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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 2008

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 2008, together with the comparative figures for the last year as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	3	302,166	495,047
Cost of sales		<u>(275,520)</u>	<u>(447,677)</u>
Gross profit		26,646	47,370
Valuation (loss)/gain on investment property		(1,040)	2,670
Other revenue	4	3,194	12,705
Other net income/(loss)	4	4,087	(393)
Distribution costs		(45,960)	(89,184)
Administrative expenses		(76,800)	(130,011)
Other operating expenses		<u>(11,029)</u>	<u>(11,944)</u>
Loss from operations		(100,902)	(168,787)
Finance costs	5(a)	<u>(10,077)</u>	<u>(20,148)</u>
Loss before taxation	5	(110,979)	(188,935)
Income tax	6	<u>2,157</u>	<u>(5,104)</u>
Loss for the year		<u>(108,822)</u>	<u>(194,039)</u>
Attributable to:			
Equity shareholders of the Company		(108,822)	(193,838)
Minority interests		—	(201)
Loss for the year		<u>(108,822)</u>	<u>(194,039)</u>
Loss per share	7		
Basic		<u>HK(10.9) cents</u>	<u>HK(21.8) cents</u>
Diluted		<u>HK(10.9) cents</u>	<u>HK(21.8) cents</u>

* For identification purpose only

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Note	2008		2007	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment			177,463		164,248
Investment property			11,600		12,640
Prepaid lease payments			59,426		61,388
Intangible assets			820		927
Goodwill			–		–
Interest in an associate			–		–
Other non-current financial assets			19,464		31,891
			268,773		271,094
Current assets					
Trading securities			–		942
Inventories			18,462		77,353
Trade and other receivables	8		48,779		124,111
Cash and cash equivalents			30,701		42,253
			97,942		244,659
Non-current assets held for sale			9,210		22,933
Total current assets			107,152		267,592
Current liabilities					
Trade and other payables	9		211,641		142,893
Derivative financial instruments			–		2,113
Bank loans and overdrafts			50,951		209,757
Other loan, unsecured			–		9,852
Obligations under finance leases			–		320
Current taxation			692		2,377
			(263,284)		(367,312)
Net current liabilities			(156,132)		(99,720)
Total assets less current liabilities			112,641		171,374
Non-current liabilities					
Bank loans			45,378		14,788
Deferred tax liabilities			563		633
			(45,941)		(15,421)
NET ASSETS			66,700		155,953
CAPITAL AND RESERVES					
Share capital			99,920		99,920
Reserves			(33,220)		56,033
Total equity attributable to equity shareholders of the Company			66,700		155,953
Minority interests			–		–
TOTAL EQUITY			66,700		155,953

NOTES TO THE AUDITED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

1. (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 amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which 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 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) *Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)*

In the current year, the Company has where applicable applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“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 adjustment is required.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2008.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ³
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁶

¹ *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*

² *Effective for annual periods beginning on or after 1 January 2009*

³ *Effective for annual periods beginning on or after 1 July 2009*

⁴ *Effective for annual periods beginning on or after 1 July 2008*

⁵ *Effective for annual periods beginning on or after 1 October 2008*

⁶ *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 Company's directors 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.

(c) 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 an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 are discussed.

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\$108,822,000 for the year ended 31 December 2008;
- the consolidated net current liabilities of approximately HK\$156,132,000 as at 31 December 2008; and
- the outstanding bank loans and overdrafts of approximately HK\$96,329,000, out of which an aggregate of approximately HK\$50,951,000 was due for repayment within the next twelve months after 31 December 2008.

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 2008, the Group obtained new bank loans of approximately HK\$9,008,000, which was repayable in March 2010.

- (ii) During and subsequent to 31 December 2008, the Group entered into several agreements to dispose of its interests in certain buildings, prepaid lease payments and leasehold improvements for an aggregate consideration of approximately HK\$279,451,000, of which approximately HK\$44,405,000 is received in advance during the year ended 31 December 2008 and the directors expect approximately HK\$167,486,000 to be receivable in 2009 and approximately HK\$67,560,000 to be receivable after 2009, to finance the operations of the Group.
- (iii) 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 2009.

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 sales 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	
	2008	2007	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	HK\$'000	HK\$'000
Revenue from external customers	255,115	362,215	6,159	52,419	40,892	80,410	-	3	-	-	302,166	495,047
Inter-segment revenue	134,650	82,675	3,100	694	54,584	52,851	-	-	(192,334)	(136,220)	-	-
Total	<u>389,765</u>	<u>444,890</u>	<u>9,259</u>	<u>53,113</u>	<u>95,476</u>	<u>133,261</u>	<u>-</u>	<u>3</u>	<u>(192,334)</u>	<u>(136,220)</u>	<u>302,166</u>	<u>495,047</u>
Segment result	<u>(41,996)</u>	<u>(62,278)</u>	<u>(443)</u>	<u>(34,899)</u>	<u>(45,724)</u>	<u>(49,975)</u>	<u>-</u>	<u>-</u>			<u>(88,163)</u>	<u>(147,152)</u>
Interest income											157	945
Unallocated operating income and expenses											<u>(12,896)</u>	<u>(22,580)</u>
Loss from operations											<u>(100,902)</u>	<u>(168,787)</u>
Finance costs											<u>(10,077)</u>	<u>(20,148)</u>
Loss before taxation											<u>(110,979)</u>	<u>(188,935)</u>
Taxation											<u>2,157</u>	<u>(5,104)</u>
Loss for the year											<u>(108,822)</u>	<u>(194,039)</u>
Depreciation and amortisation for the year	<u>19,868</u>	<u>26,341</u>	<u>525</u>	<u>1,178</u>	<u>5,870</u>	<u>11,494</u>	<u>-</u>	<u>-</u>			<u>26,263</u>	<u>39,013</u>
Impairment of/(reversal for)												
- goodwill	-	-	-	-	-	3,459	-	-			-	3,459
- trade and other receivables	-	-	(907)	1,269	(4,982)	4,953	-	-			(5,889)	6,222
- amount due from an investee company	-	-	9,576	-	-	-	-	-			9,576	-
(Reversal of)/written-off of trade and other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,725)</u>	<u>2,032</u>			<u>(1,725)</u>	<u>2,032</u>
Segment assets	258,661	170,601	5,981	40,063	41,198	216,973	3,086	1	(5,113)	(10,249)	303,813	417,389
Unallocated assets											<u>72,112</u>	<u>121,297</u>
Total assets											<u>375,925</u>	<u>538,686</u>
Segment liabilities	14,442	17,728	670	3,443	141,143	137,339	-	-	(5,362)	(10,510)	150,893	148,000
Unallocated liabilities											<u>158,332</u>	<u>234,733</u>
Total liabilities											<u>309,225</u>	<u>382,733</u>
Capital expenditure incurred during the year	<u>180</u>	<u>2,159</u>	<u>-</u>	<u>-</u>	<u>38,411</u>	<u>21,610</u>	<u>-</u>	<u>166</u>			<u>38,591</u>	<u>23,935</u>

Additional information concerning geographical segments:

	United States of America		Europe		Asia Pacific		Unallocated		Consolidated	
	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
Segment assets by location of the assets	<u>106,556</u>	<u>58,871</u>	<u>1,122</u>	<u>571</u>	<u>267,426</u>	<u>468,745</u>	<u>821</u>	<u>10,499</u>	<u>375,925</u>	<u>538,686</u>
Capital expenditure incurred during the year to acquire segment assets by location of the assets	<u>180</u>	<u>2,159</u>	<u>-</u>	<u>-</u>	<u>38,411</u>	<u>21,610</u>	<u>-</u>	<u>166</u>	<u>38,591</u>	<u>23,935</u>

(b) Business segments

	Outdoor decoration		Indoor decoration		Plastic injection		Others		Unallocated		Consolidated	
	2008	2007	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	HK\$'000	HK\$'000
Revenue from external customers	<u>160,027</u>	<u>207,439</u>	<u>109,181</u>	<u>246,638</u>	<u>22,405</u>	<u>21,429</u>	<u>10,553</u>	<u>19,541</u>	<u>-</u>	<u>-</u>	<u>302,166</u>	<u>495,047</u>
Carrying amount of segment assets	<u>183,974</u>	<u>244,824</u>	<u>113,808</u>	<u>210,665</u>	<u>21,267</u>	<u>17,416</u>	<u>7,962</u>	<u>11,431</u>	<u>48,914</u>	<u>54,350</u>	<u>375,925</u>	<u>538,686</u>
Capital expenditure incurred during the year	<u>20,437</u>	<u>10,029</u>	<u>13,944</u>	<u>11,925</u>	<u>2,862</u>	<u>1,036</u>	<u>1,348</u>	<u>945</u>	<u>-</u>	<u>-</u>	<u>38,591</u>	<u>23,935</u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Other revenue		
Interest income on financial assets not at fair value through profit or loss		
– Interest income from bank deposits	157	945
Gross rentals from investment property	622	482
Dividend income from unlisted securities	22	22
Commission income	65	1,739
Compensation from legal claim	–	7,771
Others	2,328	1,746
	<u>3,194</u>	<u>12,705</u>
Other net income/(loss)		
Fair value (loss)/gain on financial asset at fair value through profit or loss [#]	(9,929)	611
Gain on disposal of available-for-sale financial assets	–	6,243
Unrealised gain on trading securities	–	6
Realised gain on trading securities	30	–
Loss on disposal of property, plant and equipment	(5,397)	(7,253)
Reversal of bad debts written off	1,725	–
Compensation income arising from construction	4,171	–
Gain on disposals of subsidiaries, net	8,121	–
Gain on disposal of non-current assets classified as held for sale	5,366	–
	<u>4,087</u>	<u>(393)</u>

[#] Included in fair value (loss)/gain on financial asset at fair value through profit or loss is interest expense of approximately HK\$137,000 (2007: interest income of approximately HK\$1,754,000) on financial asset at fair value through profit or loss.

5. LOSS BEFORE TAXATION

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

(a) Finance costs

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank advances and other borrowings wholly repayable within five years	10,077	20,037
Finance charges on obligations under finance leases	–	111
	<u>10,077</u>	<u>20,148</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>10,077</u>	<u>20,148</u>

(b) *Staff costs (including directors' remuneration)*[#]

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries, wages and other benefits	64,339	124,643
Contributions to defined contribution retirement plans	558	1,819
	<u>64,897</u>	<u>126,462</u>

(c) *Other items*

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amortisation [#]		
– prepaid lease payments	979	1,626
– intangible assets	231	5,033
Depreciation [#]	25,053	32,354
(Reversal of)/impairment losses, net*		
– trade and other receivables	(5,889)	6,222
– goodwill	–	3,459
– property, plant and equipment	2,921	–
– prepaid lease payments	1,374	–
– amount due from an investee company	9,576	–
– unlisted equity securities	1,453	–
Write-off of trade and other receivables – others*	–	2,032
Reversal of impairment loss on amount due from an associate	–	(46)
Design and molding costs	20,882	15,204
Net foreign exchange loss/(gain)	5,283	(121)
Net loss on forward foreign exchange contracts	–	2,113
Auditor's remuneration	1,611	1,875
Operating leases charges in respect of property rentals:		
– minimum lease payments [#]	4,448	12,904
Rentals receivable from investment property less direct outgoings of HK\$37,000 (2007: HK\$61,000)	607	421
Cost of inventories [#]	<u>274,439</u>	<u>454,522</u>

[#] *Cost of inventories includes approximately HK\$64,545,000 (2007: HK\$93,564,000) 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 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 IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax – Overseas		
Provision for the year	37	2,867
Over-provision in respect of prior years	<u>(2,123)</u>	<u>(50)</u>
	(2,086)	2,817
Deferred tax		
Original and reversal of temporary differences	<u>(71)</u>	<u>2,287</u>
	<u>(2,157)</u>	<u>5,104</u>

For the year ended 31 December 2008 and 2007, no Hong Kong profits tax has been provided for in the financial statements as the Group has no estimated assessable profits during those years.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 that reduced corporate profit tax rate from 17.5% to 16.5% with effect 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.

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 25% (2007: 33%) of the assessable profit of the companies comprising the Group. In 2007, certain subsidiaries 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.

The Corporate Income Tax Law of the PRC (“New Tax Law”) took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity shareholders of the Company of HK\$108,822,000 (2007: a loss of HK\$193,838,000) and the weighted average number of 999,196,000 ordinary shares (2007: 889,928,000 ordinary shares) in issue during the year and is calculated as follows:

Weighted average number of ordinary shares

	2008 '000	2007 '000
Issued ordinary shares at 1 January	999,196	857,196
Effect of shares issued under the placing	—	32,732
Weighted average number of ordinary shares at 31 December	999,196	889,928

(b) Diluted loss per share

There were no dilutive potential shares during 2008 and 2007, and diluted loss per share is the same as basic loss per share.

8. TRADE AND OTHER RECEIVABLES

The ageing analysis of trade receivables (net of allowance for doubtful debts) as at the balance sheet date is as follows:

	The Group	
	2008 HK\$'000	2007 HK\$'000
Current	35,456	56,094
Less than 1 month past due	641	1,714
1 to 3 months past due	981	709
More than 3 months past due	973	4,535
Amounts past due	2,595	6,958
Other receivables, deposits and prepayments	38,051	63,052
	10,728	61,059
	48,779	124,111

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 creditors and bills payable as of the balance sheet date is analysed as follows:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Due within 1 month or on demand	40,675	37,707
Due after 1 month but within 2 months	6,580	17,675
Due after 2 months but within 3 months	4,330	10,660
Due after 3 months	11,239	12,273
	<hr/>	<hr/>
	62,824	78,315
Accrued charges, other payables and deposit received in advance	148,817	64,578
	<hr/>	<hr/>
	211,641	142,893
	<hr/> <hr/>	<hr/> <hr/>

All of the trade and other payables are expected to be settled within one year or repayable on demand.

10. DIVIDEND

No dividend was proposed for the year ended 31 December 2008 (2007: 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 2008 in respect of material uncertainties relating to the going concern.

Without qualifying our opinion, the auditor draw attention to note 1(c) above which indicate that the Group incurred a consolidated loss attributable to equity shareholder of the Company of approximately HK\$108,822,000 for the year ended 31 December 2008 and the Group's current liabilities exceeded its current assets by approximately HK\$156,132,000 as at 31 December 2008. 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 and to secure the necessary facilities from its existing bankers. These conditions, along with other matters as set forth in note 1(c), 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 was approximately HK\$302,166,000 (2007:HK\$495,047,000), representing a decrease of 39% when compared to 2007. Loss attributable to shareholders for the year 2008 amounted to HK\$108,822,000 (2007: HK\$193,838,000). The major reason for the decrease in total turnover was the downturns of the real estate industry in the USA since end of 2007 and the impact of worldwide financial tsunami became so serious since the third quarter of 2008. The demands of the Group's products have been affected to decrease and this was the business trend since the beginning of 2007. The loss attributable to shareholders has decreased, due to the reorganisation of the group structure and the cost reduction exercise in 2008.

Segmental turnover

In year 2008, the United States and Asia Pacific remained as the Group's largest markets.

The Group's export sales to the United States decreased by 30% to HK\$255,115,000 (2007: HK\$362,215,000), representing 84% (2007: 73%) of the Group's total turnover. The Group's export sales to Asia Pacific decreased 49% to HK\$40,892,000 (2007: HK\$80,410,000), representing 14% (2007: 16%) of the Group's total turnover.

The Group's major products were water gardening, outdoor life-style products and indoor decorative products. In year 2008, the total turnover of outdoor decorative products and indoor decorative products amounted to HK\$160,027,000 (2007: HK\$207,439,000) and HK\$109,181,000 (2007: HK\$246,638,000) respectively, representing 53% (2007: 42%) and 36% (2007: 50%) of the Group's total turnover respectively.

Major events

Disposal of the entire share capital of Peaktop (Vietnam) Limited

During the year, the Group entered into an agreement with an independent third party to dispose the entire share capital of Peaktop (Vietnam) Limited for a consideration of USD2,172,000 (equivalent to HK\$16,983,000).

Disposal of the entire share capital of Peaktop Technologies Limited

On 1 May 2008, the Group entered into an agreement with an independent third party to dispose the entire share capital of Peaktop Technologies Limited for a total consideration of RMB202,500,000 (equivalent to HK\$225,800,000). The sole asset of Peaktop Technologies Limited is a 75% equity interest of a PRC subsidiary.

On 25 February 2009, the Group entered into a supplemental agreement pursuant to which the Group agreed to sell the remaining 25% equity interest of its PRC subsidiary to the same independent third party by transferring the remaining 25% equity interest to Peaktop Technologies Limited. Upon completion, Peaktop Technologies Limited will own 100% equity interest of the PRC subsidiary. The consideration was adjusted from RMB202,500,000 (equivalent to approximately HK\$225,800,000) to RMB240,000,000 (equivalent to approximately HK\$271,200,000).

Placing of Convertible Bonds

On 19 May 2008, the Company and the placing agent entered into the placing agreement, pursuant to which the placing agent agreed to place, on a best effort basis, to independent investors up to in the aggregate principal amount of HK\$75,440,000 convertible bonds bearing interest of 12% per annum attached with rights of conversion to a maximum of 184,000,000 conversion shares at initial conversion price of HK\$0.41 per share. On 1 September 2008, the fourth supplemental agreement on the placing of convertible bonds lapsed (as amended by the supplemental agreement signed on 10 June 2008 and the second, third and fourth supplemental agreements signed on 30 June 2008, 14 July 2008 and 31 July 2008 respectively) and the completion of the placing agreement would not be proceeded.

Conditional Sale and Purchase Agreement

On 11 June 2008, the Company's substantial shareholders (the "Vendors") and the offeror entered into the conditional sale and purchase agreement (the "Agreement"), pursuant to which the offeror conditionally agreed to acquire from the Vendors the sale shares for an aggregate consideration of HK\$150,724,900 (as amended by the supplemental agreement signed on 12 July 2008). On 21 August 2008, the Company had been informed by the offeror that the resolution relating to the offers was not approved by the shareholders of the offeror at the special general meeting convened on the same day. The approval of the shareholders of the offeror of the Agreement and the transactions contemplated thereunder was one of the conditions precedent to the completion of the Agreement. Accordingly, the Agreement had ceased and terminated. As the making of the offers was conditional on fulfillment of the conditions precedent under the Agreement, the offers would not be made by the offeror.

Disposal of a property situated in Fuqing City in Fujian Province in the PRC

On 26 November 2008, the Group entered into an agreement with an independent third party to dispose the property situated in Fuqing City, Fujian Province in the PRC for a consideration of RMB8,180,000 (equivalent to HK\$9,243,000).

FINANCIAL AND MANAGEMENT REVIEW

Cost Control

During the year under review, the Group's gross profit margin was significantly decreased from 9.6% in the year 2007 to 8.8% in year 2008. The drop of gross profit was mainly due to the charging of design and molding costs for HK\$20,882,000 in the consolidated income statement in 2008. The other reasons were the increase of worldwide crude oil, raw materials and the PRC labor costs especially during the period from January 2008 to September 2008.

Selling and Distribution, Administrative and Other Operating Expenses

During the year under review, total selling and distribution expenses of the Group was HK\$45,960,000 (2007: HK\$89,184,000), representing 15% (2007: 18%) of total turnover and a decrease of 48% when compared to 2007. The decrease in total selling and distributing expense was mainly due to the decrease in turnover which consequently decreased the salaries and allowance of HK\$7,300,000, freight cost of HK\$12,700,000 and sales claims of HK\$15,546,000.

During the year under review, total administrative expenses of the Group was HK\$76,800,000 (2007: HK\$130,011,000), representing 25% (2007: 26%) of total turnover and a decrease of 41% when compared to 2007. The drop was mainly due to the decrease in salary expenses for HK\$22,300,000 and to slim down of organization structure.

During the year under review, other operating expenses of the Group was HK\$11,029,000 (2007: HK\$11,944,000), representing 4% (2007: 3%) of total turnover.

Liquidity, Financial Resources and Finance Costs

The Group finances its operations with internally generated cash flows and banking facilities. As at 31 December 2008, the Group had aggregate available banking facilities of HK\$119,192,000 (2007: HK\$379,768,000), of which HK\$96,329,000 (2007: HK\$224,545,000) was utilized and subject to floating market rates. The Group's cash and bank balance at that date amounted to HK\$19,575,000 (2007: HK\$41,188,000), which was denominated in United States dollars, Hong Kong dollars and Renminbi. This together with unutilized banking facilities will enable the Group to fund its operational needs.

As at 31 December 2008, the Group's current ratio and quick ratio were 37% (2007: 67%) and 30% (2007: 46%) respectively. At that date, the Group's total borrowing, amounted to HK\$96,329,000 (2007: HK\$234,397,000), which included short-term borrowing and long-term borrowing of HK\$50,951,000 (2007: HK\$219,609,000) and HK\$45,378,000 (2007: HK\$14,788,000) respectively. As at 31 December 2008, the Group's gearing ratio, defined as total borrowing as percentage of total assets, was 25% (2007: 44%).

During the year under review, total finance costs incurred by the Group were HK\$10,077,000 (2007: HK\$20,148,000). The decrease of total finance costs was in line with the decrease of the total borrowing of the Group. The Group will continue to implement prudent financing policy in order to ensure that the Group will not be affected by short-term uncertainties.

Dividend

The directors do not recommend the payment of any dividend for the year (2007: Nil).

Shareholders' Loans

During the year under review, certain directors and substantial shareholders of the Company had advanced totaling HK\$45,000,000 to the Company for general working capital purpose.

Capital Expenditure

The Group incurred a total capital expenditure in respect of re-building of property, plant and amounting to HK\$38,591,000 (2007: HK\$23,935,000) for the year ended 31 December 2008, which included 28,903,000 for re-building of the existed premises and few new buildings, as well as the amount of HK\$5,757,000 for other expenses in order to apply for the official land and building certificates for our properties in Shenzhen City in Guangdong Province in the PRC and HK\$3,931,000 for acquiring other fixed assets.

Foreign Exchange Exposure

During the year under review, the Group's major revenue was denominated in United States dollars, while banking facilities repayment and purchases 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.

Impact of the Revaluation of Renminbi

All of the Group's sales are denominated in either United States dollars or Australian dollars while some of the Group's purchases are denominated in Renminbi. During the year 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 the bank borrowing facilities and purchases denominated in Renminbi and incorporates the exchange risk in all quotations, and participating the appreciation of RMB in the quotation for the future new orders.

Contingent Liabilities

As at 31 December 2008, the Group had no significant contingent liability (31 December 2007: Nil).

Charges on Assets

As at 31 December 2008, certain assets of the Group with aggregate carrying value of HK\$124,057,000 (2007: HK\$151,245,000) were pledged to secure loan facilities utilized by the Group.

Employees

As at 31 December 2008, the Group had a total of 1,006 (2007: 3,458) employees. Total staff cost incurred during the year ended 31 December 2008 amounted to HK\$64,897,000 (2007: HK\$126,462,000) excluding staff cost included in cost of sales and directors' remuneration. The Group offers a comprehensive remuneration and benefit package to its employees, and the management reviews the remuneration policies 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. During the year ended 31 December 2008, no option were granted or exercised under the share option scheme.

BUSINESS PROSPECT AND OUTLOOK

Even during this worldwide financial crisis, the Group should still continue on its main business of manufacturing and trading water gardening products in the year of 2009 and onwards, based on its very well established product design and development abilities as well as its very strong relationship with the buyers. The Group has changed its over-all marketing strategy since 2007 to focus on developing those higher margin products with different raw materials and to select higher margin business partners from the long relation buyers' list and also approach those new players in the market places. USA is still the major market since the Group had started its operation in 1992. The water gardening business is mainly for improving life style and home decoration. Gone through contact and review with major buyers in USA, the prospect for its future business is still there, no matter, the serious economic down turn in USA has affected the market to be slow and conservative as compared the business to last year.

To stay competitive in the industry from supply side in China, the Group is not only to further reduce the production costs through the restructure process in every aspect to cut down labor costs, manufacturing overhead and financial expenses, but also has to increase larger portion of trading business gradually by out-sourcing products from the related production facilities outside of Guangdong province where local government has less encouraged the labor-intensive industries. The increased trading business shall substitute the turnover of own production and also to improve the profit margin and stay competitive. Besides, using poly-resin as its main raw materials for products, the Group also focus in developing products with other raw materials, such as ceramic, metal, nature rocks and woods through out-sourcing activities.

Finally, the Group is still looking for the potential investor in the market in order to bring in new business units which will compensate the loss of turnover and improve the profitability of the Group.

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 2008.

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 2008, 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.

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 2008.

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 2008.

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 2008 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, 3 April 2009

As at date of this announcement, the executive directors of the Company are Mr. Lin Chun Kuei, Mr. Li Chien Kuan and Mr. Lin Chun Fu; the non-executive directors of the Company are Mr. Andree Halim and Mr. Ng Kin Nam; and the independent non-executive directors of the Company are Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew and Mr. Ng Tang Fai, Ernesto.