JACKIN INTERNATIONAL HOLDINGS LIMITED
輝影國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 630)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

RESULTS

The Board of Directors ("Board") of Jackin International Holdings Limited (the "Company") announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for the previous year, as follows.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008
(Expressed in Hong Kong dollars)

	Notes	**2008** **$'000**	2007 $'000
Turnover	2,3	**455,531**	418,159
Cost of sales		**(340,503)**	(274,692)
Gross profit		**115,028**	143,467
Other revenue	4	**5,758**	5,285
Other net (loss)/income	4	**(30)**	120
Distribution costs		**(26,499)**	(24,501)
Administrative expenses		**(91,265)**	(55,745)
Impairment losses	6	**(128,369)**	–
(Loss)/profit from operations		**(125,377)**	68,626
Finance costs		**(26,582)**	(25,205)
Loss from a legal claim		**–**	(7,900)
(Loss)/profit before taxation	5	**(151,959)**	35,521
Income tax	7	**(7,828)**	(2,045)

* *For identification purposes only*

	Notes	2008 $'000	2007 $'000
(Loss)/profit attributable to equity shareholders of the Company		**(159,787)**	33,476
(Loss)/earnings per share	*8*		
Basic		**(20.0) cents**	4.5 cents
Diluted		**(18.9) cents**	4.0 cents

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

(Expressed in Hong Kong dollars)

	Notes	**2008** **$'000**	2007 $'000
Non-current assets			
Property, plant and equipment		**63,740**	113,225
Intangible assets		**82,290**	49,165
Goodwill		**–**	39,545
Deferred tax assets		**1,132**	–
		147,162	201,935
Current assets			
Inventories		**223,242**	196,319
Trade and other receivables	*9*	**193,676**	245,747
Pledged deposits		**1,554**	1,228
Cash and cash equivalents		**23,123**	39,181
Current tax recoverable		**155**	–
		441,750	482,475
Current liabilities			
Trade and other payables	*10*	**88,457**	57,276
Bank and other borrowings		**156,938**	146,653
Notes payable		**108,367**	–
Obligations under finance leases		**9,879**	7,108
Current tax payable		**10,485**	7,111
		374,126	218,148
Net current assets		**67,624**	264,327
Total assets less current liabilities		**214,786**	466,262
Non-current liabilities			
Bank and other borrowings		**21,954**	46,349
Notes payable		**–**	76,086
Obligations under finance leases		**7,843**	5,323
Deferred tax liabilities		**6,537**	1,656
		36,334	129,414
NET ASSETS		**178,452**	336,848
CAPITAL AND RESERVES			
Share capital		**79,879**	79,664
Reserves		**98,573**	257,184
TOTAL EQUITY		**178,452**	336,848

Notes:
(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Basis of preparation of the annual results

In preparing the annual results, the directors have considered the future liquidity of the Group in view of its consolidated net loss attributable to equity holders of the Company of $159,787,000 for the year ended 31 December 2008. In addition, the Group breached certain financial covenants of its banking facilities and of two bonds subscription agreements during the year ended 31 December 2008. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) the Group has been actively negotiating with its creditor bankers to secure continual support;

(ii) the note holders have confirmed that they would not request early redemption of the notes; and

(iii) the Group has been actively discussing with prospective investors to obtain new working capital and a third party has committed to provide financial assistance to the Group as is necessary to maintain it as a going concern.

It is the directors' belief that they will successfully negotiate with creditor bankers and note holders to secure continual financing and the third party will execute its financial support commitment in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements.

Accordingly, the directors are of the opinion that it is appropriate to prepare the annual results for the year ended 31 December 2008 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 further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the annual results.

(b) ***Changes in accounting policies***

The HKICPA has issued a number of new Interpretations and an Amendment to HKFRSs that are first effective for the current accounting period of the Group. However, none of these developments is 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.

2 Turnover

The principal activities of the Group are the remanufacture and sale of computer printing and imaging products, manufacture and sale of data media products and distribution of branded data media products from third party vendors.

Turnover represents the sales value of goods sold to customers and is stated after deducting goods returned and trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	$'000	*$'000*
Remanufacture and sale of computer printing and imaging products	**310,298**	283,218
Manufacture and sale of data media products	**104,095**	83,195
Distribution of data media products	**41,138**	51,746
	455,531	418,159

3 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

For management purposes, the Group is currently organised into three operating divisions – remanufacture and sale of computer printing and imaging products, manufacture and sale of data media products and distribution of data media products. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these business segments is presented below.

	Remanufacture and sale of computer printing and imaging products *$'000*	Manufacture and sale of data media products *$'000*	Distribution of data media products *$'000*	Inter-segment elimination *$'000*	Unallocated *$'000*	Consolidated *$'000*
Year ended 31 December 2008						
Revenue from external customers	310,298	104,095	41,138	–	–	455,531
Inter-segment revenue	–	2,430	–	(2,430)	–	–
Total	310,298	106,525	41,138	(2,430)	–	455,531
Segment result	73,318	(61,926)	(45,504)	–	–	(34,112)
Unallocated operating income and expenses						(91,265)
Loss from operations						(125,377)
Finance costs						(26,582)
Loss before taxation						(151,959)
Income tax						(7,828)
Loss after taxation						(159,787)
Depreciation and amortisation for the year	14,604	10,843	48	–	150	25,645
Impairment losses for the year	17,408	62,797	48,164	–	–	128,369

3 Segment reporting *(continued)*

Business segments (continued)

	Remanufacture and sale of computer printing and imaging products *$'000*	Manufacture and sale of data media products *$'000*	Distribution of data media products *$'000*	Inter-segment elimination *$'000*	Unallocated *$'000*	Consolidated *$'000*
Year ended 31 December 2007						
Revenue from external customers	283,218	83,195	51,746	–	–	418,159
Inter-segment revenue	–	9,198	–	(9,198)	–	–
Total	283,218	92,393	51,746	(9,198)	–	418,159
Segment result	101,589	17,101	5,519	–	–	124,209
Unallocated operating income and expenses						(55,583)
Profit from operations						68,626
Finance costs						(25,205)
Loss from a legal claim						(7,900)
Profit before taxation						35,521
Income tax						(2,045)
Profit after taxation						33,476
Depreciation and amortisation for the year	8,693	10,941	45	–	128	19,807

3 Segment reporting *(continued)*

Business segments (continued)

	Remanufacture and sale of computer printing and imaging products	**Manufacture and sale of data media products**	**Distribution of data media products**	**Consolidated**
	$'000	***$'000***	***$'000***	***$'000***
Year ended 31 December 2008				
Segment assets	**485,907**	**66,882**	**31,296**	**584,085**
Unallocated corporate assets				**4,827**
Total assets				**588,912**
Segment liabilities	**66,053**	**21,002**	**5,820**	**92,875**
Unallocated corporate liabilities				**317,585**
Total liabilities				**410,460**
Capital expenditure incurred during the year	**70,048**	**188**	**20**	**70,256**

	Remanufacture and sale of computer printing and imaging products	Manufacture and sale of data media products	Distribution of data media products	Consolidated
	$'000	*$'000*	*$'000*	*$'000*
Year ended 31 December 2007				
Segment assets	422,030	147,053	73,748	642,831
Unallocated corporate assets				41,579
Total assets				684,410
Segment liabilities	42,881	8,735	4,629	56,245
Unallocated corporate liabilities				291,317
Total liabilities				347,562
Capital expenditure incurred during the year	36,163	5,509	22	41,694

3 Segment reporting *(continued)*

Geographical segments

The Group's operations are mainly located in the PRC including Hong Kong.

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 the assets.

	2008	2007
	$'000	*$'000*
Revenue from external customers		
Asia		
– the PRC including Hong Kong	**199,864**	214,759
– other regions	**68,705**	87,492
Europe	**46,415**	39,070
North and South America	**140,128**	75,971
Others	**419**	867
	455,531	418,159
Segment assets		
Asia		
– the PRC including Hong Kong	**575,673**	663,017
– other regions	**–**	549
Europe	**2,058**	6,916
North and South America	**11,181**	13,928
	588,912	684,410
Capital expenditure incurred during the year		
Asia		
– the PRC including Hong Kong	**70,220**	41,458
North and South America	**36**	236
	70,256	41,694

4 Other revenue and net (loss)/income

	2008	2007
	$'000	*$'000*
Other revenue		
Commission income	**84**	645
Interest income	**350**	809
Operating lease rental income in respect of plant and machinery	**3,600**	3,600
Gain on foreign exchange contracts	**945**	119
Others	**779**	112
	5,758	5,285
Other net (loss)/income		
(Loss)/gain on sale of property, plant and equipment	**(30)**	120

5 (Loss)/profit before taxation

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

	2008	2007
	$'000	*$'000*
Interest on bank advances and other borrowings wholly repayable within five years	**11,765**	13,335
Interest on the Notes	**9,206**	4,225
Interest on other borrowings	**37**	200
Finance charges on obligations under finance leases	**968**	1,022
Amortisation of intangible assets	**8,038**	5,520
Depreciation	**17,607**	14,287

6 Impairment losses

	2008	2007
	$'000	*$'000*
Impairment losses:		
– Property, plant and equipment	**59,294**	–
– Intangible assets	**637**	–
– Goodwill	**39,545**	–
– Trade and other receivables	**28,893**	–
	128,369	–

7 Income tax

Taxation in the consolidated income statement represents:

	2008	2007
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**6,052**	2,567
(Over)/under-provision in respect of prior years	**(5,132)**	153
	920	2,720
Current tax – Overseas		
Provision for the year	**2,751**	48
Under-provision in respect of prior years	**90**	–
	2,841	48
Deferred tax		
Origination and reversal of temporary differences	**4,067**	(723)
	7,828	2,045

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 the Group's 2008 annual results. 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.

Taxation for the subsidiaries in the PRC is charged at the appropriate current rates for taxation ruling in the PRC. According to the income tax law that was passed by the National People's Congress on 16 March 2007, the PRC corporate income tax rate has been revised from 33% to 25% with effect from 1 January 2008. In addition, a 10% withholding tax will be levied on dividends declared to foreign investors of the PRC subsidiaries. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investor. Pursuant to a double tax arrangement between the PRC and Hong Kong, the Group is subject to a withholding tax at the rate of 5% for any dividend payment from the Group's PRC subsidiaries in respect of their profits derived after 1 January 2008.

8 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of $159,787,000 (2007: profit of $33,476,000) and the weighted average of ordinary shares of 797,524,317 shares (2007: 752,010,650 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008	2007
Issued ordinary shares at 1 January	**796,636,817**	687,462,817
Effect of new shares issued under share option scheme	**887,500**	20,764,166
Effect of new shares on exercise of warrants	**–**	43,783,667
Weighted average number of ordinary shares at 31 December	**797,524,317**	752,010,650

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of $159,787,000 (2007: profit of $33,476,000) and the weighted average number of ordinary shares (diluted) of 843,974,265 shares (2007: 844,075,319 shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2008	2007
Weighted average number of ordinary shares at 31 December	**797,524,317**	752,010,650
Effect of deemed issue of ordinary shares in relation to warrants issued	**8,474,868**	68,610,253
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**37,975,080**	23,454,416
Weighted average number of ordinary shares (diluted) at 31 December	**843,974,265**	844,075,319

9 Trade and other receivables

	2008	2007
	$'000	*$'000*
Trade debtors and bills receivable	**202,694**	196,446
Less: allowance for doubtful debts	**(22,899)**	–
	179,795	196,446
Amount receivable from debts assignment *(note 9(b))*	**–**	11,644
Amounts due from disposed subsidiaries	**–**	11,256
Other deposits, prepayments and other receivables	**13,881**	26,401
	193,676	245,747

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

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

	2008	2007
	$'000	*$'000*
Current	**132,868**	185,453
Less than 3 months past due	**26,359**	3,931
3 to 6 months past due	**3,728**	3,024
Over 6 months past due	**16,840**	4,038
Amounts past due	**46,927**	10,993
	179,795	196,446

Trade debtors and bills receivable are due within 60 to 180 days from the date of billings.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Debts assignment

In order to facilitate the Group's treasury management, in November 2006 the Group assigned certain trade debtors with book carrying value totalling $38,812,000 to an independent third party (the "Assignee") at a consideration of $34,931,000, which is payable by the Assignee through equal quarterly instalments of approximately $5,822,000 scheduled during February 2007 to May 2008. The difference of $3,881,000 between the book carrying value of the assigned debts and the consideration had been deferred and amortised over the term of the instalment payments.

10 Trade and other payables

	2008	2007
	$'000	*$'000*
Trade creditors and bills payable	**48,284**	33,782
Accruals and other payables	**38,859**	23,494
Amounts due to directors	**1,314**	–
	88,457	57,276

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

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

	2008	2007
	$'000	*$'000*
By date of invoice:		
Within 3 months	**45,950**	24,245
Over 3 months but within 6 months	**1,599**	5,850
Over 6 months but within 9 months	**–**	3,297
Over 9 months but within 12 months	**–**	194
Over 1 year	**735**	196
	48,284	33,782

EXTRACT OF REPORT OF THE AUDITORS

"Basis for disclaimer of opinion

(a) The Group's turnover and cost of sales for the year ended 31 December 2008 include sales and purchases of HK$105.1 million and HK$100.8 million respectively reported by one of the Company's wholly owned subsidiaries. This subsidiary also reported trade debtors of HK$110.0 million and trade creditors of HK$1.7 million, which amounts have been included in the Group's consolidated balance sheet at 31 December 2008. In respect of these transactions, we have been unable to obtain sufficient audit evidence as to the delivery of the related goods. We also noted that a substantial proportion of these transactions were recorded as being settled in cash and that certain other trade creditor and debtor balances had been recorded as being settled by way of being offset against each other or against debtors or creditors of other Group companies (including those referred to below in paragraph (c)) or by being transferred to other Group companies without retaining sufficient documentary evidence. We were therefore unable to rely on the Group's internal control system or to obtain sufficient other satisfactory audit evidence to satisfy ourselves as to the completeness, existence and accuracy of the sales and purchases asserted to have been undertaken by this subsidiary and the corresponding trade debtor and trade creditor balances of this subsidiary and the balances of other Group companies or as to whether the unsettled trade debtors attributed to these transactions are recoverable.

Basis for disclaimer of opinion (continued)

(b) Included in the Group's turnover for the year ended 31 December 2008 were reported sales of HK$30.0 million to certain customers by two of the Company's wholly owned subsidiaries. In addition, the outstanding receivable balances relating to these sales amounted to HK$28.4 million as at 31 December 2008. We have been unable to obtain sufficient audit evidence as to the delivery of goods to these customers. There is no other satisfactory evidence available to us to ascertain the validity of the recorded transactions, and therefore we are unable to satisfy ourselves as to whether the sales amount for the year ended 31 December 2008 and the corresponding trade debtor balances have been accurately recorded or as to whether the unsettled trade debtors attributed to these transactions are recoverable.

(c) In 2008, the Group entered into contracts to purchase technical know-how and distribution channels of HK$26.0 million and HK$15.8 million respectively. Management has asserted that the amounts due to the suppliers under these contracts have been settled by being offset against certain trade debtor balances of a subsidiary of the Group as referred to in paragraph (a) above. Management has also charged an amortisation expense of HK$1.3 million to the profit and loss account during the year in respect of these items. We have been unable to obtain satisfactory audit evidence as to the asserted purchases of the intangible assets or to satisfy ourselves as to the relationships, if any, among the suppliers of the intangible assets, the trade debtors and the Group. We are therefore unable to satisfy ourselves as to the existence and accuracy of the cost of the intangible assets and the corresponding settlement of trade debtor balances and whether the amortisation for the year attributed to the intangible assets has been accurately presented.

(d) Included in the additions to property, plant and equipment of HK$28.5 million during the year were property, plant and equipment recorded at HK$15.6 million which were asserted to have been purchased from a supplier who is one of the asserted providers of the technical know-how as mentioned in (c) above. In addition, as at 31 December 2008, the Group had prepaid deposits for property, plant and equipment of HK$4.0 million to this same supplier. There is no satisfactory evidence available to us to ascertain whether these transactions were on an arm's length basis or whether these amounts paid to the supplier relate solely to the acquisition of property, plant and equipment. Accordingly, we were unable to obtain sufficient audit evidence to support the accuracy and valuation of the additions to property, plant and equipment during the year and the relevant prepayments as at 31 December 2008.

Basis for disclaimer of opinion (continued)

(e) Included in the inventories balances as at 31 December 2008 are inventories in respect of the remanufacture and sale of computer printing and imaging products segment amounting to HK$204.7 million. Due to deficiencies in the internal costing systems for inventories, we were unable to obtain sufficient evidence to satisfy ourselves as to the accuracy and valuation of the inventories amount as at 31 December 2008 and the accuracy of cost of sales of this segment for the year ended 31 December 2008.

(f) We have not yet completed our audit procedures over significant transactions or events which may have occurred between the period from 1 January 2009 to the date of this auditor's report as required under Hong Kong Standard of Auditing 560, *Subsequent events*, issued by the Hong Kong Institute of Certified Public Accountants. As a result, we are unable to form an opinion on whether significant transactions or events which occurred during the period from 1 January 2009 to the date of this auditor's report were properly accounted for and adequately disclosed in the financial statements.

(g) Had we been able to satisfy ourselves in respect of the matters mentioned in items (a) to (f) above, adjustments might have been found to be necessary which would have had a consequential impact on the net assets of the Group as at 31 December 2008 and its net loss for the year ended 31 December 2008 and may have resulted in additional information being disclosed in the financial statements as to the nature of these transactions and any material non-adjusting post balance sheet events.

(h) The Group has breached certain loan and note covenants. It is the directors' belief that they will successfully negotiate with the Group's creditor bankers and note holders to secure continual financing and the directors have also advised that a third party has indicated that it will provide financial support to the Group. The financial statements have been prepared on a going concern basis, the validity of which is dependent on (i) the successful outcome of the Group's negotiations with its creditor bankers and note holders to secure continual financing and (ii) the availability of funding from the third party, in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. The financial statements do not include any adjustments that would be necessary if the Group fails to obtain financial support from bankers and other creditors. We consider that adequate disclosures have been made. However, the uncertainties surrounding the outcome of these negotiations with its creditor bankers and note holders and the availability of funding from the third party raise significant doubt about the Company's ability to continue as a going concern.

Disclaimer of opinion: disclaimer on view given by the financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 December 2008, the Group recorded a turnover of HK$455,531,000, representing an increase of 9% compared with HK$418,159,000 in 2007. The Group's loss attributable to equity shareholders amounted to HK$159,787,000 in 2008 (2007: profit attributable to equity shareholders amounted to HK$33,476,000) which include the impairment losses of assets amounted to HK$128,369,000 (2007: nil). Basic loss per share in 2008 was HK20.0 cents as compared with basic earnings per share of HK4.5 cents in 2007.

REVIEW OF OPERATIONS

Although the world economy and most industries were hit by the financial crisis in late 2008, certain businesses including those of the Group actually benefited from the situation. The core business segment of the Group, which is production of remanufactured/recycled toner cartridges, recorded continuous growth during the year, as more corporations chose to use recycled products for cost control reasons. Despite a slight decrease in turnover during the fourth quarter of last year, the overall turnover of the year recorded satisfactory growth.

REMANUFACTURED/RECYCLED TONER CARTRIDGE PRODUCTION

During the year, the segment achieved sales growth of 10% to HK$310 million (2007: HK$283 million), accounting for 68% of the Group's total turnover, which was attributable to the increase in number of clients and sales orders as well as rise in average selling price. The increase in sales of colour toner cartridges with higher selling price and gross profit margin than black toner cartridges also contributed to the turnover growth.

Sales to major markets, being the United States ("US"), Asia Pacific and Europe, represented 53%, 36% and 11% of the Group's total turnover respectively. For the year under review, sales grew the strongest in the US market as more corporations shifted to use environmental friendly and competitively priced recycled toner cartridges to control cost during the economic downturn. The Group was able to seize business opportunities and secured sizeable orders from new clients with the support of its distribution network in the market and due to its superior product quality at competitively prices when compared with those offered by its US competitors. Moreover, the tightened enforcement of prohibited importation of patent-infringing compatible toner cartridges in the US has indirectly stimulated the sales of the Group's products which meet international standards in every technical aspect.

In the Asia Pacific markets, sales grew faster in Japan as more clients turn to outsource production of recycled toner cartridges to region with lower production costs and the Group is one of the major suppliers in Asia. Moreover, the Group is the only company in South China which possesses a unique license to import used toner cartridges for remanufacturing. The Group's license is recently extended by the local authority for 30 years, which will benefit the Group's long-term development.

During the year, the Group commenced production for a long-term OEM supply contract of recycled toner cartridges for a US-based multinational company with a worldwide customer network. The first batch of toner cartridges was shipped to the US in the last quarter of 2008. The Group expects the customer, who is targeting a number of corporate sales networks and markets, will increase order volume in the coming year and thus allow the Group to generate significant and stable revenue.

COMPUTER MEDIA PRODUCTION

The Group is currently the largest OEM manufacturer of computer media products in the world, supplying to OEM customers which own worldwide brand names. The Group obtained a few new orders during the year, although the segment's turnover decreased in the fourth quarter of 2008 because of the financial crisis. Sales from the segment reached HK$104 million, accounting for 23% of the total turnover of the Group. Despite the growth in turnover, gross profit margin was squeezed due to lower selling price and segment loss was recorded from this business sector. As a result of the unsatisfactory performance, value of the assets employed in this segment was impaired. During the year under review, the Group recorded impairment of fixed assets of HK$59 million and impairment of trade and other receivables of HK$4 million for this segment.

DISTRIBUTION OF MEDIA PRODUCTS

Turnover from distribution of media products amounted to HK$41 million, accounting for 9% of the Group's total revenue. The Group has been manufacturing and distributing an additional data media product line for a major computer product vendor after securing the sole distribution right for the product line in China since 2005. During the year under review, the Group recorded an impairment of goodwill of HK$40 million for this segment.

AUDIT OPINION

The auditors of the Company will issue a disclaimer of opinion on the financial statements of the Group for the year under review. An extract of the auditors' report is set out in the section headed "Extract of report of the auditors" above and the matters referred to therein are discussed below.

(a) Trading and related settlement of electronic wastes and imaging products

The Group is a well-established producer of remanufactured/recycled cartridges and generally purchases electronic wastes and imaging products as parts and components for its products. To meet the production demand from its broad customer base in Hong Kong, China and overseas markets, the Group has been sourcing electronic wastes and imaging products from a large number of suppliers. As a result of the overwhelming attention on environmental protection in recent years, there has been a significant growth in the remanufacturing production industry, thus creating demand for electronic wastes and imaging products. With a view to capturing market opportunities with its established connection with electronic wastes and imaging products traders, the Group commenced the business of trading of electronic wastes and imaging products through a wholly-owned subsidiary since 2007 to conduct this business. This subsidiary recorded sales and purchases amounting to approximately HK$105.1 million and HK$100.8 million respectively for the year ended 31 December 2008. Due to the variety of product models and the market channels for sourcing electronic wastes and imaging products, there are a large number of traders in the market who may sell a particular type of electronic wastes and imaging products to the Group as raw materials and purchase other types of electronic wastes and imaging products or recycled products from the Group. Accordingly, traders may on one hand be a supplier of the Group and on the other a customer of the Group, and the relevant trade debtors and creditors resulting from the sales and purchases of the Group with these traders are set-off against each other and some of the balances are settled in cash. These settlement methods are consistently adopted by the Group for this business segment.

The Group has adopted a set of internal control procedures and policies in respect of the conduct and recording of the electronic wastes and imaging products trading business, which are largely the same as those for the other business segment of the Group. These procedures and policies have been consistently adopted by the subsidiary since 2007. The Directors believe that the Group has sufficient internal control measures to govern the proper conduct of the electronic wastes and imaging product trading and has maintained proper supporting and documentary evidence in relation to these transactions which include, among other things, purchase orders, sales invoices, delivery notes, shipping documents, acknowledgements of goods receipt, and payment records. In view of the auditors' opinion, the Company has engaged an independent professional advisor to conduct a thorough review of the Group's internal control system on the sales and purchases cycles of the electronic wastes and imaging product trading business with a view to improving its record keeping and bookkeeping procedures particularly for cash transactions.

(b) Sales of media products and recycled toner cartridges to certain customers

Included in the Group's turnover for the year ended 31 December 2008 were reported sales of approximately HK$24.4 million and HK$5.6 million to certain customers in respect of the sales of floppy disks and recycled toner cartridges respectively. The Group is currently the only major OEM manufacturer that produces floppy disks in the world. Notwithstanding the advancement in the digital storage media market, there are demands for the Group's floppy disk products from customers in the PRC because of the limited supply. For the year ended 31 December 2008, the Group recorded sales of floppy disks of approximately HK$24.4 million to several customers in the PRC. As these customers are small scale domestic companies or individuals, they are usually slow in payment and some of the purchases were settled in cash. As at 31 December 2008, the unsettled balance from these customers amounted to approximately HK$28.4 million. The Group has been continuously receiving settlement from these customers after 31 December 2008 and is satisfied with the credit worthiness of these clients. In respect of the sales of recycled toner cartridges of HK$5.6 million, the transactions were carried out in usual course of business and the Directors consider that there would not be any material recoverability issue relating to the outstanding balances of these transactions.

The Directors consider that proper books, records and documents such as purchase orders, sales invoices, delivery notes and receipts, shipping documents, and banking documents have been maintained by the Group to account for these transactions. The internal control system review to be performed by the independent professional advisor as mentioned in (a) above will also cover this business segment of the Group.

(c) Acquisition of technical know-how and distribution channels

To maintain its competitive edge, the Group continues to strive for technological advancement in its production process and expanding its distribution network and client base. During the year under review, the Group has negotiated with two companies which possessed certain technical know-how that could enhance the efficiency of the production process, and another company which possessed a sizeable client base. The Group successfully entered into three agreements to acquire the technical know-how for a total consideration of HK$26.0 million and the distribution channel for a consideration of HK$15.8 million from these companies in the second half of 2008. In order to preserve cash position, the Group had negotiated the payment terms with them and the total consideration was settled in installments by off-setting against the trade receivables arising from sale of electronic wastes and imaging products and recycled products by the Group to their respective related companies.

The Directors believe the acquisition of the above technical know-how would greatly enhance the efficiency of the production process of computer printing and imaging products and lead to improved product quality as well as significant cost savings. The economic benefits from the acquisition of the technical know-how have been reflected in a substantial decrease in the total purchases of raw materials and increased revenue in the second half of the year. The technical know-how suppliers will continuously provide technical support and training to the Group by sending well-trained and experienced engineers and technicians to the Group's factory. The Directors also believe that the acquisition of the distribution channel would not only enable the Group to expand its customer base but also result in savings in commission expenses which would otherwise be payable to the distribution channel providers.

The Company has engaged a technical adviser who has opined that the technical know-how that the Group acquired is a valuable know-how for the Group's production. In addition, the Group had engaged an independent professional valuer to perform valuations of the technical know-how and distribution channels based on the expected cost savings to be generated. The values of the technical know-how and distribution channels as at 31 December 2008 as appraised by the independent professional valuer were HK$51.8 million and HK$17.7 million respectively, but the said values have not been reflected in the financial statements of the Group for the year under review.

(d) Acquisition and prepayment of certain fixed assets

Apart from acquiring the technical know-how, the Group had also purchased machinery from one of the technical know-how suppliers. As this supplier fully understands the technical requirements of the Group's production process as well as various conditions as imposed by the environmental protection bodies of the PRC government, the Directors considered that this supplier is in a position to source the appropriate machinery for the Group. In addition, the machinery supplier also provides advices on measures to improve the treatment and disposal of solid wastes generated from the Group's production process which is subject to stringent requirements from the regulatory bodies of environmental protection in the PRC. The machinery has been installed at the Group's production facilities at Shenzhen and Zhuhai and can be clearly identified. The terms of the purchase including the price and payment terms were negotiated on an after arm's length basis taking into account the valued-added services provided by the machinery supplier, and subsequent leasing arrangement with independent financial institutions who verified the existence and valuation of the machinery.

(e) Internal costing system for inventory

The Group has maintained a computerised inventory management system and applied weighted average costing approach consistently for its inventory valuation for over three years. The management of the Group has been satisfied with the system and no material deficiency has been identified in the past. Due to the volatility in the prices of raw materials and components during the year under review, certain discrepancies in inventory costing system were noted during the course of audit. The Company has subsequently adjusted the valuation of the inventories based on weighted average purchase costs. The Company has engaged an independent professional advisor to perform an agreed-upon due diligence procedures at the costing of the inventory under the current system and the results of such procedures have been found satisfactory in all material aspects.

(f) Subsequent events

The Directors consider that adequate disclosures have been made herein in respect of any significant transactions or events which occurred following 31 December 2008 to the date of this announcement.

(g) Going concern

As at 31 December 2008, the Group has outstanding bank loans, bonds and finance lease obligations of approximately HK$287 million. On the basis of the balance of total equity of the Group as at 31 December 2008 as shown in the consolidated balance sheet above, and according to the terms of a bank loan (with outstanding balance of approximately HK$14 million as at 31 December 2008 and also the date of this announcement) and a bond (with outstanding balance of approximately HK$31 million as at 31 December 2008 and also the date of this announcement), the Group has breached certain covenants in relation to the gearing ratio of the Group. The holder of the bond has confirmed to the Company that despite the breach of covenants, currently it will not request repayment of the bonds. In addition, on 21 May 2009, the Company has entered into a placing agreement under which net proceeds of approximately HK$21 million will be raised following completion of the placing. Please refer to the separate announcement of the Company dated 22 May 2009 for details of the placing. The Company has also negotiated with an independent third party who intends to provide a working capital loan facility of up to US$10,000,000. As at the date of this announcement, the Group's total bank and other borrowings plus finance lease obligations were HK$111 million, a substantial decrease of HK$86 million since 31 December 2008. The net current assets of the Group as at 31 December 2008 were approximately HK$67.62 million. The Directors are satisfied that taking into account the facilities currently available to the Group and the confirmations and the possible financial support as mentioned above, the Group has sufficient working capital to meet its requirements for the coming year, barring unforeseen circumstances.

OUTLOOK AND PROSPECTS

Although the financial crisis is expected to continue to affect the world economy, the Group believes global demand for recycled digital imaging products will experience a double-digit growth in early year of 2009, driven by the growing amount of activities on the Internet and an increasing awareness of environmental protection. Expecting more outsourcing of production to occur and OEM contract customers to increase, the Group is optimistic towards the growth of the recycled products industry. The increasing demand for recycled toner cartridges is expected to fuel a sustainable growth of the Group's business. The Group has seen encouraging growth of the business in the first quarter of 2009 and the amount of sales orders even doubled that of the same period in last year. The Group becomes the major and significant player in the recycled toner cartridges industry in Asia where as the other players are usually based in US and Mexico.

The Group will strive to expand its distribution networks in the US, Europe and Asia Pacific as well as extend business coverage geographically. It has entered markets such as India and Sri Lanka this year and will continue to explore new markets in China, Eastern Europe and South Africa in the near future. These markets will not only give the Group a wider customer base and new revenue streams, but can also allow it to improve the inventory turnover for lower end products which are of greater demand in these markets.

More models of recycled toner cartridges, in particular colour products of higher profit margin, will be developed to widen the product mix of the Group. Efforts will also be made to increase production capacity and efficiency. Furthermore, the Group will continue to enhance R&D, staff training and environmental protection facilities, with the aim to strengthening the Group's overall competence. It will adopt prudent expansion strategies based on careful sales projections while maintaining healthy cashflow.

For computer media production, the Group has taken immediate measures to downsize the operation scale and control cost to mitigate the impact of the financial crisis. The Group will adopt a prudent approach in managing the computer media production business.

Unlike most businesses which have been adversely affected by the financial crisis, the Group has been presented with valuable opportunities to expand its recycled toner cartridge business. The poor economic conditions in many regions have actually helped the Group to lower production and distribution costs. With cost savings, the Group was able to boost production capacity. The economic slowdown which caused the close down of many production plants in the Pearl River Delta has increased labour supply in the region where the Group's production base is located. This phenomenon has resulted in wage level coming down to a more reasonable level, thus giving the Group greater flexibility in capturing business opportunities ahead. The Group will seek to build long-term relationship with reputable corporations that can allow it to derive significant and stable revenues and generate strong returns to shareholders.

FINANCIAL REVIEW

Capital and Debt Structure

As at 31 December 2008, the Group's total net assets was approximately HK$178 million (31 December 2007: HK$337 million), representing approximately HK$159 million decrease compared with that of previous year, mainly due to the net loss for the year.

As at 31 December 2008, the Group's total bank and other borrowings plus finance lease obligations decreased by HK$8 million to HK$197 million (31 December 2007: HK$205 million), of which HK$167 million was payable within one year and HK$30 million was payable after one year. The majority of the Group's borrowings were import and export loans and term loans that amounted to HK$98 million and HK$62 million respectively (2007: HK$93 million and HK$84 million respectively). Term loans were substantially decreased by HK$22 million. Most of the Group's borrowings are denominated in Hong Kong dollars and subject to floating interest rates. Hence the risk of currency exposure was minimal. The Group's total cash and bank balances included bank deposits pledged amounted to approximately HK$23 million (31 December 2007: approximately HK$39 million), representing a decrease of approximately HK$16 million.

The Group's net debt to equity ratio was kept at 1.7 (31 December 2007: 0.8), which is determined by total bank and other borrowings, notes payable and obligation under finance leases over total net assets.

Working Capital and Liquidity

As at 31 December 2008, the Group's current ratio and quick ratio were 1.2 and 0.6 respectively (2007: 2.2 and 1.3). Inventory turnover on sales increased to 179 days (31 December 2007: 171 days) primarily due to the expansion of remanufactured toner business which raised the required inventory level for production especially for the inventories in its distribution channels to provide quick delivery service to some large OEM customers in US. Receivable turnover decreased to 144 days (31 December 2007: 171 days).

Contingent Liabilities and Charges on the Group's Assets

The Group had pledged its assets with an aggregate net book value of HK$44 million (2007: HK$41 million) to secure bank loans granted and finance lease obligations.

Issuance of Secured Bonds and Warrants

On 10 October 2008, the Company issued, and Martin Currie China Hedge Fund L.P. (the "Subscriber"), the Company's substantial shareholder, subscribed for guaranteed bonds (the "Guaranteed Bonds") in the aggregate principal amount of HK$31.2 million. The Guaranteed Bonds were guaranteed by Sun Union Enterprises Limited, the Company's substantial shareholder, carried interest at 15% per annum and repayable on 27 June 2010.

On 27 June 2007, the Company issued, and the Subscriber subscribed for secured bonds (the "Secured Bonds") in the aggregate principal amount of HK$78 million. The Secured Bonds were secured, carried interest at 10% per annum and repayable three years after the date of issue of the Secured Bonds. On the same date, the Company issued, by way of bonus, to the Subscriber of unlisted warrants (the "Warrants") of the Company conferring rights entitling the holders to subscribe for up to HK$31.2 million in aggregate in cash for 56,317,689 new shares of HK$0.10 each of the Company at an initial subscription price of HK$0.554 per share, subject to adjustment. The Warrants are exercisable within a period from 28 December 2007 to 27 June 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the number of employees of the Group was approximately 960. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account the current industry practices. Remuneration package of employees includes salaries, insurance and medical cover, mandatory provident fund and share option scheme. Other employee benefits include educational allowance and discretionary bonuses.

POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, a total of 50,000,000 new shares were issued on 24 February 2009 and the Company received the net proceeds of approximately HK$13,800,000.

Subsequent to the balance sheet date, a wholly-owned subsidiary of the Company (the "Issuer") issued and The China Fund, Inc. subscribed for convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$177 million. The Convertible Bonds were secured, carried interest at 12% per annum and repayable three years after the issue date of the Convertible Bonds. Pursuant to the terms and conditions of the subscription agreement, the Convertible Bonds are convertible into the Issuer's shares representing 30% of its enlarged issued share capital. Given that the terms of the Convertible Bonds limit the maximum number of the Issuer Shares to be issued to not more than 49% of the Issuer's enlarged issued share capital.

Subsequent to the balance sheet date, pursuant to the terms of the subscription agreement of the Convertible Bonds, the Secured Notes of HK$78 million were fully re-purchased and their accrued interest were fully repaid upon closing.

On 21 May 2009, the Company entered into an agreement with an independent party in relation to the subscription at a price of HK$0.195 per subscription share of 109,000,000 new shares to be allotted and issued.

FINAL DIVIDEND

No payment of dividends has been proposed by the board of directors of the Company in respect of the year ended 31 December 2008 (2007: Nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008, save for the following deviations:

CG Code Provision A.2.1

Under this code provision, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Ms. Ho Yin King, Helena ("Ms. Ho") was the Chairman of the Board and the Managing Director of the Company (The Company regards the role of its managing director to be same as that of chief executive officer under the CG Code) during the year ended 31 December 2008.

The Company considers that the extensive experience and marketing network established by Ms. Ho is critical for the business and future development of the Company. Hence, the Company believes that it is in the best interest of its shareholders that Ms. Ho will remain the Chairman and the Managing Director of the Company. However, the Company will review the current structure when and as it becomes appropriate in the future.

CG Code Provision A.4.1

Under this code provision, the non-executive directors should be appointed for a specific term, subject to re-election.

Currently, the three independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

CG Code Provision C.2

Under the CG Code Provision C.2, the Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

The Board noted that the auditors have opined that the Group did not maintain sound and effective internal control systems regarding its sales, purchases and inventories cycles of the electronic wastes and used imaging product trading business and cash transactions arising from the aforesaid sales and purchases.

In view of the auditors' opinion and at the request of the Audit Committee, the Company will engage an independent professional accounting firm to conduct a thorough review of the Group's internal control system on the sales and purchases cycles of the electronic wastes and used imaging product trading business with a view to improving its record keeping and bookkeeping procedures particularly for cash transactions.

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") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely, Dr. Li Sau Hung, Eddy, Mr. Leung Ka Kui, Johnny and Mr. Chan Kam Kwan, Jason. The Audit Committee has reviewed the management accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the annual results for the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2008.

APPRECIATION

On behalf of the Board of Directors, I would like to express appreciation to colleagues for their hard work and dedication in the past year. We will remain committed to achieving better results and maximising returns to our shareholders.

RESUMPTION OF TRADING IN THE SHARES

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended since 4 May 2009 pending the release of this announcement. Application has been made by the Company for resumption of trading in the Company's shares and further announcement will be made accordingly.

By Order of the Board
Jackin International Holdings Limited
Ho Yin King, Helena
Chairman

Hong Kong, 22 May 2009

As at the date of this announcement, Ms. Ho Yin King, Helena, Mr. Ho Fai Keung, Jacky, Mr. Cheung Sze Ming, Ms. Lo Suk King are the executive directors of the Company and Dr. Li Sau Hung, Eddy, Mr. Leung Ka Kui, Johnny and Mr. Chan Kam Kwan, Jason are the independent non-executive directors of the Company.