KINGWAY BREWERY HOLDINGS LIMITED

金 威 啤 酒 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 124)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

	For the year ended 31 December 2008	2007	Change
Beer sales volume, in tonne	**641,000**	740,000	-13.4%
Gross profit, in thousand HK$	**292,345**	508,225	-42.5%
Loss for the year, in thousand HK$	**(39,911)**	(23,573)	+69.3%
Basic loss per share, in HK cent	**(2.3)**	(1.5)	+53.3%
EBITDA, in thousand HK$	**192,095**	201,477	-4.7%

	As at 31 December 2008	2007	Change
Current ratio	**0.8 times**	0.8 times	-
Gearing ratio[1]	**5.7%**	8.5%	-2.8%
Total assets, in million HK$	**3,813**	3,970	-4.0%
Net asset value per share, in HK$	**1.74**	1.66	+4.8%
Year-end number of employees	**2,714**	2,388	+13.7%

Note:

1 Gearing ratio = (Interest-bearing debt — cash and cash equivalents)/net assets

* *For identification purpose only*

FINANCIAL RESULTS

The Board of Directors of Kingway Brewery Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with comparative figures for 2007 are as follows:

Consolidated Income Statement
For the year ended 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
REVENUE	4	**1,347,057**	1,579,431
Cost of sales		**(1,054,712)**	(1,071,206)
Gross profit		**292,345**	508,225
Other income and gains		**70,611**	47,008
Selling and distribution expenses		**(234,989)**	(410,916)
Administrative expenses		**(134,965)**	(129,526)
Finance costs		**(30,271)**	(24,670)
LOSS BEFORE TAX	5	**(37,269)**	(9,879)
Tax	6	**(2,642)**	(13,694)
LOSS FOR THE YEAR		**(39,911)**	(23,573)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic		**(2.3) HK cents**	(1.5) HK cents
Diluted		**N/A**	(1.5) HK cents

Consolidated Balance Sheet
31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,897,285**	2,820,882
Investment properties		**36,368**	33,762
Prepaid land lease payments		**251,656**	243,367
Goodwill		**9,384**	9,384
Reusable packaging materials		**42,362**	72,732
Deferred tax assets		**4,999**	4,618
Total non-current assets		**3,242,054**	3,184,745
CURRENT ASSETS			
Inventories		**259,269**	318,228
Trade and bills receivables	8	**38,139**	61,744
Prepayments, deposits and other receivables		**30,629**	52,855
Tax recoverable		**-**	948
Pledged and restricted bank balances		**646**	3,970
Cash and cash equivalents		**242,689**	347,144
Total current assets		**571,372**	784,889
CURRENT LIABILITIES			
Trade payables	9	**(79,594)**	(83,053)
Tax payable		**(68)**	(296)
Other payables and accruals		**(305,991)**	(378,725)
VAT payable		**(4,480)**	(2,103)
Derivative financial instrument		**(18,794)**	(35,718)
Due to the immediate holding company		**(237)**	(218)
Due to fellow subsidiaries		**(8,105)**	(43,707)
Interest-bearing bank borrowings		**(278,560)**	(427,480)
Total current liabilities		**(695,829)**	(971,300)
NET CURRENT LIABILITIES		**(124,457)**	(186,411)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,117,597**	2,998,334
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**(135,000)**	(160,000)
Deferred tax liabilities		**(8,322)**	(8,260)
Total non-current liabilities		**(143,322)**	(168,260)
Net assets		**2,974,275**	2,830,074
EQUITY			
Issued capital		**171,154**	170,667
Reserves		**2,803,121**	2,659,407
Total equity		**2,974,275**	2,830,074

Notes:

(1) Basis of Presentation

Despite the fact that the Group's total assets exceed its current liabilities by HK$3,117,597,000 and reported a net cash inflow from operating activities of HK$203,317,000, during the year ended 31 December 2008, the Group incurred a net loss of HK$39,911,000, and had net current liabilities of approximately HK$124,457,000 as at 31 December 2008.

In order to improve the Group's financial position, immediate liquidity and cash flow and otherwise to sustain the Group as a going concern, the Group is implementing the following measures:

(a) the Group has obtained new unsecured bank facilities totaling RMB300 million, which shall be revolving in nature and available for general working capital purpose, with the maturity term of two years;

(b) the directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses; and

(c) the Group has been implementing various strategies to improve the Group's sales.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values 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 effects of these adjustments have not been reflected in these consolidated financial statements.

(2) Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a derivative financial instrument and investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

(2) Basis of Preparation (cont'd)

Change of accounting estimate in useful life of buildings and plant & machinery

In prior years, the Group's certain buildings and plant & machinery were depreciated on a straight-line basis over a period of 20 years and 15 years, respectively. The directors of the Company have reassessed the estimated economic useful life of the Group's buildings and plant & machinery, taking into account of current business environment and conditions and the expected pattern of economic benefits from these assets, and have revised the estimated economic useful life of certain buildings from 20 years to 30 years and the estimated economic useful life of certain plant & machinery from 15 years to 20 years. The changes in accounting estimates have been applied prospectively from 1 January 2008. The aggregate effect of these changes in accounting estimates is a decrease in the depreciation expenses and the net loss for the year ended 31 December 2008 of HK$29,360,000, and HK$29,159,000 (after tax expenses of HK$201,000), respectively. The reduction in accounting depreciation resulted in a decrease in the Group's deferred tax assets which are not recognised in the current year.

(3) Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures - 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 adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(4) Segment Information

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after trade discounts, allowances for returns, value-added tax and consumption tax, after elimination of all significant intra-group transactions.

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No further business segment information is presented as the Group's operations relate solely to the production, distribution and sale of beer. Summary details of the geographical segments are as follows:

(a) the Mainland China segment engages in the production, distribution and sale of beer in Mainland China;

(b) the Overseas and Hong Kong segment engages in the distribution and sale of beer in Hong Kong, Macau, and overseas; and

(c) the Corporate segment engages in providing corporate services to the Mainland China segment, and the Overseas and Hong Kong segment in Hong Kong.

In determining the Group's geographical segment, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment transactions mainly represent the sale of beer by the Mainland China segment which was made on the bases determined within the Group.

(4) Segment Information (cont'd)

Geographical segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Group

	2008				
	Mainland China	**Overseas and Hong Kong**	**Corporate**	**Eliminations**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment revenue:					
Sales to external customers	**1,272,870**	**74,187**	**-**	**-**	**1,347,057**
Intersegment sales	**33,226**	**-**	**-**	**(33,226)**	**-**
Other income and gains	**28,392**	**-**	**36,047**	**-**	**64,439**
Total	**1,334,488**	**74,187**	**36,047**	**(33,226)**	**1,411,496**
Segment results	**(65,501)**	**25,310**	**27,021**	**-**	**(13,170)**
Bank interest income					**6,172**
Finance costs					**(30,271)**
Loss before tax					**(37,269)**
Tax					**(2,642)**
Loss for the year					**(39,911)**

	2007				
	Mainland China	Overseas and Hong Kong	Corporate	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:					
Sales to external customers	1,508,396	71,035	-	-	1,579,431
Intersegment sales	27,327	-	-	(27,327)	-
Other income and gains	30,720	-	543	-	31,263
Total	1,566,443	71,035	543	(27,327)	1,610,694
Segment results	(12,209)	22,016	(10,761)	-	(954)
Bank interest income					15,745
Finance costs					(24,670)
Loss before tax					(9,879)
Tax					(13,694)
Loss for the year					(23,573)

(4) Segment Information (cont'd)

Geographical segments (cont'd)

Group

	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		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
Assets and liabilities:										
Segment assets	**3,556,516**	3,601,925	**7,705**	9,497	**871**	2,480	**-**	-	**3,565,092**	3,613,902
Unallocated assets									**248,334**	355,732
Total assets									**3,813,426**	3,969,634
Segment liabilities	**383,231**	493,704	**3,383**	2,911	**11,793**	11,191	**-**	-	**398,407**	507,806
Unallocated liabilities									**440,744**	631,754
Total liabilities									**839,151**	1,139,560
Other segment information:										
Depreciation and amortisation	**199,046**	186,628	**47**	58	**-**	-	**-**	-	**199,093**	186,686
Fair value gains on investment properties	**1,227**	1,629	**-**	-	**-**	-	**-**	-	**1,227**	1,629
Capital expenditure	**65,022**	650,869	**43**	-	**-**	-	**-**	-	**65,065**	650,869

(5) Loss Before Tax

This is arrived at after charging/(crediting):

	2008	2007
	HK$'000	HK$'000
Cost of inventories sold	**1,054,712**	1,071,206
Depreciation	**153,178**	146,154
Recognition of prepaid land lease payments	**6,371**	5,424
Amortisation of reusable packaging materials	**39,544**	35,108
Loss on disposal of items of property, plant and equipment	**1,015**	722
Impairment of construction in progress and prepaid land lease payment	**-**	3,130
Reinvestment tax refunds	**-**	(9,189)
Fair value gains on investment properties	**(1,227)**	(1,629)
Bank interest income	**(6,172)**	(15,745)

(6) Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Tax Law"), which is effective from 1 January 2008. Under the New CIT Tax Law, corporate income tax rate for domestic companies and foreign-invested enterprises will decrease from 33% to 25% since 1 January 2008. In addition, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them over the next five years.

Pursuant to the PRC tax laws, certain subsidiaries of the Group are entitled to preferential tax treatment with full tax exemption from PRC corporate income tax ("CIT") for two years, followed by 50% reduction in CIT rate for the next three years.

Shenzhen Kingway Brewing Co., Ltd. is entitled to a 50% tax relief for the years ended 31 December 2008 and 2007.

Kingway Brewery (Dongguan) Co., Ltd. is entitled to a 50% tax relief for the year ended 31 December 2008 and was exempted from CIT for the year ended 31 December 2007.

Kingway Brewery (Shan Tou) Co., Ltd. and Kingway Brewery (Foshan) Co., Ltd. are exempted from CIT for the year ended 31 December 2008 and 2007.

Kingway Brewery (Tianjin) Co., Ltd., Kingway Brewery (Xian) Co., Ltd. and Kingway Brewery Group (Chengdu) Co., Ltd. have not generated any accumulated assessable profits since their establishments. Pursuant to the New CIT Tax Law, these companies are entitled to full tax exemption from CIT for two years commencing from 1 January 2008, followed by 50% reduction in CIT rate for the next three years.

(6) Tax (cont'd)

	2008 HK$'000	2007 HK$'000
Group:		
Current:		
Hong Kong:		
Charge for the year	**3,228**	3,730
Under/(over)provision in prior years	**(332)**	69
Mainland China:		
Charge for the year	**209**	4,735
Overprovision in prior years	**(102)**	(100)
Deferred	**(361)**	5,260
Total tax charge for the year	**2,642**	13,694

(7) Loss per Share Attributable to Ordinary Equity Holders of the Company

Diluted loss per share amount for the year ended 31 December 2008 has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of basic and diluted loss per share are based on:

	2008 HK$'000	2007 HK$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	**(39,911)**	(23,573)

	Number of shares 2008	Number of shares 2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,709,103,847**	1,593,923,090
Effect of dilution - weighted average number of ordinary shares that would have been issued on deemed exercise of all share options with dilutive effects at nil consideration	**-**	13,658,019
For the purpose of diluted loss per share calculation	**1,709,103,847**	1,607,581,109

(8) Trade and Bills Receivables

The Group's trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30 to 180 days of issuance. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on payment due date and net of provisions, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 3 months	**24,614**	16,800
3 to 6 months	**1,379**	750
6 months to 1 year	**662**	486
Over 1 year	**507**	367
	27,162	18,403
Less: Impairment	**(746)**	(390)
Trade receivables	**26,416**	18,013
Bills receivables	**11,723**	43,731
	38,139	61,744

(9) Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 3 months	**64,854**	69,950
3 to 6 months	**9,035**	8,111
6 months to 1 year	**3,784**	2,137
Over 1 year	**1,921**	2,855
	79,594	83,053

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

CHAIRMAN'S STATEMENT

Results

The Group's sales volume of beer in 2008 amounted to 641,000 tonnes, representing a decrease of 13.4% over last year. The Group recorded a loss of HK$39.91 million for the year ended 31 December 2008 as compared with a loss of HK$23.57 million last year. The worsened results for the year was mainly attributable to (i) the decrease in the Group's sales volume; (ii) the rise in production costs as a result of increase in prices of raw materials and unit fixed costs; and (iii) the increase in administration expenses following the full-year operation of the brewery plants in Xian and in Chengdu and the commencement of operation in 2008 of the new brewery plant in Foshan, in addition to the increase in finance costs.

Business Review

Year 2008 was a relatively difficult year for the Group in the following aspects:

(a) The Group's overall beer consumption in Guangdong dropped under the impact of natural factors such as the snowstorm at the beginning of the year and the relatively heavy rainfall recorded in the first half of the year; and dampened by the financial tsunami at the end of the year. On the other hand, the excessive production capacity and fierce competition in the beer industry of Guangdong had also affected the Group's sales volume in Guangdong as well as the Group's operating results.

(b) Although the Group's brewery plants in Tianjin, Xian and Chengdu had taken a favorable turn in operation, they were yet to operate in full capacity and make contribution to the Group's operating profit when they were still operating at a loss.

Confronted with such operational difficulties, the Group had adopted a number of measures, including (i) proactive exploration of markets outside Guangdong, and initiatives to address the drop in sales volume in Guangdong and its impacts on the Group; (ii) implementation of cost leadership strategy to lower production costs in all aspects and by different means; and (iii) streamlined production and functional departments to reduce administration costs.

Outlook

With the full-scale operation of our brewery plants built in recent years, the Group's short-term target is to improve its sales volume of beer in different areas and thus the overall results. Influenced by the global economic downturn, it is expected that the sales of beer in Guangdong may encounter various difficulties in 2009 as the consumer base of beer goes down as a result of the decrease in the number of workers from other cities employed in export-oriented enterprises, which suffered most in the downturn, in Guangdong. However, the Group will address the situation actively and make corresponding adjustments in distribution channels, product mix and selling prices. The Group will also reinforce its sales effort in areas of Tianjin, Xian and Chengdu. Due to the sales groundwork in these cities has been laid, the Group anticipates that there will be further growth in sales volume of beer in these cities and their aggregate proportion of sales volume to the Group's overall sales volume will be enlarged in the coming year.

Against the backdrop of excessive capacity and fierce competition in the beer industry in the PRC, it will be the management's focus in the coming year to proactively explore new sales networks and consolidate existing markets, accelerate development of markets beyond Guangdong, enhance both the production and sales volume. We will also endeavor to strictly control inventory level, bring down gearing ratio and further reduce material purchase costs, with a view to polishing our operating results and ultimately boosting the overall return of the Group.

Finally, I would like to express my sincere gratitude for the strong support from our shareholders, consumers and distributors, our staff members who exemplified their wholehearted commitment during our robust growth and development phase, and our suppliers from various industries.

LI Wenyue
Chairman

Hong Kong, 17 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Key Operating Data

In 2008, production, distribution and sales of Kingway beer remained the core business of the Group. Approximately two-third of the beer sold was produced in Guangdong Province, the PRC, while the remaining one-third of the beer sold was produced in Tianjin, Xian and Chengdu cities respectively.

Consolidated revenue for the year was HK$1,347 million (2007: HK$1,579 million), representing a decrease of 14.7% over the previous year. The average selling price per tonne of beer sold declined by 1.5% from the previous year, primarily due to the dilution in the weighted average selling price per tonne as a result of the increase in sales from markets outside Guangdong Province. Sales in Mainland China accounted for 94.5% of the consolidated revenue, representing a decrease of 15.6% over the previous year in terms of revenue. Sales in Overseas and Hong Kong markets accounted for 5.5% of the consolidated revenue, representing an increase of 4.4% over the previous year in terms of revenue. The Group recorded a consolidated loss after tax of HK$39.91 million (2007: HK$23.57 million) for the year ended 31 December 2008.

The average costs per tonne of beer increased from HK$1,448 in 2007 to HK$1,645 this year, representing an increase of 13.6%. The increase was primarily resulted from the rise in costs of various raw materials and packaging materials, together with the increased unit fixed costs per tonne of beer due to the drop in sales volume of beer. Owing to the decrease in average selling price per tonne of beer sold and adjustment of selling policy to some extent during the year, the gross profit margin decreased from 32.2% in the previous year to 21.7% for the year.

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2008.

Operating Expenses and Finance Costs

Selling and distribution expenses for the year amounted to HK$235 million (2007: HK$411 million), representing a decrease of 42.8% from the same period last year. Average selling and distribution expenses per tonne of beer sold for the year was HK$367 (2007: HK$555), representing a decrease of 33.9% from the same period last year. The decrease was primarily attributable to the adjustment of sales model by the Group in order to reasonably control selling expenses.

Administrative expenses for the year was HK$135 million (2007: HK$130 million), representing an increase of 3.8% over 2007. The increase was primarily attributable to the increase in administrative expenses after commissioning of the brewery plant in Foshan and full-year operation of the brewery plants in Xian and Chengdu.

Net finance costs for the year amounted to HK$30.27 million (2007: HK$24.67 million), representing an increase of 22.7% as compared to the same period last year. The main reason for the increase was that no capitalized interest expense was recorded in 2008 (2007: HK$8.47 million).

Taxation

Corporate Income Tax exemption for the first two profit-making years and a 50% tax relief in the following three years remained applicable to most subsidiaries of the Group in the PRC. Kingway Shantou plant was in its second year of tax exemption; Kingway Plant No. 2 in Shenzhen and Kingway Dongguan plant enjoyed a 50% tax relief for the year, while Kingway plants in Tianjin, Xian, Chengdu and Foshan enjoyed full Corporate Income Tax exemption for the year.

Capital Expenditure

The Group incurred capital expenditure (cash basis) of HK$153 million (2007: HK$550 million) during the year, representing a significant decrease of 72.2% from the same period last year. The capital expenditure was mainly used in settlement of remaining construction fees for the brewery plants in Foshan, Xian and Chengdu. With no new investment plan in place, it is expected that the capital expenditure of the Group will reduce further in 2009.

Financial Resources and Liquidity

The Group's net asset value was HK$2,974 million (2007: HK$2,830 million) as at 31 December 2008, representing an increase of 5.1% as compared to the same period last year. The net asset value per share was HK$1.74 (2007: HK$1.66 per share) based on the number of ordinary shares issued as at the year end, representing an increase of 4.8% as compared to the same period last year.

As at 31 December 2008, the Group had total cash and bank balances of HK$243 million (2007: HK$351 million), including pledged and restricted bank deposits of HK$0.65 million (2007: HK$3.97 million), representing a decrease of 30.8% from the same period last year. Of the balances at year end, 79.7% was in RMB, 16.9% in USD and 3.4% in HKD. Cash generated from operations for the year was HK$230 million (2007: cash used in operations HK$44 million), mainly attributable to the Group's efforts in the control of inventory level and working capital.

A total of HK$174 million of bank loan principal was repaid by the Group during the year, of which HK$149 million was repaid as per schedule, while the remaining HK$25 million was early repaid voluntarily by using surplus cash. Pursuant to the loan agreements signed with the banks, the Group will have to repay a total bank loan of HK$279 million in 2009. Given the Group's existing cash balances and available standby banking facility of RMB300 million (equivalent to HK$340 million), the Group will be able to repay these bank loans as scheduled.

Debts and Contingent Liabilities

The Group had bank loan balance of HK$414 million (2007: HK$587 million) as at the end of the year, which bore interest at a rate based on LIBOR or HIBOR. Of the total outstanding bank loan, HK$119 million was denominated in USD and the remaining HK$295 million was denominated in HKD. For the bank loan denominated in USD, a cross-currency interest rate swap contract was entered into for hedging purpose. The aim of the swap contract is to perfectly hedge interest rate and exchange rate between USD and RMB, thereby mitigating the Group's exposure to fluctuations in interest rate and exchange rate.

As at 31 December 2008, the Group's gearing ratio was 5.7% (2007: 8.5%), indicating its healthy and improving financial structure. None of the assets of the Group was pledged to creditors and no contingent liabilities existed as at 31 December 2008, except for HK$0.65 million of bank deposits which have been pledged or restricted for specific purposes.

Human Resources

The Group had 2,714 (2007: 2,388) employees as at 31 December 2008. The Group's total remuneration and provident fund for the year under review was approximately HK$191 million (2007: HK$154 million). The Group provided various basic benefits to its staff. In addition, there was an incentive policy which links the staff remuneration to the sales volume and results of the Group and their individual performance, which had effectively stimulated the initiatives of the staff.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 10 June 2009 to Friday, 12 June 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Friday, 12 June 2009, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2008.

REVIEW OF RESULTS

The results of the Group for the year ended 31 December 2008 have been reviewed by the audit committee of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

By Order of the Board
LI Wenyue
Chairman

Hong Kong, 17 April 2009

As at the date of this announcement, the Board comprises three executive directors, namely Mr. YE Xuquan, Mr. JIANG Guoqiang and Ms. LIANG Jianqin; seven non-executive directors, namely Mr. LI Wenyue, Mr. HUANG Xiaofeng, Mr. LUO Fanyu, Mr. Michael WU, Mr. Roland PIRMEZ *(Note 1)*, Mr. KOH Poh Tiong *(Note 2)* and Mr. Sijbe HIEMSTRA *(Note 3)*; and three independent non-executive directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

Notes:
1. Mr. Roland PIRMEZ has appointed Mr. LEE Meng Tat as his alternate director.
2. Mr. KOH Poh Tiong has appointed Mr. TAN Tiang Hing as his alternate director.
3. Mr. Sijbe HIEMSTRA has appointed Mr. Kenneth CHOO Tay Sian as his alternate director.