consolidated the turnover of Heissner AG for the first 8 months of year 2006 amounted to HK$225,562,000.

The Group's major products were outdoor decorative products and indoor decorative products. In year 2007, the total turnover of outdoor decorative products and indoor decorative products amounted to HK$207,439,000 (2006: HK$679,007,000) and HK$246,638,000 (2006: HK$315,511,000) respectively, representing 42% (2006: 62%) and 50% (2006: 29%) of the Group's total turnover respectively.

## MAJOR DISPOSAL EVENTS

**Disposal of the factory premises situated in Zhongshan City in Guangdong Province in the PRC**

On 31 December 2007, the Group entered into an agreement with an independent third party to dispose the factory premises situated in Zhongshan City, Guangdong Province in the PRC for a consideration of RMB28,200,000 (equivalent to HK$29,328,000). Upon completion of the transaction in March 2008, the group will record a gain on disposal and net cash inflow (after repaying the outstanding mortgage loan of RMB13,267,000 and accrued expenses of RMB2,258,000) of HK$4,573,000 and HK$13,182,000 respectively. The cash proceed has been used to reduce bank borrowing and enhance the liquidity of the Group.

**Disposal of the equity interest of the investment in August 2007**

On 6 August 2007, the Group entered into an agreement with an independent third party to dispose 4.45% of the equity interest of investment in Changzhou Yabang Chemical Co., Ltd. for a consideration of USD1,350,000 (equivalent to HK$10,530,000). Upon completion of the transaction in December 2007, the group has recorded a gain on disposal and net cash inflow of HK$6,243,000 and HK$10,140,000 respectively. The cash proceed has been used to enhance the liquidity of the Group.

## FINANCIAL AND MANAGEMENT REVIEW

**Cost Control**

During the period under review, the Group's gross profit margin was significantly decreased from 38.8% in year 2006 to 9.6% in year 2007. Despite of many cost control measurements taken by the Group in year 2007, the cost was considered to be relatively high. The cost, especially the fixed overhead, was not reduced according to the decrease in total turnover. The fixed overhead percentage were 29.0% and 19.4% in years 2007 and 2006 respectively.

**Selling, General and Administrative and Other Expenses**

In year 2007, total selling expenses of the Group was HK$89,184,000 (2006: HK$267,206,000), representing 18% (2006: 25%) of the total turnover. The decrease in total selling expenses was mainly due to the decrease of total turnover which consequently decreased the commission expenses of HK$89,448,000, freight cost of HK$25,395,000, and salaries and allowance of HK$19,808,000.

In year 2007, total general and administrative expenses of the Group was HK$130,011,000 (2006: HK$128,934,000), increased by 1% as compared to that of year 2006, representing 26% (2006: 12%) of the total turnover.

**Other revenue and other net (loss)/income**

In year 2007, the total other revenue and other net (loss)/income of the Group was HK$12,312,000 (2006: HK$34,301,000), decreased by 64% as compared to 2006, representing 3% (2006: 3%) of the total turnover.

**Liquidity, Financial Resources and Finance Costs**

The Group finances its operations with internally generated cash flows, banking facilities, proceeds from new share placements, and shareholders' loans. As at 31 December 2007, the Group had aggregate available banking facilities of HK$379,768,000 (2006: HK$389,800,000), of which HK$224,545,000 (2006: HK$248,953,000) was utilized and subject to floating market rates. The Group's cash and bank balance at that date amounted to HK$41,188,000 (2006: HK$27,772,000), which was denominated in mainly United States dollars, Hong Kong dollars, and Renminbi. This together with unutilized banking facilities will enable the Group to finance its operational needs.

As at 31 December 2007, the Group's current ratio and quick ratio were 67% (2006: 87%) and 46% (2006: 47%) respectively. At that date, the Group's total borrowing, was reduced from HK$250,973,000 as at 31 December 2006 to HK$234,717,000, which included short-term borrowing and long-term borrowing of HK$219,929,000 (2006: HK$245,621,000) and HK$14,788,000 (2006: HK$5,352,000) respectively. The decrease in total borrowing was due to the reduction of total turnover which required less financing activities. As at 31 December 2007, the Group's gearing ratio, defined as total borrowing as percentage of total assets, was 44% (2006: 39%).

In year 2007, total finance costs incurred by the Group was HK$20,148,000 (2006: HK$29,288,000), representing a 31% decrease as comparing to that of year 2006. The decrease in total finance costs was mainly due to the decrease of the demand for cashflow which subsequently decreased the financing activities.

**Dividend**
The directors do not recommend the payment of any dividend for the year (2006: Nil).

**Share Placement**
On 26 July 2007, the Company entered into a placing agreement whereby the Company placed an aggregate of 63,000,000 new ordinary shares of the Company of HK$0.10 each to not less than six placees who are independent third parties to the Company at a price of HK$0.86 per ordinary share. The placing was completed on 7 August 2007. The net proceeds from the placing of approximately HK$52,800,000 was used for reducing bank borrowings and general working capital purpose.

On 10 October 2007, the Company entered into conditional Subscription Agreements with Mr. Lin Chun Kuei, Mr. Ng Kin Nam and Tian Wan Pte Ltd who are Executive Directors and an associate of the Executive Director of the Company, pursuant to which, they had agreed to subscribe for an aggregate of 79,000,000 shares at a price of HK$0.45 per share in an aggregate amount of HK$35,550,000. The Subscription was completed on 28 November 2007.

On 24 December 2007, the Company entered into a placing agreement whereby the Company placed an aggregate of 184,000,000 new ordinary shares of the Company of HK$0.10 each to not less than six placees who are independent third parties to the Company at a price of HK$0.35 per ordinary share. The placing did not proceed to completion and the agreement was lapsed on 25 March 2008.

**Shareholders' Loans**
From July to August 2007, (1) Tian Wan Pte Ltd., a company controlled by Mr. Andree Halim, the director of the Company, and Mr. Daniel Halim advanced to the Company HK$12,000,000; (2) Anna Huang, wife of Mr. Lin Chun Kuei advanced to the company HK$7,800,000; (3) Mr. Ng Kin Nam advanced HK$12,000,000 and were fully repaid to the shareholders in November 2007. The amount due to the shareholders is unsecured, interest-free and repayable on or before 26 October 2007.

In addition, on 21 December 2007, Tian Wan Pte Ltd and Mr. Ng Kin Nam advanced to the Company HK$3,000,000 and HK$2,000,000 respectively. The amounts due to the shareholders are unsecured, interest-free and repayable on demand.

Subsequent to the balance sheet date, certain directors and substantial shareholders of the Company have advanced totaling HK$44,958,000 to the Company as general working capital purpose.

**Capital Expenditure**
The Group incurred a total capital expenditure of HK$23,935,000 (2006: HK$31,377,000) in year 2007, which included: HK$13,661,000 (2006: Nil) for construction of new building premises; HK$1,019,000 (2006: HK$1,030,000) for mainly remodeling the manufacturing plant in order to apply for the official land and building certificates for that manufacturing plant in Shenzhen City in Guangdong Province in the People's Republic of China, HK$7,464,000 (2006: HK$8,490,000) for acquiring mould, machinery and equipment in the PRC and Vietnam, HK$1,625,000 (2006: HK$6,134,000) for acquiring other fixed assets and HK$166,000 (2006: HK$15,723,000) for acquiring intangible assets.

**Foreign Exchange Exposure**
For year 2007, the Group's major revenue was denominated in the United States dollars, while banking facilities repayment and purchase were made essentially in the corresponding currencies and Renminbi, thus establishing a natural hedge. During the year under review, the Group was exposed to certain risks of exchange fluctuations. To further reduce exchange risks, the Group has utilized foreign exchange hedging tools and will continue to closely monitor exchange rate movements.

### Impact of the Revaluation of Renminbi

All of the Group's sales are denominated in either United States dollars while some of the Groups' purchases are denominated in Renminbi. As at 31 December 2007, the Group had an outstanding balance of accounts payable and bank loans, denominated in Renminbi, for HK$50,096,000 (2006: HK$71,468,000) and HK$84,563,000 (2006: HK$78,100,000) respectively. As at 31 December 2007, there was no outstanding trust receipt loans denominated in Renminbi (2006: Nil). The fluctuation of Renminbi exchange rate has affected the business operations of the Group. During the period under review, the appreciation of Renminbi has caused slightly adverse effect on the current operating results and financial position of the Group. To reduce the possible impact in the future, the Group has negotiated to reduce purchases nominated in Renminbi and incorporate the exchange risk in all quotations.

### Contingent Liability

As at 31 December 2007, the Group had no significant contingent liability (2006: Nil).

### Charge on Assets

As at 31 December 2007, certain assets of the Group with aggregate carrying value of HK$151,245,000 (2006: HK$172,053,000) were pledged to secure loan facilities utilized by the Group.

### Employees

As at 31 December 2007, the Group had a total of 3,458 (2006: 5,724) employees. Total staff cost incurred during the year 2007 amounted to HK$126,462,000 (2006: HK$156,382,000), excluded staff cost included in cost of sales and directors' remuneration. The total staff cost incurred in year 2007 included HK$15,308,000 for the one-off redundant payments for laying off the staff and labor in the PRC. The Group offers a comprehensive remuneration and benefit package to its employees, and remuneration policies are reviewed by the management on a regular basis.

The Group also adopts a share option scheme, which is reviewed and revised periodically in accordance with the latest statutory requirements. The Group has already taken into account the comparable remuneration level of the market when structuring the scheme.

## PROSPECTS

Under the current unstable global economics environment, the Group has taken various major cost control measures which include: 1. concentration of production facilities from six manufacturing plants in year 2006 to four manufacturing plants in year 2007; 2. reduction of total number of employees from 5,700 people in year 2006 to 3,500 people in year 2007; and 3. speeding up the closing of the non-performing overseas sales offices.

While the Group continues to strengthen the existing business, the management is also actively exploring new business opportunities for the Group. The opportunities are not limited to the manufacturing industry, and the management is open to any business opportunity as long as the new business could bring benefits to the Group. The management will actively consider new investments.

In the meantime, the Group continues to focus on its manufacturing business in Asia and minimize direct participation in the distribution business, so as to minimize the unnecessary business risk. As regard to customers, the Group will continue to enhance the relationship with the customers and expects to recover some of the lost orders in the coming year. The Group is confident that the total turnover and performance may gradually improve in the next years.

## NON-ADJUSTING POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group and independent third parties entered into agreements to dispose of the Group's interest in certain subsidiaries in Vietnam, Hong Kong and the PRC at an aggregate consideration of approximately HK$237,322,000, of which the directors expect approximately HK$96,275,000 to be receivable in 2008 and approximately HK$141,047,000 to be receivable after 2008:

(a) Subsequent to the balance sheet date on 30 April 2008, the Group and an independent third party entered into an agreement that the Group would dispose of its 100% equity interest in Peaktop (Vietnam) Limited, a subsidiary incorporated in Vietnam, for a consideration of US$2,800,000 (equivalent to approximately HK$21,759,000), which is expected to be receivable in 2008.

(b) Subsequent to the balance sheet date on 1 May 2008, the Group and another independent third party entered into an agreement that the Group would dispose of its 100% equity interest in Peaktop Technologies Limited ("PTL"), a subsidiary incorporated in Hong Kong, for a consideration of RMB202,500,000 (equivalent to approximately HK$215,563,000, of which approximately HK$74,516,000 is expected to be receivable in 2008 and approximately HK$141,047,000 to be receivable after 2008. PTL holds 75% equity interest in Shenzhen Yuansheng Light Industrial Products Co., Ltd., a subsidiary established in the PRC.

The transactions are expected to complete in 2008.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2007.

## CORPORATE GOVERNANCE

The Board considers that good corporate governance of the Company is essential to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintain and ensure high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2007, except for the deviations from provisions A.2.1 and A.4.1 of the CG Code in respect of segregation of the roles of Chairman and Chief Executive Officer, and appointment of Independent Non-executive Directors for specific terms. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

On 12 July 2007 and 29 November 2007, two profit warning statements were announced to the shareholders of the Company and investors that the Group was expected a substantial loss for the six months ended 30 June 2007 and for the year ended 31 December 2007 respectively due to (1): the Group was in the process of restructuring, (2): the loss of a major customer in 2007 and (3): the losses recorded on overseas subsidiaries due to decrease of orders received from overseas markets.

## 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 have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2007.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practice adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2007.

## ACKNOWLEDGEMENT

The Board would like to express our appreciation to our shareholders, customers, banks and business partners for their continuous trust and support, and also to all of our staff for their dedicated efforts in facilitating the Group's business restructuring and perseverance in face of challenges.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.peaktop.com/hk. The 2007 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
**Peaktop International Holdings Limited**
**Lin Chun Kuei**
*Chairman*

Hong Kong, 9 May 2008

*As at the date of this announcement, Mr. Lin Chun Kuei, Mr. Andree Halim, Mr. Ng Kin Nam, Mr. Li Chien Kuan and Mr. Lin Chun Fu are the Executive Directors and Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew and Mr. Ng Tang Fai, Ernesto are the Independent Non-executive Directors.*