KA SHUI INTERNATIONAL HOLDINGS LIMITED

嘉 瑞 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 822)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Board") of Ka Shui International Holdings Limited (the "Company") is pleased to announce the final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	*4*	**685,134**	752,749
Cost of sales		**(580,454)**	(612,517)
Gross profit		**104,680**	140,232
Other income	*5*	**4,710**	11,205
Selling and distribution expenses		**(9,654)**	(7,440)
General and administrative expenses		**(75,165)**	(66,596)
Profit from operations		**24,571**	77,401
Finance costs	*6*	**(2,449)**	(5,995)
Share of loss of an associate		**–**	(1,401)
Share of loss of a jointly controlled entity		**(1,292)**	(281)
Impairment loss on available-for-sale financial assets		**(6,303)**	(2,000)
Profit before tax		**14,527**	67,724
Income tax expense	*7*	**(5,892)**	(10,179)
Profit for the year		**8,635**	57,545
Attributable to:			
Equity holders of the Company		**8,635**	57,492
Minority interests		**–**	53
		8,635	57,545
Dividends	*8*		
— Interim		**–**	10,560
— Proposed final		**5,280**	7,920
		5,280	18,480
Earnings per share	*9*		
— Basic *(HK cents)*		**0.98**	7.42
— Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**323,326**	224,580
Prepaid land lease payments		**35,625**	33,893
Club membership		**718**	718
Investment in an associate		**–**	1,115
Investment in a jointly controlled entity		**7,470**	8,259
Available-for-sale financial assets		**–**	6,303
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**30,090**	8,096
		397,229	282,964
Current assets			
Inventories		**125,116**	118,344
Trade receivables	*10*	**97,445**	115,491
Financial assets at fair value through profit or loss		**–**	3,277
Prepayments, deposits and other receivables		**10,155**	11,613
Due from an associate		**–**	14,335
Current tax assets		**1,118**	–
Pledged bank deposits		**4,282**	6,333
Bank and cash balances		**74,940**	166,039
		313,056	435,432
Current liabilities			
Trade payables	*11*	**53,306**	61,381
Deposits received		**2,578**	3,054
Other payables and accruals		**27,134**	27,555
Due to a related company		**792**	806
Financial liabilities at fair value through profit or loss		**3,047**	–
Due to an associate		**–**	4,246
Short term borrowings		**25,439**	68,555
Current portion of long term borrowings		**9,263**	5,511
Current portion of obligations under finance leases		**13,207**	6,641
Current tax liabilities		**466**	6,456
		135,232	184,205
Net current assets		**177,824**	251,227
Total assets less current liabilities		**575,053**	534,191
Non-current liabilities			
Long term borrowings		**15,083**	9,015
Obligations under finance leases		**18,722**	4,485
Deferred tax liabilities		**1,608**	1,128
		35,413	14,628
NET ASSETS		**539,640**	519,563
Capital and reserves			
Share capital		**88,000**	88,000
Reserves		**451,640**	431,563
TOTAL EQUITY		**539,640**	519,563

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 1350 GT Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is Room 1210, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

The Group is principally engaged in the manufacture of zinc, magnesium and aluminium alloy die casting components which are mainly sold to customers engaging in the household products, 3C (communication, computer and consumer electronics) products and automative parts industries.

In the opinion of the directors of the Company, as at 31 December 2008, Precisefull Limited, a company incorporated in the British Virgin Islands, is the ultimate parent and Mr. Lee Yuen Fat ("Mr. Lee") is the ultimate controlling party of the Company.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. Significant Accounting Policies

The financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments and derivatives which are carried at their fair values.

4. Turnover and Segment Information

Turnover represents the net amounts received and receivable for goods sold, net of returns and allowances to customers during the year.

Business segments

For management purposes, the Group's operation is currently categorised into three operating divisions - zinc, magnesium and aluminium alloy die casting components. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group's turnover and results of the year by business segments is as follows:

	For the year ended 31 December 2008			
	Zinc alloy die casting components *HK$'000*	**Magnesium alloy die casting components** *HK$'000*	**Aluminium alloy die casting components** *HK$'000*	**Consolidated** *HK$'000*
Turnover	**382,797**	**128,489**	**173,848**	**685,134**
Segment results	**22,841**	**15,343**	**4,171**	**42,355**
Unallocated other income				**2,687**
Unallocated expenses				**(20,471)**
Profit from operations				**24,571**
Finance costs				**(2,449)**
Share of loss of a jointly controlled entity	**–**	**(1,292)**	**–**	**(1,292)**
Impairment loss on available-for-sale financial assets				**(6,303)**
Profit before tax				**14,527**

	For the year ended 31 December 2007			
	Zinc alloy die casting components	Magnesium alloy die casting components	Aluminium alloy die casting components	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	551,812	112,184	88,753	752,749
Segment results	64,298	19,395	1,335	85,028
Unallocated other income				8,769
Unallocated expenses				(16,396)
Profit from operations				77,401
Finance costs				(5,995)
Share of loss of an associate	(1,401)	–	–	(1,401)
Share of loss of a jointly controlled entity	–	(281)	–	(281)
Impairment loss on available-for-sale financial assets				(2,000)
Profit before tax				67,724

Geographical segments

The Group's principal markets are located in three main geographical areas, namely, Hong Kong, the People's Republic of China ("PRC") and Japan. An analysis of revenue, total assets and capital expenditure by geographical segment is set out below:

	Revenue		**Total assets**		**Capital expenditure**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**413,821**	467,357	**154,140**	289,897	**670**	2,759
The PRC	**78,943**	76,123	**556,145**	428,499	**108,263**	92,207
Japan	**90,934**	93,394	**–**	–	**–**	–
Others	**101,436**	115,875	**–**	–	**–**	–
	685,134	752,749	**710,285**	718,396	**108,933**	94,966

5. Other Income

	2008	2007
	HK$'000	*HK$'000*
Interest income	**2,661**	4,219
Interest income from subscription monies upon public offering	**–**	383
Rental income	**68**	116
Sales of scrap materials	**1,272**	1,970
Product development fee income	**24**	102
Gain on financial assets at fair value through profit or loss	**–**	3,862
Gain on disposal of listed securities	**2**	188
Management fee from an associate	**–**	156
Others	**683**	209
	4,710	11,205

6. Finance Costs

	2008	2007
	HK$'000	*HK$'000*
Interest expenses on bank overdraft and loans	**1,333**	4,875
Finance lease charges	**1,116**	1,120
	2,449	5,995

7. Income Tax Expense

	2008	2007
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**5,290**	8,808
(Over)/Under-provision in prior years	**(69)**	267
Current tax — PRC enterprise income tax		
Provision for the year	**191**	1,098
Under-provision in prior years	**–**	6
Deferred tax	**480**	–
	5,892	10,179

Hong Kong Profits Tax has been provided at a rate of 16.5% (2007: 17.5%) on the estimated assessable profit of Hong Kong incorporated subsidiaries for the year ended 31 December 2008. Two of the Hong Kong incorporated subsidiaries, Ka Fung Metal Manufactory Company Limited ("Ka Fung Metal") and Wing Yu (Far East) Industries Company Limited ("Wing Yu"), are within the scope of the Departmental Interpretation Practice note No. 21 issued by the Inland Revenue Department of Hong Kong, that they have conducted their manufacturing operations by entering into processing arrangements with the processing factories in the PRC, and hence 50% of the adjusted profits were treated as offshore and not taxable in Hong Kong.

In December 2006, one of the subsidiaries of the Group, MG Technology (Shenzhen) Company Limited ("MG Technology"), was recognised as a "New and High Technology Enterprise" by Shenzhen Municipal Technology and Information Bureau, and its 50% tax relief was extended for another three years commencing from January 2007. As a result, it was entitled to a 50% tax relief (should not be lower that 10%) from PRC enterprise income tax ("EIT") for the year ended 31 December 2007. The tax rate applicable to this subsidiary in the PRC, after the 50% tax relief, was 10%.

The new PRC EIT Law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the EIT rate for domestic and foreign enterprises at 25%. The new tax law would be effective from 1 January 2008.

From 2008 onwards, the tax rate of MG Technology would be subject to the transitional arrangements under the new PRC EIT Law effective on 1 January 2008.

According to 國發[2007]第39號 (Guofa [2007]39) issued by the State Council dated 26 December 2007, regarding enterprises established and operating in Shenzhen Special Economic Zone, the applicable EIT rates are as follow:

Year	**EIT rate**
2008	18%
2009	20%
2010	22%
2011	24%
2012	25%

Since MG Technology has not yet obtained the Technologically High and New Enterprises qualification under the new PRC EIT Law, it would therefore be subject to 18% EIT rate in 2008.

Ka Shui Technology (Huizhou) Company Limited and Ka Yi Technology (Huizhou) Company Limited have no assessable profit since their establishment and hence no provision were made during the year.

No provision for income tax in jurisdiction other than Hong Kong and the PRC has been made as the Group has no assessable profit subject to overseas income tax for the year ended 31 December 2008 (2007: Nil).

8. Dividends

	2008	2007
	HK$'000	*HK$'000*
Interim of Nil (2007: HK$0.012) per ordinary share paid	–	10,560
Proposed final of HK$0.006 (2007: HK$0.009) per ordinary share paid	**5,280**	7,920
	5,280	18,480

9. Earnings per Share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to equity shareholders of the Company of approximately HK$8,635,000 (2007: HK$57,492,000) and the weighted average number of ordinary shares of 880,000,000 (2007: 774,520,548) in issue during the year.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2008.

10. Trade Receivables

The Group's trading terms with customers are mainly on credit. The credit terms are generally ranged from 30 to 90 days (2007: 30 to 75 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is stated as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**52,245**	71,339
31 to 60 days	**21,572**	24,150
61 to 90 days	**13,983**	8,910
91 to 180 days	**9,084**	9,286
Over 180 days	**561**	1,806
	97,445	115,491

11. Trade Payables

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**26,826**	29,807
31 to 60 days	**16,343**	26,299
61 to 90 days	**7,180**	2,597
91 to 180 days	**1,306**	1,249
Over 180 days	**1,651**	1,429
	53,306	61,381

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

During the year of 2008, due to a number of adverse factors affecting the manufacturing industries, which include appreciation of Renminbi against the US dollars, surge in the costs of raw materials and energy, rise in labour costs caused by the newly implemented Labour Contract Law in the PRC and the outbreak of financial tsunami leading to a plunge in consumer spending, the Group's turnover for the year ended 31 December 2008 amounted to approximately HK$685,134,000, which was approximately 9.0% lower than that of the previous year. Gross profit recorded a 25.4% decrease to approximately HK$104,680,000 when compared with last year and the gross profit margin was approximately 15.3%.

In addition, the Group acquired 60% equity interest in Wing Yu (Far East) Industries Company Limited ("Wing Yu"), which is engaged in surface finishing treatment, at the beginning of the year of 2008. Given that Wing Yu had been wholly owned and controlled by the Group upon completion of the acquisition, the production capacity of Wing Yu and the Group's capability in surface finishing treatment will be expanded to fit in with the business strategies of the Group. As Wing Yu was loss making before the Group's acquisition, the Group had to reorganize its management structure and carry out operational improvements to Wing Yu after its acquisition. In the second half of 2008, Wing Yu's operating results had been improved and started to break even. Since all the operating expenses of Wing Yu had to be fully accounted for during the year under review, the Group's general and administrative expenses were therefore increased by approximately 12.9% over the previous year.

Due to a decrease in gross profit, an increase in general and administrative expenses together with a one-off impairment loss provision required to be made for an investment in Magtech Company Limited (the Group held an equity interest of 16.5% and this company had ceased its production of magnesium alloy products during the year under review), the profit attributable to equity holders of the Company for the year dropped by 85.0% to approximately HK$8,635,000 when compared with that of last year. Without having to take into account the one-off impairment loss provision and the inclusion of the attributable operating loss as a result of the acquisition of 60% equity interest in Wing Yu, amounting to HK$12,289,000, the profit attributable to equity holders of the Company would be HK$20,924,000, which demonstrates that the operating results of the Group's core business remained stable.

(B) Business Review

Zinc alloy die casting business

For the year 2008, sales of zinc alloy die casting products amounted to HK$382,797,000 (2007: HK$551,812,000) representing 55.9% of the Group's turnover. Sales from this business segment decreased by 30.6% as compared with that of last year. This was mainly due to the decrease in demand for zinc alloy die casting products and the shift from using zinc alloy to aluminium alloy for the manufacture of some of the customers' die casting products given the persistent high price of zinc alloy in the first half of 2008. By leveraging on its strength of producing the three major non-ferrous die casting components (zinc, magnesium and aluminium alloys), the Group actively proposed to its customers on using magnesium alloy or aluminium alloy as a substitution for zinc alloy to lower the purchasing cost for its customers.

Magnesium alloy die casting business

Magnesium alloy die casting business recorded a moderate growth with turnover increased from HK$112,184,000 to HK$128,489,000 or by approximately 14.5% as compared with that of the previous year. The proportion of which as represented in the Group's turnover also increased from approximately 14.9% in last year to 18.8%. The growth in turnover was mainly attributable to an increase in the sale of magnesium alloy notebook computer components. Seizing the growing demand for magnesium alloy die casting notebook computer components in the market, the Group had actively expanded its customer base and production capability so as to cater for the rapid development of magnesium alloy die casting business.

Aluminium alloy die casting business

Aluminium alloy die casting business achieved a substantial growth of 95.9% or HK$88,753,000 to HK$173,848,000 as compared with the year of 2007 mainly due to the growing demand for products using aluminium alloy and a shift from using zinc alloy to aluminium alloy in the production of die casting components for some of the customers. Its contribution to the Group's turnover also increased from approximately 11.8% in last year to 25.3%. By leveraging on its strength of producing zinc, magnesium and aluminium die casting components, the Group can have more flexibility to cope with the price fluctuation of metal alloys, thus helping customers to save its purchasing costs.

(C) Honour attained

In 2008, the Group was nominated by the Forbes China, an influential business magazine, as one of the "2008 China Best Small & Medium-Sized Enterprises" as well as by the Economic Digest, a leading financial magazine in Hong Kong, as one of the "2008 Hong Kong Outstanding Enterprises" respectively. These honours fully recognize the Group's unique position in the market and its potential of sustainable growth.

(D) Prospects

The outbreak of the sub-prime mortgage crisis in the United States has triggered worldwide financial tsunami and credit crunch, causing volatility in financial markets and drastic plunge in consumer spending and market demand. We expect that it will take a considerable period of time to improve current economic condition and restore market confidence, therefore the manufacturing industry in Hong Kong and the PRC will face many new challenges in the coming year.

To cope with the financial tsunami, the Group has implemented more stringent cost control measures in particular on negotiating material price reduction and consolidating production facilities in order to improve operational efficiency as well as to reduce overall operating and administrative expenses. Conservative cash management including closely monitoring of inventory level of raw material and finished products and account receivables cycle is also in place so as to maintain a healthy cash position for the Group. Our cost control measures have proven to be effective in the fourth quarter of the year 2008. Meanwhile, some factors such as surging raw material prices and appreciation of Renminbi, which have adversely affected the Group's results in the year 2008, have been stabilized recently. In view of the above, we are confident that the gross profit margin of the Group can be improved in the coming year.

In future, the Group will focus its business direction on notebook computers as there is a rising market trend that desktop computers will be replaced by notebook computers at a much faster pace. Benefiting from the development of this new market trend, the Group will continue to undertake research and development on the application of magnesium alloy for notebook computers, devote more resources to improve material application and provide various surface finishing solutions. The Group will also actively search for new customers in order to further enhance its turnover and profitability.

The Group will continuously focus on the research and development of new products and production technologies to open up new markets and lower its manufacturing cost. During the year under review, the development of horizontal dual controlled die casting machine, which is one of the sponsored projects under the "Eleventh Five-year Plan" of the PRC, was completed and successfully commissioned. This machine can be used to produce magnesium alloy notebook computer casings with thinner surface and better surface finishing quality. The production costs can be saved by less wastage of raw materials together with a higher yield rate. In addition, this machine has also been used to produce aluminium alloy die casting products for one of our major customers in order to improve their surface finishing quality.

The Group will also carry out research and development on the application of new metal alloys, metal forming and surface treatment technologies as well as production automation in order to enhance its competitive strengths. Since polishing is a labour-intensive production process, the Group will develop an automatic polishing machine jointly with a machine supplier in order to reduce our labour costs.

The construction of the first phase of the industrial complex in Daya Bay, Huizhou, the PRC comprising gross floor area of approximately 43,000 sq.m. was commenced in April 2007 and has been completed in April 2009 and the operation of this new production facility has now gradually commenced. The production capabilities of the Group can be therefore expanded in order to cater for the needs of our major customers and support the long-term business strategies of the Group.

The development of plastic division is part of the Group's plan to transform itself from a metal die casting component manufacturer into a vertically integrated one-stop service provider, while part of its finished products are not only made of metal parts but also with some plastics contents. The Group believes that the continuing development of plastic business will not only provide the momentum for the Group's future growth, but also enable the Group to provide a more comprehensive service to its customers and reduce the costs of its customers in logistic and quality control aspects that arise from their current practices to outsource the production of metal and plastic components to different suppliers. This will further strengthen the Group's market position to become a one-stop service provider for metal and plastics components.

Due to the outbreak of the financial tsunami, it is expected that the demand for raw materials will decrease drastically. In view of this, the Group's plan to establish a joint venture company to develop rare earth magnesium alloy had been temporarily put on hold as the profitability of this joint venture company might be undermined. However, the research and development of rare earth magnesium alloy will continue. Rare earth magnesium alloy is formed by adding rare earth elements into the magnesium alloy to strengthen the original physical properties of the magnesium alloy. Addition of appropriate rare earth elements can enhance metal flow by 10% to 20% and the salt spray test has also proved that the corrosion resistance of magnesium alloy can be remarkably improved. The application of rare earth magnesium alloy on notebook computer casings can also enhance yield rate and in turn lower our production costs.

Despite the upheaval in the global economy, the management believes that opportunities exist even in a crisis and stronger players can gain further market shares under the wave of industry consolidation. Backed by the Group's resilient business model, diversified customer base as well as prudent financial management, the Group remains confident in its prospects and its capabilities to overcome the challenges ahead.

(E) Liquidity and Financial Resources

As at 31 December 2008, the Group had bank and cash balances of approximately HK$74,940,000 (31 December 2007: HK$166,039,000), most of which were either denominated in US dollars, Renminbi or Hong Kong dollars.

Total interest-bearing borrowings of the Group as at 31 December 2008 were approximately HK$81,714,000 (31 December 2007: HK$94,207,000), comprising bank loans and overdrafts of approximately HK$25,439,000 (31 December 2007: HK$68,555,000) repayable within one year or on demand, term loans of HK$24,346,000 (31 December 2007: HK$14,526,000) with maturity of not more than four years and obligations under finance leases of approximately HK$31,929,000 (31 December 2007: HK$11,126,000). All of these borrowings were denominated in Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 31 December 2008, the gearing ratio (a ratio of the sum of total interest-bearing borrowings and obligations under finance leases divided by total equity) of the Group was approximately 15.1% (31 December 2007: 18.1%).

As at 31 December 2008, the net current assets of the Group were approximately HK$177,824,000 (31 December 2007: HK$251,227,000), which consisted of current assets of approximately HK$313,056,000 (31 December 2007: HK$435,432,000) and current liabilities of HK$135,232,000 (31 December 2007: HK$184,205,000), representing a current ratio of approximately 2.3 (31 December 2007: 2.4).

(F) Exposure to Foreign Exchange Risk

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars or Renminbi. To mitigate the risks due to fluctuation in foreign currency exchange rates, the Group had used foreign currency forward contracts to manage its foreign currency exposure during the year under review.

(G) Contingent Liabilities

As at 31 December 2008, the Group had no material contingent liabilities.

(H) Charge on Assets

As at 31 December 2008, the Group's banking facilities were secured by guarantees given by the following assets: (a) the Group's bank deposits; (b) lessors' title to the leased assets under finance leases; and (c) a property situated in Hong Kong owned by the Group.

(I) Human Resources

As at 31 December 2008, the Group had approximately 2,200 full-time employees (31 December 2007: 2,300). The Group attributes its success to the hard work and dedication of its staff as a whole, therefore, they are deemed to be the most valuable assets of the Group. In order to attract and retain high caliber staff, the Group provides competitive salary package, including retirement scheme, medical benefit and bonus. The Group's remuneration policy and structure is determined based on market trends, the performance of individual staff as well as the financial performance of the Group. The Group has also adopted a share option scheme as incentive and reward for those qualifying staff who have made contribution to the Group.

The Group provides regular training courses for different level of staff and holds various training programs together with PRC institutes and external training bodies. Apart from academic and technical training, the Group also organizes different kinds of recreational activities, including New Year gathering, various sport competitions and interest groups. The aim is to promote interaction among staff, establish harmonious team spirit and promote healthy lifestyle.

(J) Use of Proceeds

The Group was listed on the Main Board of the Stock Exchange on 27 June 2007. The net proceeds amounted to approximately HK$274,400,000 would be applied for the purposes as set out in the Company's prospectus dated 12 June 2007. As at 31 December 2008, approximately HK$103,173,000 was utilized for the expansion of production capacity, approximately HK$80,921,000 was utilized for the first phase construction of a new industrial complex in Daya Bay, Huizhou, the PRC, approximately HK$11,071,000 was utilized for research and development of production technologies, approximately HK$18,380,000 for repayment of bank borrowings and the remaining balance of the net proceeds had been deposited with licensed banks in Hong Kong and the PRC.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK0.6 cents per share for the year ended 31 December 2008 to the shareholders whose names appear on the register of members of the Company on Friday, 5 June 2009. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Friday, 5 June 2009, the final dividend will be paid on or about Monday, 15 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 2 June 2009 to Friday, 5 June 2009, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2008.

AUDIT COMMITTEE

The Company established the Audit Committee in June 2007. The primary duties of the Audit Committee are to review and approve the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee comprises three independent non-executive directors, namely Mr. Yeow Hoe Ann, John, Mr. Sun Kai Lit Cliff BBS, JP and Ir Dr. Lo Wai Kwok MH, JP and is chaired by Mr. Yeow Hoe Ann John, a qualified accountant with extensive experience in financial reporting and controls.

NOMINATION COMMITTEE

The Nomination Committee was set up in June 2007 for the purpose of making recommendations to the Board on the appointment of directors and the management of the Board succession. The members of the Nomination Committee are Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP, Mr. Yeow Hoe Ann John and Dr. Keung Wing Ching. Mr. Sun Kai Lit Cliff BBS, JP is the Chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in June 2007. The major duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, the award of bonuses and other compensation payable to directors and senior management. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP, Mr. Yeow Hoe Ann John and Dr. Keung Wing Ching. The Chairman of the Remuneration Committee is Mr. Sun Kai Lit Cliff BBS, JP, an independent non-executive director.

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 of the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code for the year ended 31 December 2008.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2008.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere appreciation to our customers, suppliers and shareholders for their continuing support, and our management and staff for their dedication and contribution to the Group throughout the year.

By order of the Board
LEE YUEN FAT
Chairman

Hong Kong, 17 April 2009

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lee Yuen Fat, Dr. Keung Wing Ching, Mr. Wong Wing Chuen, Mr. Chan Tat Cheong, Alan and Mr. Zhao Jian, and three independent non-executive directors, namely Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP and Mr. Yeow Hoe Ann John.